



DUFU TECHNOLOGY CORP. BERHAD
200201013949 (581612-A)

Exploring new growth **HORIZONS**



Annual Report 2023



22nd

ANNUAL GENERAL MEETING



Wednesday
8 May 2024



9.00 a.m.

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Exploring new growth **HORIZONS**

Nestled on the globe, the radiance of optimism bathes precision machining peripherals, encompassing tools and die components, on the horizon. This luminous glow signifies a promising future. Dufu Technology, a relentless force in the industry, exports its top-notch products to over ten countries spanning the Asia Pacific, Europe, Oceania, and North American regions.

Undeterred in its relentless pursuit of excellence, Dufu Technology actively endeavours to harness economies of scale and seize ever-expanding business opportunities. The company remains vigilant, adeptly responding to the challenging demands across the myriad markets it serves. In this dynamic landscape, Dufu Technology stands poised, propelled by a steadfast commitment to innovation and an unwavering dedication to fulfilling the diverse needs of its global clientele.

Corporate Information

Board Of Directors

Dato' Lee, Hui-Ta
also known as Li Hui Ta
Executive Chairman

Wu, Mao-Yuan
Executive Director

Sung, Cheng-Hsi
Independent Non-Executive Director

Joyce Wong Ai May
Independent Non-Executive Director

Yin, Chih-Chu
also known as Laurence Yin
Independent Non-Executive Director

Lee Yoke Khay
Independent Non-Executive Director



AUDIT COMMITTEE

Chairman
Joyce Wong Ai May

Members
Sung, Cheng-Hsi
Yin, Chih-Chu also known as
Laurence Yin
Lee Yoke Khay

NOMINATING COMMITTEE

Chairman
Lee Yoke Khay

Members
Sung, Cheng-Hsi
Joyce Wong Ai May
Yin, Chih-Chu also known as
Laurence Yin

REMUNERATION COMMITTEE

Chairman
Lee Yoke Khay

Members
Joyce Wong Ai May
Sung, Cheng-Hsi
Yin, Chih-Chu also known as
Laurence Yin

INVESTMENT COMMITTEE

Chairman
Yin, Chih-Chu also known as
Laurence Yin

Members
Joyce Wong Ai May
Wu, Mao-Yuan
Lee Yoke Khay

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Chairman
Dato' Lee, Hui-Ta also known as Li
Hui Ta

Members
Teoh Chiew Hong
David Khoo Chong Beng
Yeoh Beng Hooi (*Resigned on*
31 March 2023)

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Chairman
Joyce Wong Ai May

Members
Sung, Cheng-Hsi
Yin, Chih-Chu also known as
Laurence Yin
Lee Yoke Khay
Teoh Chiew Hong (*Appointed on*
28 April 2023)
David Khoo Chong Beng
Yeoh Beng Hooi (*Resigned on*
31 March 2023)

COMPANY SECRETARIES

How Wee Ling
(MAICSA 7033850)
(SSM PC No: 202008000869)
Ooi Ean Hoon
(MAICSA 7057078)
(SSM PC No: 202008000734)

AUDITORS

Crowe Malaysia PLT
Chartered Accountants
Level 6, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604-2277061
Fax : 604-2278011

REGISTERED OFFICE

57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604-6408932
Fax : 604-6438911
Email : sec@rtalliance.com

HEAD OFFICE

19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang, Malaysia
Tel : 604-6161300
Fax : 604-6161372
Website: www.dufutechnology.com

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Company No.197701005827 (36869-T)
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-20849000
Fax : 603-20949940
Email : info@sshsb.com.my

PRINCIPAL BANKERS

AmBank (M) Berhad
Malayan Banking Berhad
Public Bank Berhad
Standard Chartered Bank Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector : Industrial Products &
Services
Sub-Sector : Industrial Materials,
Components &
Equipment
Stock Name : DUFU
Stock Code : 7233

Corporate Milestones

1987

Incorporation of Dufu Industries Sdn Bhd (DISB)

1990

Secured a main HDD customer for 5.25-inch disk spacers, marking the commencement of the HDD business of DISB

1994

DISB moved its operation to its own premises at Plot 19, Free Industrial Zone, Phase IV, Bayan Lepas, Penang

2002

Incorporation of Dufu Technology Corp. Berhad (Dufu)

Set-up of Dufu Industries Services Pte. Ltd. (DISPL) in Singapore as the service and marketing arm to strengthen the Group's presence in the region

2007

Dufu was listed on the second board of Bursa Malaysia

2019

Dufu was accorded with THE EDGE's Centurion Club Corporate Award 2019 - "Highest Growth in Profit After Tax Over Three Years"

2018

DISB acquired 70,000 sq. feet built-up property, located at Taman Perindustrian Bukit Minyak, Simpang Ampat, Penang for a purchase consideration of RM11.4 million to further strengthen its sheet metal fabrication, assembly and stamping capabilities in the industrial, health care and life sciences market sectors

Incorporation of a second subsidiary in China, Guangzhou Futron Precision Industries Co., Ltd (Futron PI)
Futron PI acquired 216,000 sq. feet "land use rights" located at South side of Longxing Siheng Road, Longxing District, Conghua Industrial Park, Conghua District for a purchase consideration of RM7.1 million

2011

Incorporation of Dufusion Sdn Bhd (DFS)

DFS acquired a 62,000 sq. feet built-up property, located at Bayan Lepas Free Industrial Zone, Phase I, Penang for a purchase consideration of RM9 million

2008

Dufu's listing was transferred to the main board of Bursa Malaysia

Acquisition of Guangzhou Futron Technology Co. Ltd. (Futron) to complement its HDD business and manufacturing of precision steel parts by broadening the Group's manufacturing base in China as part of its business risk diversification

2020

Dufu was accorded with THE EDGE's Billion Ringgit Club (BRC) Award 2020 - "Highest Returns to Shareholders Over Three Years"

2021

Dufu was named as one of the 200 Asia-Pacific public companies with less than US\$1.0 billion in revenue and consistent top and bottom-line growth on Forbes' list of Asia's Best Under A Billion 2021

DTC was once again named THE EDGE's BRC Award 2021 - "Highest Returns to Shareholders Over Three Years" for the second consecutive year

2022

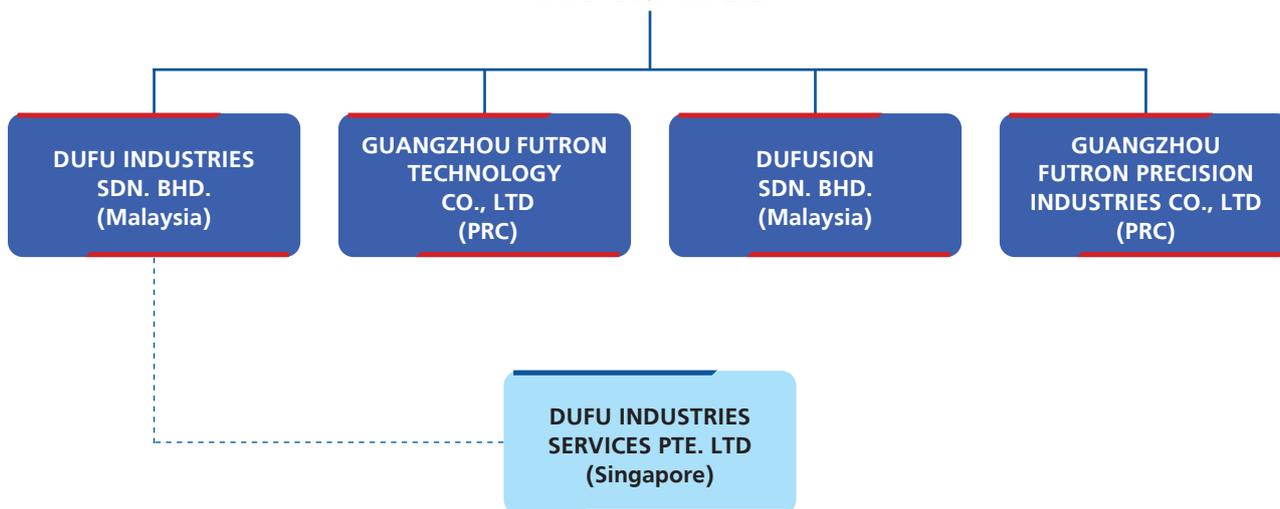
Dufu was added to the constituents of the FTSE4Good Bursa Malaysia ("F4GBM") Index and the FTSE4Good Bursa Malaysia Shariah ("F4GBMS") Index

DFS entered into agreement to purchase 2 units of freehold properties with land areas measuring 21,732 square metres, located at Mukim 12, Daerah Seberang Perai Selatan, Penang for a purchase consideration of RM45.4 million

Group Structure



DUFU TECHNOLOGY CORP BERHAD
 "DUFU" and Subsidiaries
 As at 31 December 2023



Principal Activities

Dufu Technology Corp. Berhad (Registration No. 200201013949 (581612-A)) is principally involved in investment holding. The subsidiaries of Dufu as at 31 December 2023 are as follows: -

Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Dufu Industries Sdn. Bhd. Registration No. 198701006751 (165467-T)	Malaysia	100%	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts for hard disk drive.
Guangzhou Futron Technology Co., Ltd (914401017371887143)	People's Republic of China (PRC)	100%	Manufacturing and trading of optics and magnetism driver and parts.
Guangzhou Futron Precision Industries Co., Ltd (91440101MA5CC6TT0A)	People's Republic of China (PRC)	100%	Engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts, etc.
Dufusion Sdn. Bhd. Registration No. 201101020016 (948150-U)	Malaysia	100%	Design, develop, manufacture, fabricate, assembly and trading of precision steel mould, metal products and steel parts, medical industry's chairs and instrument tables, etc.
*Dufu Industries Services Pte. Ltd (200204589D)	Singapore	100%	Processing and trading of high quality computer disk-drive related components.

*A Wholly-Owned Subsidiary of Dufu Industries Sdn. Bhd.



Dear Fellow Shareholders,

On behalf of the Board of Directors of Dufu Technology Corp. Berhad (“Dufu”), it gives me great pleasure to present to you the Annual Report of the Company for the financial year ended 31 December 2023 (“FY2023”).

Financial and Operating Environment

FY2023 unfolded against a tumultuous backdrop characterized by several impactful events. The prolonged conflict between Russia and Ukraine, the war in Gaza, alongside the escalating trade tensions between the United States and China, coupled with persistent inflation and rising interest rates, significantly influenced market dynamics. These factors collectively led to a noticeable downturn in the demand for both consumer and industrial electronics.

Within our key markets, particularly in the Hard Disk Drives (“HDD”) segment, we witnessed the repercussions of this slowed global demand, notably within enterprise and cloud data centers. In response to these adversities, cloud service providers and data centers strategically adopted proactive measures. They aimed to extend the life cycle of their investments; a move prompted by the challenges highlighted above.

However, this strategic shift in investment longevity within cloud services and data centres have had a consequential impact on Dufu’s operating environment. The adjustments made by these entities in response to the prevailing adversities have reverberated across our operations in both Malaysia and China, creating notable challenges within our operational landscape.

Furthermore, our operations in Malaysia faced significant challenges. These included soaring energy bills, amplified costs due to inflationary pressures, and the complexities stemming from manpower challenges. These hurdles collectively compounded the operational landscape, presenting additional obstacles throughout the year.

Against this backdrop, revenue for the Group declined by 25.1% compared to that in Financial Year Ended 31 December 2022 (“FY2022”) as the Group delivered lower units of HDD components due to the subdued demand from our customers and slower-than-expected recovery in China. The Group’s revenue for FY2023 declined to RM227.8 million from RM304.0 million a year earlier. Consequently, Profit Before Tax fell 60.3% to RM33.6 from RM84.5 in FY2023, while Profit After Tax dropped 63.7% to RM24.3 million from the preceding year.

A more detailed review of the Group’s financial performance is covered under the section on “Management Discussion and Analysis” in this Annual Report.

Chairman's Statement (Cont'd)

Rewarding Shareholders

A single tier interim dividend for FY2023 of 1.5 sen per ordinary share was disbursed on 22 September 2023. Additionally, a final dividend of 2 sen per ordinary share was proposed by the Board on 27 February 2024, rewarding shareholders a total yearly dividend of 3.5 sen per ordinary share.

This reflects a 46.2% decrease from the 6.5 sen dividend declared in the previous financial year. The drop in the dividend payout aligns with the Group's declining profitability, indicating a proportional reduction in dividends due to the drop in overall earnings.

Notwithstanding this figure represents an estimated dividend pay-out amounting to RM18.56 million from the Group's attributable profit which surpasses our dividend policy, of aiming to allocate approximately 50% of net profit less other income to shareholders. This deviation signifies a payout of 76%, reflecting a higher return to shareholders than initially outlined in our dividend policy.

Continuing our Sustainability Journey

Having gleaned insights from our experiences, we've diligently evaluated successful strategies and identified areas for enhancement to elevate our sustainability endeavours. Throughout this journey, we've consistently benchmarked our progress against esteemed frameworks such as the Global Reporting Initiative ("GRI") Framework, United Nations Sustainable Development Goals ("SDGs"), Responsible Business Alliance Framework ("RBA"), and the Bursa Malaysia FTSE Russel ESG Model Framework. We have also benchmarked our 2023 sustainability disclosures and reporting with reference to the revised universal standards of GRI 2021. Following Bursa Malaysia's updated reporting requirements, the implementation of recommendations of the Task Force on Climate-Related Change Financial Disclosures ("TCFD") will be made mandatory by 2025. In supporting of elevating sustainability reporting in Malaysia, Dufu has begun voluntarily implementing of its enhanced climate-related disclosures in phases, well ahead of the stipulated timeframe. On top of this, we have also engaged Eco Asia Advisory Sdn Bhd to undertake a limited review to provide an independent assurance on the content of our Sustainability Report FY2023.

Dufu has maintained its inclusion in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index for the second year in a row. The index is designed to highlight companies that demonstrate a leading approach to addressing environmental, social and governance (ESG) risks. The Index is regularly used by large, mainstream institutional investors looking to meet an ESG mandate.

On 14 October 2023, Dufu has received an 'AA' rating by MSCI ESG Ratings for the third consecutive year. This leadership rating of 'AA' places Dufu among the top 45% of 229 Industrial machinery sector rated globally based on the MSCI ACWI Index (All Country World Index), of which only 13% achieved the highest rating of AAA. The Ratings report stated among others, that the 'AA' score comes on the back of Dufu's strong corporate governance and business ethics framework, which includes amongst others detailed anti-corruption policies, whistleblower protection and ethics training. MSCI ESG Ratings aim to measure a company's resilience to long-term ESG risks. Companies are scored on an industry-relative AAA-CCC scale across the most relevant key issues based on a company's business model. In addition, many

companies use their inclusion in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index and MSCI ratings as a way to show their commitment to having strong ESG performance. For us, this is a significant milestone and a testament to our dedication to sustainability.

With our continuous dedications and commitments in preserving the natural environment, we have implemented several measures to reduce electricity consumption. The installation of an industrial-scale Solar Photovoltaic ("PV") system at our Bayan Lepas manufacturing site in December 2011, boasting an installed capacity of 813.14kWp, marked a significant shift toward renewable energy. In FY2023, our green energy production totaled 1,076 MWh, leading to a reduction of 1,073 tonnes of CO2 emissions or the equivalent of planting 58,113 trees annually to absorb CO2. Expanding our commitment, we augmented our renewable energy infrastructure by adding 431.2kWp capacity, to be completed in the first half of 2024. With a new total installed capacity of 1,244.34 kWp, this expansion represents a 50% increase in our renewable energy output moving forward.

In our machinery and equipment domain, multiple retrofits were initiated to optimise electricity consumption. One significant addition includes the installation of an inverter air compressor equipped with Progressive Adaptive Control. This system monitors critical operational parameters, dynamically adapting to avert unexpected downtime while enhancing efficiency and airflow by optimizing rotor profiles, thereby boosting energy efficiency. Following our initial pilot project installed in the third quarter of 2023, our assessment unveiled an estimated 7% energy savings compared to our prior setup. Consequently, we're poised for a comprehensive rollout, procuring additional units of these energy-efficient inverter air compressors to replace all less energy-efficient models by first half of 2024.

Dufu remains steadfast in its commitment to uplifting the communities in which it operates, channelling expertise and resources toward their betterment. In 2023, a significant highlight was the organized public and media awareness efforts by Dufu, coupled with a cash contribution of RM150,000 toward Kuang Yu Chinese Primary School's relocation project to Batu Kawan. In addition to this corporate contribution, I personally contributed RM150,000, aiming to lead by example and further bolster this impactful initiative.

Towards end of 2023, Dufu has established measurable targets in relation to the management of material matters in its Sustainability Plan 2024. These established targets will drive accountability and sustainability performance over the short term while we have also established a 5-year medium-term for environmental linked performance indicators. Dufu will continue to make every effort to incorporate sustainability aspects into its business strategies and activities.

Moving forward, Dufu will uphold its culture of integrity, accountability and understanding to guide the company towards a sustainable future. We are committed to continue laying a solid foundation for sustainable development while integrating economic growth, environmental protection and social responsibility in its business strategies to design and manufacture high-quality products for the wellbeing of people and the benefit of society, aiming to drive sustainable value for its stakeholders and the communities.

A more detailed review of the Group's effort on sustainability initiatives is covered under the section on "Sustainability Statement" in this Annual Report.

Chairman's Statement (Cont'd)

Looking Ahead

The initial surge in demand for storage, computing, and networking during the Covid-19 pandemic was substantial. This sudden shift to remote work and increased reliance on digital tools created a spike in demand for devices and infrastructure to support this new way of working. However, as pandemic restrictions ease and the immediate demand wanes, a new normal in remote work might still sustain a higher baseline demand compared to pre-pandemic times. Economic factors have also played a significant role. Government stimuli injected into the economy led to inflation, prompting tighter monetary policies, including interest rate hikes. This curtailed spending and consumer purchasing power, impacting the demand for various products, including tech devices and storage solutions. Moreover, economic uncertainty tends to make consumers more cautious with their spending habits. This cautiousness, coupled with the general decline in consumer product demand, has affected purchases of storage devices.

Data centers, during the pandemic, stockpiled storage devices due to concerns about supply chain disruptions and the unprecedented demand. This excess inventory is now being gradually depleted, affecting the need for new purchases and slowing down the market. The adoption of emerging technologies like AI and IoT, which were expected to drive considerable demand for storage in data centers, might be taking longer to materialize. This lag in demand catching up with the surplus inventory contributes to the current slowdown. Additionally, the cyclic nature of the memory device market has its impact. Overproduction during profitable periods leads to a flood of products and subsequent price drops. This situation, combined with reduced demand, places financial strains on manufacturers.

As trade tensions persist between the United States and China, there's an evident and concerning cooling of relations anticipated to extend into 2024. This strain will significantly impact global cooperation on crucial issues in the upcoming years. Amidst these escalating tensions, the ongoing feud over China's access to advanced semiconductor technology, essential materials, and necessary equipment for its technological progress remains a focal point. Additionally, the vulnerabilities associated with China's economic condition, weighted by the turmoil in its property and stock markets, are poised to exert continued pressure on the consumer spending spree which indirectly impacted the storage market, contributing to its anticipated downturn.

This amalgamation of factors – from the lasting effects of the pandemic to economic shifts, technology adoption rates, cyclic market behaviour, geo political landscapes between the two largest economies of the world and changing consumer preferences – collectively contributes to the current slowdown in the storage industry. Finding equilibrium amidst these variables will be crucial for the industry to adapt and thrive in this evolving landscape.

In order to comprehend these challenges, we remain resolutely committed to proactively devising structured measures and decisive actions. These steps are crucial to staying ahead of emerging trends and effectively mitigating any potential adverse impacts on our organization. Through meticulous management oversight, we are steadfastly enhancing our production capabilities, ensuring they align with evolving market requirements and the ever-changing needs of our customers.

Our commitment extends to continuous investments in cutting-edge technology and advancements, fostering constant dialogue with stakeholders, and active participation in industry events. These strategic endeavors are geared toward fostering robust traction and seamless integration of our key business initiatives within the Group's operations. They are designed to remain responsive and deliver a net positive value to our esteemed customers and shareholders.

Our unwavering dedication to our core values — Determination, Unity, Focus and Understanding — remains at the heart of our operations. We aim to deliver sustainable value to all our stakeholders in a responsible manner, upholding these values as guiding principles in everything we do. We are positive that the Group will deliver sustainable financial results, with the expertise of its management team and the proactive implementation of strategies with our key focus on operation efficiency and cost effectiveness to enhance competitive advantages.

Appreciation

On behalf of the Board, I want to express our deepest gratitude to our customers and business partners for their unwavering support and trust in the Group. Their continued confidence has been pivotal to our success.

I would also like to extend my sincere appreciation to all our staffs and employees for their tremendous perseverance and determination as well as the commendable team spirit they have exhibited. These very noble traits and personal attributes are the fundamentals in ensuring the Group secures continuous success and advancement in all future opportunities.

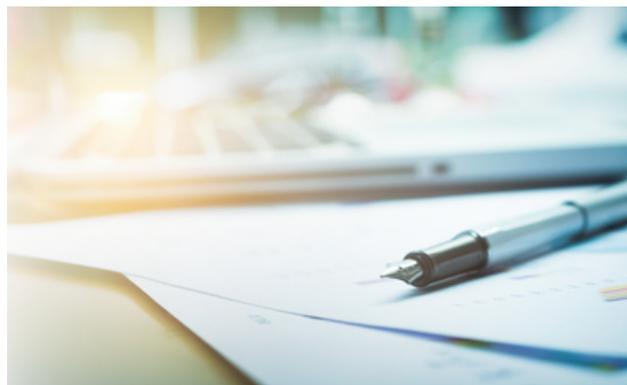
On special note, as the Executive Chairman, I am privileged to acknowledge the retirement of Mr. Yeoh Beng Hooi on 31 March 2023, and extend heartfelt gratitude on behalf of our entire team for his dedicated 19-year commitment to the Group, with the last seven years served as the Group CEO. His enduring contributions have played an instrumental role in fostering our growth and shaping the identity of our Company as it stands today. Personally, I deeply value his support and invaluable guidance during my tenure. Thank you sincerely, BH.

Lastly, I am immensely grateful to my esteemed fellow Board members for their invaluable counsel and insights. Their wisdom and guidance have been instrumental in steering us through this global storm. Together, we've navigated challenging waters and achieved milestones thanks to their astute leadership.

DATO' LEE, HUI-TA ALSO KNOWN AS LI HUI TA

Executive Chairman

20 March 2024



Board of Directors



From left to the right

1. SUNG, CHENG-HSI
Independent Non-Executive Director
2. YIN, CHIH-CHU
ALSO KNOWN AS LAURENCE YIN
Independent Non-Executive Director
3. DATO' LEE, HUI-TA
ALSO KNOWN AS LI HUI TA
Executive Chairman
4. WU, MAO-YUAN
Executive Director
5. JOYCE WONG AI MAY
Independent Non-Executive Director
6. LEE YOKE KHAY
Independent Non-Executive Director

Board of Directors' Profile



DATO' LEE, HUI-TA **ALSO KNOWN AS LI HUI TA**

Executive Chairman

Taiwanese | Male | 65 years

Dato' Lee, Hui-Ta also known as Li Hui Ta was appointed as the Executive Director and Chief Financial Officer of Dufu Technology Corp. Berhad ("Dufu" or "Company") on 1 September 2006. On 18 June 2015, he was appointed as Executive Chairman of the Group and subsequently, he relinquished his position as the Chief Financial Officer on 4 November 2016. He is the Chairman of the Employees' Share Option Scheme Committee. He graduated with a Diploma in Mechanical Engineering from St. John's & St. Mary's Institute of Technology Taiwan in 1979. He also obtained a degree in Business Administration from National Taipei University in 1988 and a Master of Business Administration from American California Miramar University in 2009.

Dato'Lee commenced his career as an engineering supervisor with He Li Ying Precision Industry, Taiwan in 1981 dealing with precision components and was promoted to Managing Director in 1983 where he was responsible for their entire operation. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping and tooling of component parts.

In 1990, Dato' Lee co-set up Dufu Industries Sdn Bhd ("DISB") to manufacture precision tooling and precision machining parts for computer-related components. He has more than thirty (30) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies.

On 9 July 2022, he was granted the title of "Dato" after being conferred the Darjah Setia Pangkuan Negeri ("DSPN") award. Previously, on 25 July 2017, he was conferred the Darjah Johan Negeri ("DJN") award. These awards were given in recognition for his exceptionally contribution towards the society especially in reinforcing a strong investor stance to buttress the business community in the northern region.



WU, MAO-YUAN

Executive Director

Taiwanese | Male | 67 years

Mr. Wu Mao-Yuan was appointed as a Non-Independent Non-Executive Director of Dufu on 19 December 2012 and was re-designated as an Executive Director on 27 August 2015. Mr. Wu currently serves as Managing Director of Guangzhou Futron Technology Co., Ltd ("Futron"), a subsidiary of the Group. He is a member of the Investment Committee of the Company.

Mr. Wu graduated from Taiwan Zhen Xin University in 1977 with a Diploma in Mechanical Engineering. Upon graduation, he started his career in 1979 as an Engineering Assistant responsible for the design and manufacturing of production jig and fixture with Da Di Ling Company. Subsequently, he joined Jin Feng Corp. in 1981 as a supervisor where he led the production team to manufacture motorcycle components. From 1988 to 1992, he was with Lee Bai Corp Ltd. as a Production Manager where he successfully commercialized a new precision machining project for the company. In 1993, Mr. Wu worked in DISB where he was responsible for overseeing its operation in line with technology evolvement within the industry. He left Malaysia in 2002 to set-up and established Futron plant in China. He is also a Compliance Officer of Superior Plating Technology Co. Ltd., a company listed in Taipei Exchange.

Board of Directors' Profile (Cont'd)



JOYCE WONG AI MAY

Independent Non-Executive Director

Malaysian | Female | 48 years

Ms. Joyce Wong Ai May was appointed as an Independent Non-Executive Director of Dufu on 23 May 2016. She is the Chairman of the Audit Committee and Risk Management and Sustainability Committee and a member of the Remuneration Committee, Nominating Committee and Investment Committee of the Company.

She graduated from University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an Accountant by profession and a member of the Malaysian Institute of Accountants and Fellow member of the Certified Practising Accountants, Australia. She started her career with Smith Zain Securities Sdn. Bhd as an Accounts Executive in 1999 and later became the Head of Finance in 2002 under BBMB Securities Sdn Bhd, Penang Branch (BBMB Securities Sdn Bhd took over the business of Smith Zain Securities Sdn Bhd). Ms. Joyce joined Hwang-DBS Securities Berhad in 2004 and then left the company to join an international accounting firm in 2005 and become their Director in 2015, before setting up her own consultancy firm where she is the Founder and also a Director of JWC Consulting Sdn. Bhd.

She also sits on the Industry Advisory Panel of the School of Business for Distel College, Penang. She is the Members' State Representative for CPA Australia, a member of the Finance Committee of a non-profit organisation and also an Independent Non-Executive Director of PCCS Group Berhad (a company listed on the Main Market of Bursa Malaysia Securities Berhad), Edeltec Holdings Berhad (a company listed on the ACE Market of Bursa Malaysia Securities Berhad) and 3Ren Berhad (a public company).



SUNG, CHENG-HSI

Independent Non-Executive Director

Taiwanese | Male | 45 years

Mr. Sung, Cheng-Hsi was appointed as an Independent Non-Executive Director of Dufu on 9 October 2015. He is also a member of the Audit Committee, Nominating Committee, Remuneration Committee, Risk Management and Sustainability Committee of the Company.

Mr. Sung graduated from The London School of Economics and Political Science with a Master of Science in 2006 and University of Reading, United Kingdom with a Master of Science in 2005. He obtained his Bachelor of Art from National Donghua University, Taiwan in 2002. Upon graduation, he started his career in 2006 as Equity Research Analyst at China Trust Commercial Bank. He was responsible for the analytical research on some of the Taiwanese listed companies namely in sectors involving steel, petrochemical, and automotive parts. His job also involved formulating financial models for interpretation and simulation to support the needs of internal departments. He was the Chief Financial Officer of Superior Plating Technology Co. Ltd (a Company listed on Taiwan Stock Exchange (TSE)) from 2008 to 2023. His position requires him to be responsible in managing the financial risk, financial planning, and financial reporting and he directly assists the Chief Executive Officer and Board Chairman on all strategic and tactical matters. In January 2024, he joined Forward Electronics Co., Ltd. (an investee company of Tatung Company, a Company listed on the TSE) as Chief Financial Officer.

Board of Directors' Profile (Cont'd)



YIN, CHIH-CHU ALSO KNOWN AS LAURENCE YIN

Independent Non-Executive Director

Taiwanese | Male | 62 years

Mr. Yin, Chih-Chu also known as Laurence Yin was appointed as an Independent Non-Executive Director of Dufu on 11 November 2016. He is the Chairman of the Investment Committee and a member of the Audit Committee, Nominating Committee, Remuneration Committee, Risk Management and Sustainability Committee of the Company.

Mr. Yin graduated from National Taipei College of Business in Taiwan with a Diploma in Accounts in 1982 and subsequently, obtained his Executive Master of Business Administration in National Cheng Chi University in 2012. He commenced his career as an Executive Staff with Chailease Finance Co., Ltd., Taiwan in 1987 dealing with financing and accounts. He was transferred to Malaysia as an Administrative and Financial Manager in 1991 where he was responsible for the daily operations of the company's administrative and financial affairs. In 1997, he was promoted to Executive Manager where he was responsible for the affairs of two plastic compounding factory, a label sticker factory as well as a trading company in Kuala Lumpur. In 2001, Mr. Yin played a key role in the establishment of CITC Enterprise (Thai) Co., Ltd in Thailand, focusing on the production of plastic coloring and compounding. However, he concluded his involvement with the company on 28 February 2014. He has more than twenty (20) years of working experience in the plastic compounding and label sticker industries. He also sits on the board of several private limited companies.



LEE YOKE KHAY

Independent Non-Executive Director

Malaysian | Male | 73 years

Mr. Lee Yoke Khay was appointed as an Independent Non-Executive Director of Dufu on 3 April 2017. He is the Chairman of the Nominating and Remuneration Committee. He is also a member of the Audit Committee, Risk Management and Sustainability Committee and Investment Committee of the Company.

Mr. Lee graduated from Council of Legal Education, London, United Kingdom with a Barrister-at-Law. Thereafter, he qualified as a Barrister (Lincoln's Inn, United Kingdom) in 1978 and was called to the Malaysian Bar on 1 December 1979. He is a practicing advocate & solicitor and is currently a partner of Messrs. Ooi Lee & Co., a legal firm in Penang.

Mr. Lee sits on the Board of Directors of several Chinese Primary and Secondary Schools and also in the Board of Directors of the Clan Association. He also holds Honorary Legal Advisor position in Lee Association and other trade and commercial companies and associations in Penang.

He was awarded with Darjah Johan Negeri ("DJN"), Pingat Kelakuan Terpuji ("PKT") and Pingat Jasa Masyarakat ("PJM").

ADDITIONAL INFORMATION:

None of the Directors has:

- (i) any family relationship with other Directors and/or major shareholders of the Company or its subsidiaries except for Dato' Lee, Hui-Ta also known as Li Hui Ta is the spouse of Mdm Wang, Kuei-Hua, a major shareholder of the Company;
- (ii) any conflict of interest or potential conflict of interest, including interest in any competing business with the Company or its subsidiaries;
- (iii) been convicted of any offence, other than traffic offences (if applicable) within the past five (5) years; and
- (iv) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Key Senior Management Team

TEOH CHIEW HONG *Chief Executive Officer*

Malaysian | Male | 48 years

Mr. Teoh Chiew Hong holds a degree in Science (Mathematics) from Universiti Sains Malaysia. He was appointed as the Chief Operating Officer on 1 March 2019. Mr. Teoh commenced his career with DISB in 2000 as a Production Control Officer and ascended to the position of Material Planning Manager in 2006. In this role, he played a crucial role in spearheading the implementation of the Group's integrated application for its logistics and manufacturing system. He is also responsible for overseeing the Group's capacity planning, material, and inventory management.

Furthermore, in 2007, Mr. Teoh expanded his responsibilities to include overseeing the Computer Numerical Control ("CNC") Auto Lathe Manufacturing Division. Subsequently, in 2011, he was promoted to the position of Senior Manager in the Planning & Logistics Department. His dedication and leadership skills led to another promotion in 2016, where he assumed the role of General Manager effective 1 September 2016. In this capacity, his primary focus was driving and optimizing the entire CNC manufacturing division and other supporting business operations to enhance operational excellence.

On 1 March 2023, Mr. Teoh's promotion to Deputy Chief Executive Officer reflected his noteworthy contributions. Subsequently, on 1 March 2024, he assumed the role of Chief Executive Officer.

DAVID KHOO CHONG BENG *Chief Financial Officer*

Malaysian | Male | 51 years

Mr. David Khoo Chong Beng joined DISB on 1 March 2017 as a Senior Financial Controller. He holds a professional accountancy qualification from Association of Chartered Certified Accountants ("ACCA") and is a Chartered Accountant registered with the Malaysian Institute of Accountants ("MIA") since September 2002. In June 2012, he obtained a Commonwealth Executive Masters of Business Administration from Wawasan Open University. On 13 November 2023, Mr David is a Certified Sustainability Practitioner after having obtained the professional certification of Certified Sustainability Reporting Specialist (CSRS) issued by Institute of Certified Sustainability Practitioners.

Mr. David Khoo started his career in BDO Binder Penang, an audit firm in June 1995 before moving to KPMG Penang in July 1997. He joined NTPM Holdings Berhad ("NTPM") as an Accountant in April 2000 and worked his way to be the Financial Controller of NTPM in January 2009. He left NTPM in February 2017. On 1 March 2019, he was appointed as Chief Financial Officer where he is entrusted to lead the finance, corporate and management information functions of the Group.

WONG SER YIAN *Director of DISPL*

Singaporean | Male | 66 years

Mr. Wong Ser Yian graduated with a Bachelor of Engineering from Nanyang Technology University of Singapore in 1985. He started his career with Seagate Technology International, Singapore in 1986 as Supplier Quality Engineer and was promoted to Senior Engineer in 1988. Subsequently in 1990, he joined Microplis Limited, Singapore as Senior Quality Engineer where he was responsible for developing and improving the aspects of suppliers' quality. In the same year, he moved to X Factor Pte Ltd as their Chief Executive Officer. On 2 September 2002, he joined Dufu Industries Services Pte. Ltd. ("DISPL") and took up the position of General Manager and his primary responsibilities are sales, marketing and customers service support and subsequently, on 27 August 2015, Mr. Wong was appointed as Director of DISPL.

NAH REN HOWE *Managing Director of Dufusion Sdn Bhd*

Malaysian | Male | 58 years

Mr. Nah Ren Howe joined Dufu Group on 1 September 2019 as Managing Director of Dufusion Sdn Bhd where he is managing the metal stamping and sheet metal division of the Group. After completing his studies at Confucian Secondary School, he continued his tertiary education at Meiji University in Tokyo, Japan. He graduated with a degree in management studies in 1989.

During his stay in Japan, Mr. Nah was fascinated by the precision tooling business. Upon completion of his studies, he found employment with a company supplying precision tools and stamped metal parts to Sony, NEC and other Japan MNCs. Mr. Nah returned to Malaysia in 1994 after spending 10 years in Japan. He took over the management of Rehon Industries, and he steered the company towards precision stamped parts with his acquired experience in the field.

ADDITIONAL INFORMATION:

None of the Key Senior Management has:

- (i) any family relationship with other Directors and/or major shareholders of the Company;
- (ii) any conflict of interest or potential conflict of interest, including interest in any competing business with the Company or its subsidiaries;
- (iii) been convicted of any offence, other than traffic offences (if applicable) within the past five (5) years; and
- (iv) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Group

Financial Highlights

Ten-Year Financial Summary

FINANCIAL YEAR ENDED 31 DECEMBER	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
RESULTS										
Revenue	136,023	178,271	170,310	181,212	241,451	249,069	298,000	352,736	304,029	227,811
Earnings Before Interest, Depreciation & Taxation ("EBITA")	22,299	30,528	47,110	43,505	75,373	65,944	78,248	102,869	95,138	45,015
Amortisation and Depreciation	(12,790)	(12,867)	(10,968)	(10,194)	(7,809)	(10,344)	(9,319)	(10,643)	(11,426)	(10,882)
Operating Profit Before Interest and Taxation	9,509	17,661	36,142	33,311	67,564	55,600	68,929	92,226	83,712	34,133
Finance Costs	(2,293)	(1,679)	(884)	(523)	(421)	(956)	(705)	(329)	(234)	(255)
Share of results of associate, net of tax	-	-	-	-	(2,078)	(877)	1,052	2,072	1,068	(324)
Profit Before Taxation ("PBT")	7,216	15,982	35,258	32,788	65,065	53,767	69,276	93,969	84,546	33,554
Taxation	(953)	(5,039)	(8,225)	(6,746)	(13,239)	(9,662)	(17,705)	(20,283)	(17,533)	(9,206)
Profit For the Year	6,263	10,943	27,033	26,042	51,826	44,105	51,571	73,686	67,013	24,348
Non-controlling Interest	-	-	-	-	29	417	241	-	-	-
Profit Attributable to Owners of Company	6,263	10,943	27,033	26,042	51,855	44,522	51,812	73,686	67,013	24,348
ASSETS										
Property, Plant & Equipment@	70,040	63,514	53,433	46,213	61,764	76,811	78,883	101,809	139,620	148,101
Investment in Associate	-	-	-	6,144	3,783	3,599	4,452	7,755	8,767	8,568
Other Non-current Assets	505	590	582	1,257	454	1,244	616	737	1,069	806
Cash and Cash Equivalents	14,840	25,255	46,562	37,976	41,513	43,680	80,083	85,010	107,905	103,201
Other Current Assets	79,603	79,150	75,433	84,783	112,679	143,346	146,993	190,815	167,038	156,698
Total Assets	164,988	168,509	176,010	176,373	220,193	268,680	311,027	386,126	424,399	417,374
EQUITY AND LIABILITIES										
Shareholders' Equity	99,978	115,442	129,465	141,728	173,635	214,367	255,832	312,080	340,698	340,424
Non-controlling Interest	-	-	-	-	846	429	-	-	-	-
Total Equity	99,978	115,442	129,465	141,728	174,481	214,796	255,832	312,080	340,698	340,424
Loans and Borrowings	37,851	24,005	12,995	6,368	10,682	17,520	17,546	18,052	57,145	47,342
Other Non-current Liabilities	-	243	1,331	15	321	1	1	1,188	1,711	2,456
Other Current Liabilities	27,159	28,819	32,219	28,262	34,709	36,363	37,648	54,806	24,845	27,152
Total Liabilities	65,010	53,067	46,545	34,645	45,712	53,884	55,195	74,046	83,701	76,950
Total Equity and Liabilities	164,988	168,509	176,010	176,373	220,193	268,680	311,027	386,126	424,399	417,374
FINANCIAL RATIOS										
Basic Earnings per Share (sen) #	1.2	2.1	5.3	5.2	10.3	8.9	10.0	14.0	12.7	4.6
Diluted Earnings per Share (sen) #	1.2	2.1	5.3	5.2	10.3	8.8	9.8	13.9	12.6	4.6
Interest cover (times)	4	11	41	64	160	58	98	280	358	134
Net Assets per Share (sen) #	19	22	26	28	36	42	49	59	64	64
Profit Before Taxation Margin (%)	5%	9%	21%	18%	27%	22%	23%	27%	28%	15%
Profit After Taxation Margin (%)	5%	6%	16%	14%	21%	18%	17%	21%	22%	11%
Return on Shareholders Equity (%)	6%	9%	21%	18%	30%	21%	20%	24%	20%	7%
Dividend per Share (sen) # ^	-	1.03	1.50	2.17	3.55	4.00	5.00	7.00	6.50	3.50
Dividend Payout ratio (%)	0%	50%	28%	41%	46%	46%	50%	50%	51%	76%

Computed based on enlarged number of ordinary shares in issue after bonus issue exercise which was completed on 29 November 2018 & 4 August 2020

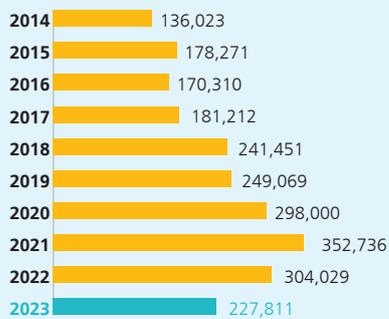
^ The Single Tier Final Dividend for FY2018 by way of one treasury share for every twenty shares held is deemed to be worth 8.15 sen per share based on the closing price at the date of announcement on 26 February 2019

@Property, plant and equipment includes Investment properties and right-of-use assets

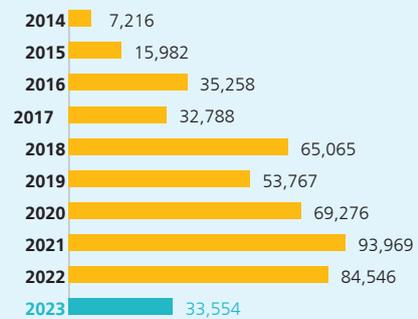
Group Financial Highlights (Cont'd)

Ten-Year Financial Summary (cont'd)

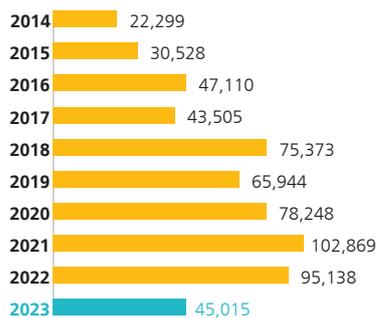
Revenue (RM' 000)



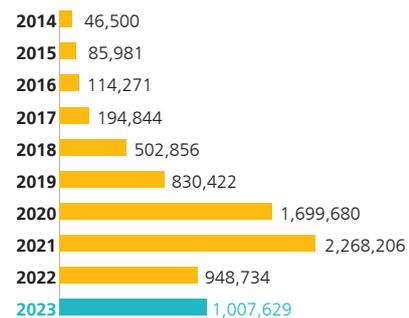
Profit Before Taxation (RM' 000)



Earnings Before Interest, Depreciation
and Taxation (RM' 000)



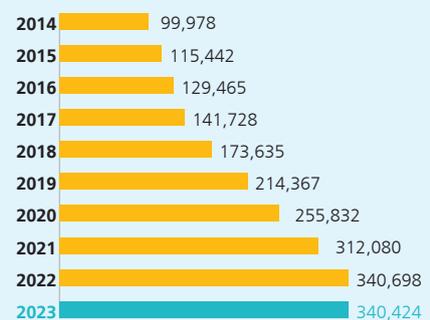
Market Capitalisation (RM' 000)



Dividend per Share (sen)
Dividend Payout Ratio (%)



Shareholders' Equity (RM' 000)



Vision, Mission & Core Values



Vision

To be a leading-edge technology provider for micro precision products globally, and be the supplier of choice on delivering excellent product quality and service on time every time.

Mission

To continually creating value for customers with engineering innovation and solutions to their supply chain by fostering an eco-friendly operating environment whilst striving for long term business sustainability and maintaining high integrity in corporate social responsibility practices that benefits customers, employees and stakeholders.



Core Values

Determination **U**nity **F**ocus **U**nderstanding

Our Core Values are the beliefs and principles we share to create a **UNITY** of purpose across the Group – to enable us to treat each other with mutual respect, to gain **UNDERSTANDING** and help us to work harmoniously together at Dufu. They reflect our common aspiration to foster a unifying performance-based culture to promote every team member to stay **FOCUS** and **DETERMINED**, and remain resolute in pursuit of Dufu’s goals. These are the elements that best describe who we are and continue to strive to be in an ever-changing world.



Management

Discussion and Analysis

Business Overview

Dufu Technology Corp. Berhad (“Dufu” or “the Group”), headquartered in Penang, Malaysia, stands as a prominent precision machining manufacturer. Our journey began in 1990 with the acquisition of a leading Hard Disk Drive (HDD) maker, enabling us to specialize in crafting 5.25-inch HDD disk spacers. Over the past 30 years, we’ve amassed extensive expertise in designing, developing, and manufacturing high-precision components. Our focus extends across various industries, including HDD, industry safety and sensors, telecommunications, consumer electronics, medical devices, automotive, and office equipment. Today, we take pride in serving as a strategic partner to numerous multinational corporations renowned in their respective domains.

Beyond precision machining, our services encompass fabrication, assembly, prototyping, and more. We offer engineering and turnkey solutions, ranging from tool manufacturing to delivering finished parts tailored to our customers’ precise requirements. Our products reach over 10 countries worldwide, spanning Asia Pacific, Europe, Oceania, and North America.

Presently, Dufu operates four manufacturing sites. The Bayan Lepas Phase IV plant in Penang and the Guangzhou plant in China specialize in precision machining. Meanwhile, the Bukit Minyak plant caters to customized sheet metal and stamped components as per customer specifications. Our assembly plant is situated at Bayan Lepas Phase I in Penang.

Business Strategies

The Group business strategy rests upon the principle of delivering customers’ needs at all time. A key priority is to keep our customers satisfied with our solution and to help them navigate their supply chain effortlessly within their own competitive operating landscape. The Group’s journey throughout the Financial Year Ended 31 December 2023 (“FY2023”) was braced with challenges, namely the inventory corrections by the HDD consumers in the aftermath of Covid-19, the USA and China conflict, the prolonging Russia and Ukraine war, the increase in interest rates and the property market crisis and slumping growth in China economy has resulted in uncertainties in customer demand and higher operating expense environment. We are focusing on developing resilience in our own supply chains, revenue protection, and managing our margins and profitability. Against this backdrop, the Group’s long-term business strategies to sustain and expand its business are as follows: -

- Embarking on business growth diversification strategy by strengthening Dufu’s presence in key industries which we have identified. Specifically, broadening our turnover base by focusing on customers engaging in the semiconductor, automotive and medical industries are our key priorities. While demand for components related to enterprise HDD is expected to be strong, it is imperative for Dufu to capture new customers as part of the Group’s risk mitigation strategy and to solidify its presence in these segments. The Group has established a manufacturing hub at Bukit Minyak in 2019 to support the sheet metal fabrication products in domestic market. In December 2022, the Group acquired two units of Single Storey Detached Factory with a Double Storey Office Buildings in Seberang Perai Selatan with build-up and land area of 12,040 and 21,732 square metres respectively which is scheduled for completion at the end of 2024, to expand its existing business activities in metal fabrication, machining and assembly.
- Focus on production efficiency improvement and in return, provide competitive products and services that will enhance overall value chain to customers.
- Continue our R&D investment to drive innovation and process automation by embracing leading manufacturing technologies that will meet changing market requirements and achieve product competitiveness with optimum quality.
- Recognising that the Group’s performance is dependent on the talent, commitment, expertise and value created by our employees, Dufu will continue to strengthen employee value proposition and emphasize human capital development by providing broader skill training program, improve remuneration packages and staff welfare as to foster a motivational and spiritual team.

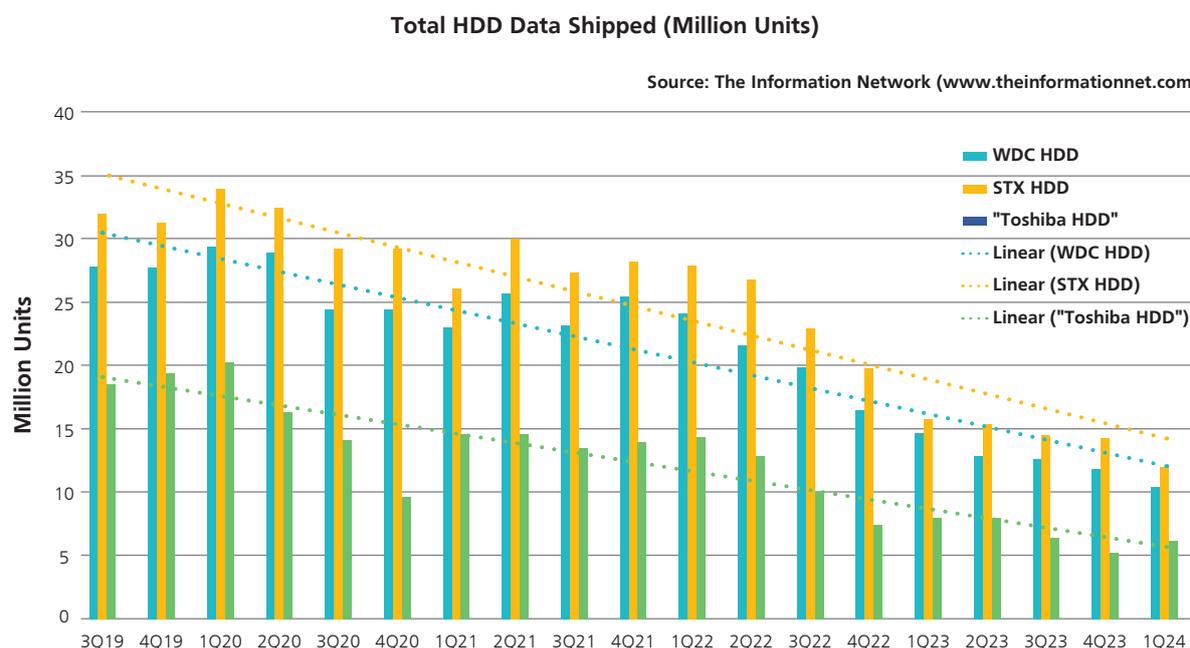
Management Discussion and Analysis (Cont'd)

Overview of Performance

a) Revenue

The Group recorded revenue of RM227.81 million for the FY2023 compared to RM304.03 million for the previous Financial Year Ended 31 December 2022 ("FY2022"). Revenue decreased by approximately 25.1% due to lower demand in the HDD related business. The Group's revenue generated from HDD of RM163.80 million in FY2023 saw a contraction of 29.1% year-on-year ("YoY") primarily attributed to the decline in volume loading from our key HDD customers. Of note is that revenues from all three HDD companies dropped as a similar rate during the period, based on their trend lines (dotted lines) in the Chart below.

Chart on Total HDD Data Shipped by (Million Units)



Dufu encountered a decline in revenue starting in Quarter 3 of 2022, worsening notably in the final quarter of that year. Since then, and continuing into 2024, the HDD revenue has remained relatively subdued. The industry has grappled with an adjustment period, primarily due to major cloud players pausing their investments post-pandemic amid the prevailing social-political climate, high interest rates, and economic landscape. Several factors contributed to the decline in storage demand. Economic constraints affected consumer demand, resulting in slower requirements for storage at major data centers. HDDs, as the primary storage device in data centers, suffered significantly when major cloud players sharply reduced their hard drive inventory and extended the life cycle for replacing HDDs and other data center components. Subdued demand also prevailed across Chinese markets. The prolonged trade dispute between China and the USA, characterized by drastic measures from the USA aimed at limiting China's access to cutting-edge technologies to impede its advancements in supercomputing and artificial intelligence ("AI"), along with the resulting property crisis, disrupted China's efforts towards economic normalization. This upheaval intensified a pervasive sense of uncertainty in the economy, adversely affecting consumption and investment.

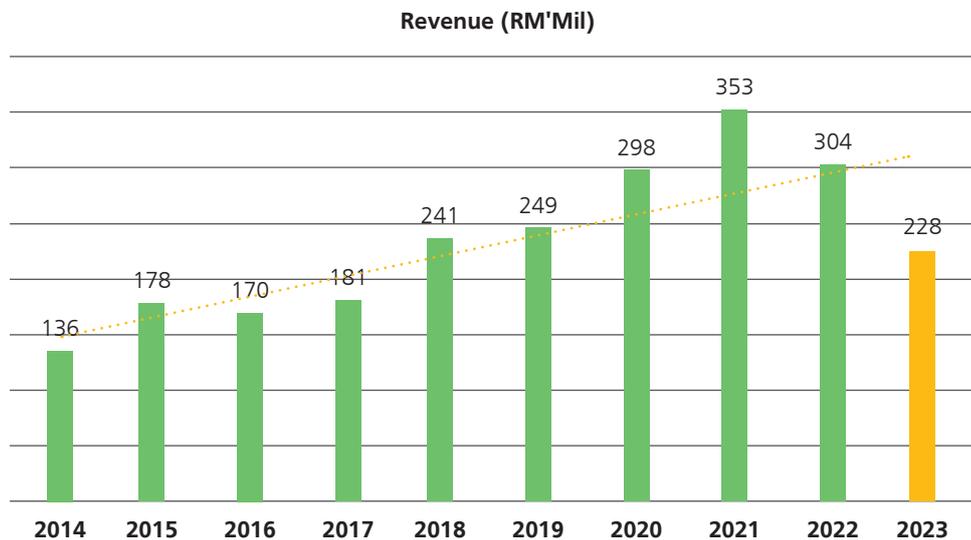
In the non-HDD business segment, Dufu recorded a revenue of RM64.01 million, which contracted by 12.3% from RM72.98 million in 2022. The drop in revenue generated from non-HDD was attributed to a weaker demand from customers related to the semiconductor and optometry related equipment sectors.

Management Discussion and Analysis (Cont'd)

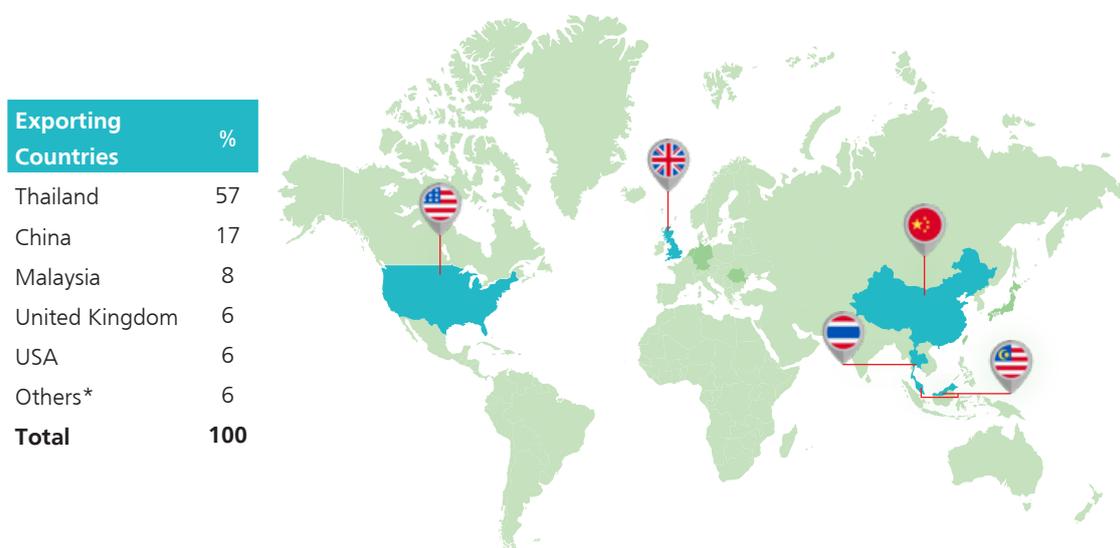
Overview of Performance (cont'd)

a) Revenue (cont'd)

The following chart illustrates the Group's revenue since FY2014.



Our export market accounted for approximately 92% of the Group's revenue. Thailand remains our top export destination considering that most of the HDD producers and their supply chain are clustered in that country. The geographical breakdown of the Group's revenue for FY2023 is depicted below.



*Others include Hong Kong, Singapore, Taiwan, Romania, Germany, India, Mexico, Philippines and Japan

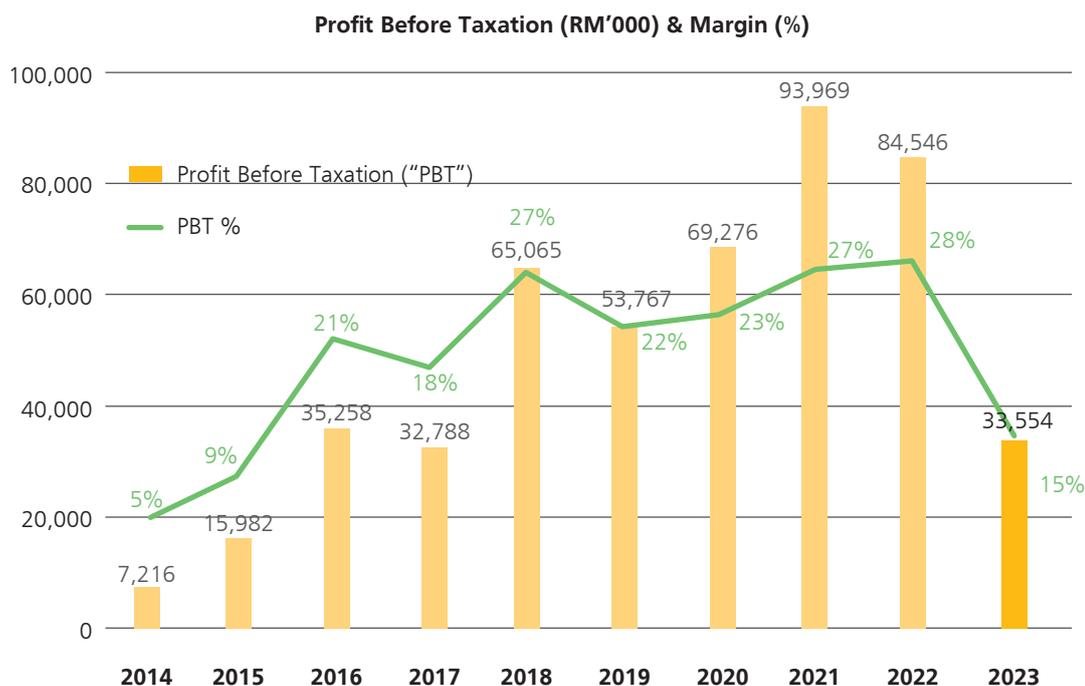
Management Discussion and Analysis (Cont'd)

Overview of Performance (cont'd)

b) Profit Before Taxation ("PBT")

The Group generated a Profit Before Taxation ("PBT") of RM33.55 million in FY2023, a 60.3% decrease from RM84.55 million in FY2022. This was mainly due to lower revenue as outlined above.

The following chart illustrates the Group's PBT and PBT margin since FY2014.



c) Other Income

Other income decreased to RM12.03 million in FY2023 from RM20.99 million in FY2022. This decline was primarily attributed to a realized foreign exchange gain of RM6.38 million in FY2023, in contrast to the RM12.43 million realized foreign exchange gain recorded in the prior year. The Group benefited from a foreign exchange gain driven by favorable currency translation, specifically the strengthening of the United States Dollar (USD) against both the Malaysian Ringgit (MYR) and Renminbi (RMB). Additionally, interest income rose to RM2.12 million in FY2023, compared to RM0.68 million in FY2022 as the US Federal Reserve consistently raised rates throughout 2023.

d) Employees Benefits Expense

The Group's employee benefits expense decreased from RM66.58 million in FY2022 to RM60.22 million in FY2023. This decline can be attributed to the reduction in the overall headcount over the last two years, as the Group continued to face demand headwinds in 2023.

e) Profit for the Year

The Group's Profit for FY2023 was RM24.35 million compared to RM67.01 million recorded in FY2022. The decrease was attributed to the reasons outlined above.

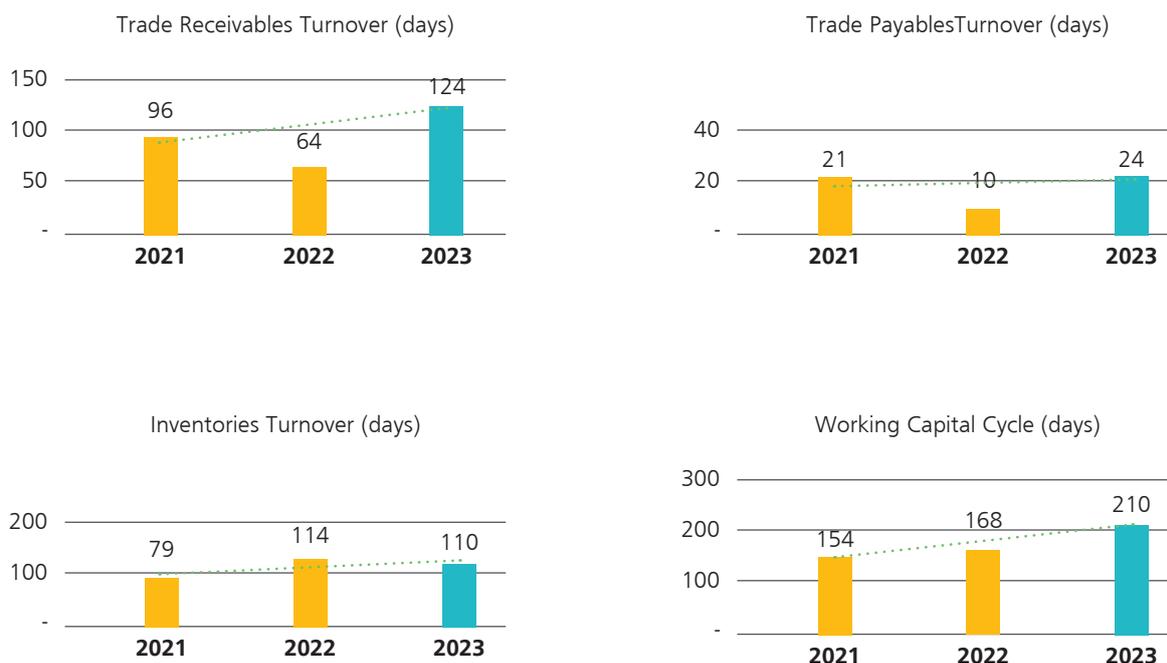
Financial Position and Cash Flow

Total equity slightly declined to RM340.42 million as at 31 December 2023 from RM340.70 million as at end-2022 mainly attributed by RM29.17 million of dividend payment which was offset by profit generated during the year of RM24.35 million. Total assets decreased to RM417.37 million as at 31 December 2023, compared with RM424.40 million as at end-2022 supported by continuous improvement in working capital management despite there was an addition of RM17.75 million of property, plant and equipment. Total borrowings as at end-2023 have decreased by RM9.81 million to RM47.34 million from RM57.15 million a year back mainly due to the repayment of short-term borrowings in the form of revolving credits which is denominated in USD.

Management Discussion and Analysis (Cont'd)

Financial Position and Cash Flow (cont'd)

As of 31 December 2023, trade and other receivables increased to RM79.51 million, and the trade debtor's turnover ratio rose from 64 days in FY2022 to 124 days at the end of FY2023. This increase can be attributed to the sharp drop in revenue in the final quarter of 2022, which distorted the debtor's turnover ratio in that year. The Group's inventories as of 31 December 2023, amounted to RM68.43 million, compared to RM95.19 million in FY2022, representing a decrease of RM26.76 million or 28.1%. The reduction in stockholding for both raw materials and finished goods resulted from improvements in working capital management, as the Group closely monitors its inventory in response to the softening HDD demand. The working capital cycle for the Group increased from 168 days in FY2022 to 210 days in FY2023, primarily due to the rise in trade receivables turnover ratio, as depicted in the diagrams below.



The above charts are based on Revenue generated from their respective year ends

Capital Expenditure, Capital Structure and Capital Resources

The Group adheres to a policy of exercising prudent capital expenditure to support its business growth plans and upgrade existing machinery. However, it is noteworthy that our capital expenditure has been substantial over the past three years. In FY2023, we invested RM17.75 million, adding to the RM83.55 million spent in FY2021-2022. This significant investment was primarily directed towards capital in progress billing of RM66.45 million for the construction of a new building facility in Guangzhou, People's Republic of China, and the acquisition of new CNC-related machines and supporting production lines.

Additionally, the Group has made progress billings amounting to RM6.81 million, being 15% of total purchase consideration for two units of Single Storey Detached Factory with a Double Storey Office Buildings in Seberang Perai Selatan. These facilities, with a build-up and land area of 12,040 and 21,732 square metres respectively, are slated for completion by the end of 2024. The capital expenditure undertaken by the Group is crucial and is aligned with our strategic vision. We foresee a positive trajectory in the demand for the Group's products, making these investments essential for sustaining and bolstering our market position in the long term.

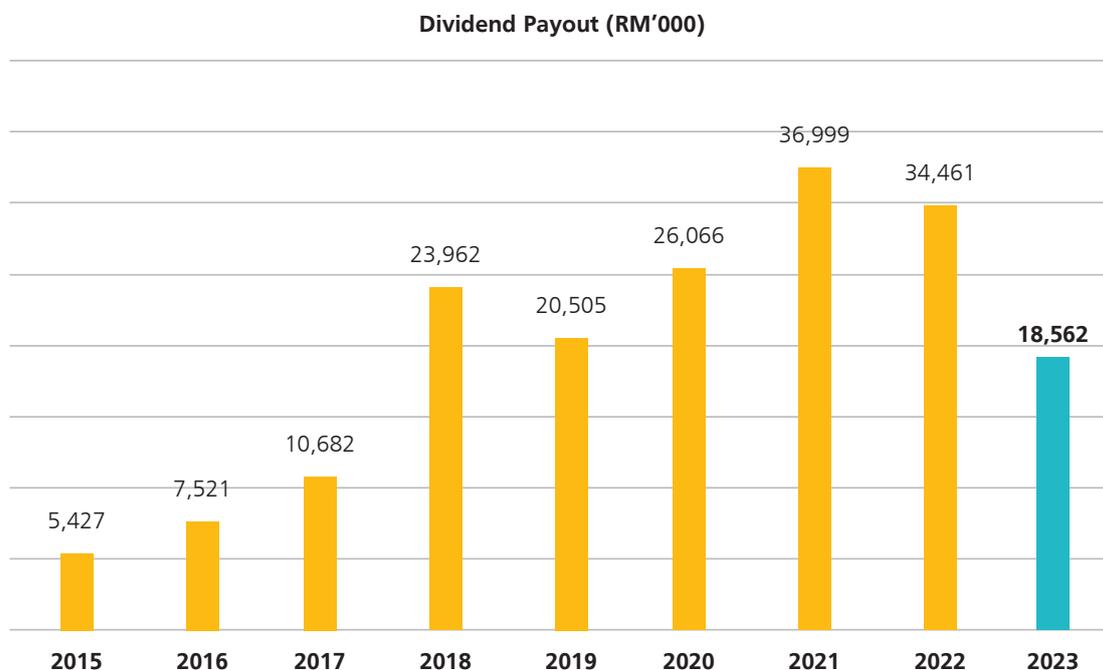
Despite substantial capital spending in the past three financial years, we have remained committed to our principle of rewarding shareholders with dividends that align with the Group's profitability. This commitment is underscored by a dividend policy designed to distribute 50% of the net profit less other income, taking into consideration the Group's cash flow, working capital and capital expenditure requirements. Based on the existing dividend policy, the total dividend for FY2023 represents 105% payout higher than 75% in FY2022. Two dividend tranches were declared to shareholders, amounting to 76% (FY2022: 51%) of our net profit for FY2023:

1. Interim cash dividend of 1.5 sen per share amounting to RM7.96 million paid on 22 September 2023; and
2. Final dividend of 2.0 sen per share has been proposed for the shareholders' approval in the coming Annual General Meeting.

Management Discussion and Analysis (Cont'd)

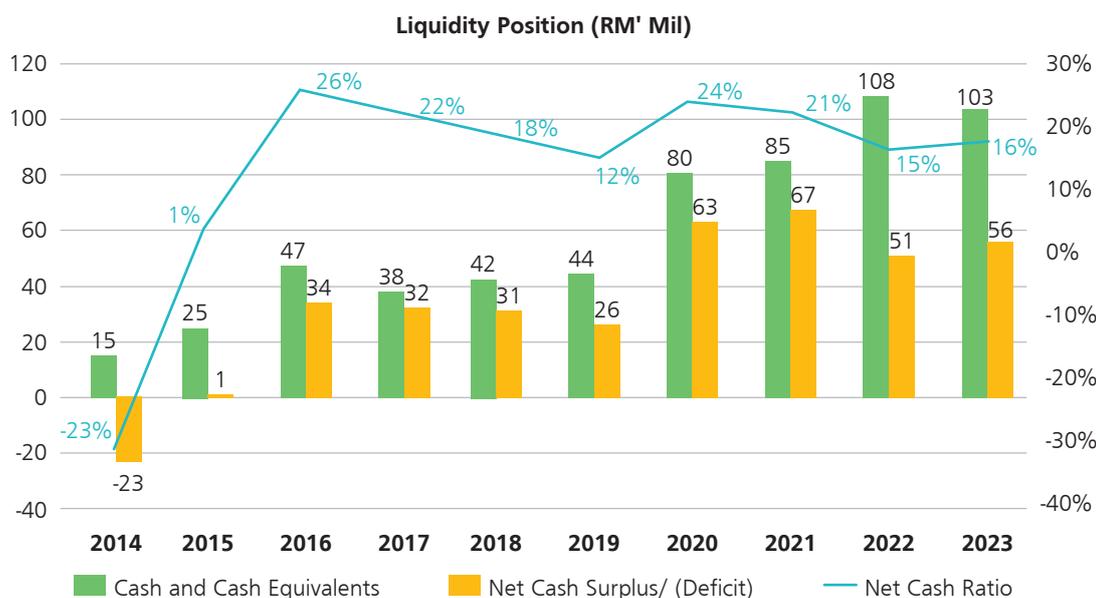
Capital Expenditure, Capital Structure and Capital Resources (cont'd)

In total, Dufu has returned close to RM184.18 million to shareholders over a period of 9 years. The following chart illustrates the Group's dividend payout since FY2015.



We maintain appropriate debt levels after evaluating several factors, including cash flow expectations, cash requirements for ongoing operations, investments and financing plans and the overall cost of capital. As at 31 December 2023, Dufu Group had cash and cash equivalents amounting to RM103.20 million (FY2022: RM107.91 million) and total borrowings (inclusive of lease liabilities) of RM47.34 million (FY2022: RM57.15 million). Based on its favorable liquidity of being in net cash position of RM55.86 million, the Group's retained cash flow coupled with its existing banking facilities are ample to support the Group's organic and inorganic growth for the Financial Year Ending 31 December 2024 ("FY2024").

The following chart illustrates the Group's liquidity position since FY2014.



Management

Discussion and Analysis (Cont'd)

Key Risks relating to the Business and Mitigation

a) Foreign Currency Risk

The exposure to foreign currency risk arises from fluctuations between the currency used in sales or purchases and the currency involved in receipt or settlement, from the issuance or acquisition of invoices to the actual receipt or payment. In our industry, fixed pricing strategies usually prevail, maintaining price points for extended periods or even throughout a product's lifecycle.

Dufu Group derives 92% of its revenue from international sources, with 89% of this revenue denominated in US Dollars ("USD"). The majority of our expenses, barring specific raw materials, machineries, tools and components are settled in local currencies. The Group generally benefits from a favorable profit margin when the USD strengthens against the Ringgit. Conversely, a weakened USD can reduce profitability due to lower profit margins.

To manage our reliance on USD, Dufu employs a natural cash flow hedging strategy. To this end, the majority of our raw materials are sourced in USD, and we maintain a USD foreign currency account to receive revenues denominated in USD, enabling payment for USD-denominated purchases. This practice naturally mitigates exposure to adverse foreign exchange fluctuations.

Furthermore, the Group has sufficient working facilities to engage in foreign exchange forward contracts with multiple financial institutions. These forward contracts can be utilized, if necessary, to secure exchange rates between the Ringgit and USD, factoring in the exposure period and associated transaction costs.

b) High Business Concentration Risk

The Group presently confronts a business concentration risk, with over 72% (FY2022: 76%) of its revenue derived from the HDD segment. This situation poses a concern in the event of potential loss of key customers or a significant decline in HDD component sales. While our longstanding relationships with HDD customers spanning over 30 years denote stability, the evolving hardware design in HDDs, driven by advancements in recording technology, necessitates continuous adaptation for relevance in the digital data storage market. As a vital part of our risk mitigation strategy, we're actively diversifying our product range to mitigate the adverse effects of over-reliance on the HDD market. This proactive approach aims to reduce the risks associated with customer concentration.

A pivotal move within this strategy was the establishment and relocation of a comprehensive solutions center specializing in sheet metal and structural fabrication for equipment manufacturers to the Bukit Minyak Industrial Park, completed on 1 July 2019. This investment in the Bukit Minyak plant aligned seamlessly with our diversification goals, aiming to achieve a balanced product portfolio. Notably, this expansion has been a significant driver of the Group's top-line growth over the years, affirming the strategic vision executed in 2019 to expand the sheet metal and structural fabrication division. Furthermore, in line with our commitment to expand within this business segment, the Group recently acquired two units of Single Storey Detached Factories with Double Storey Office Buildings, encompassing build-up and land areas of 12,040 and 21,732 square meters, respectively, at Seberang Perai Selatan. Scheduled for completion by the end of 2024, this acquisition signifies our dedicated efforts to further strengthen and expand this particular business segment.

c) Labour Market Risk

The manufacturing industry in Penang, acknowledged as Southeast Asia's foremost manufacturing hub, is currently grappling with a severe labor shortage. Dufu has encountered challenges in recruiting local workers, compelling us to seek recourse in hiring migrant workers. However, changes in policies regarding migrant workers could intermittently disrupt the supply of this workforce, impacting our production output and subsequently, our revenue and profitability. To address this concern, we are actively engaged in a comprehensive worker retention program while actively promoting new hiring through competitive remuneration, enhanced benefits packages, improved staff welfare, and robust skill training initiatives. These efforts aim to foster career development opportunities for our employees.

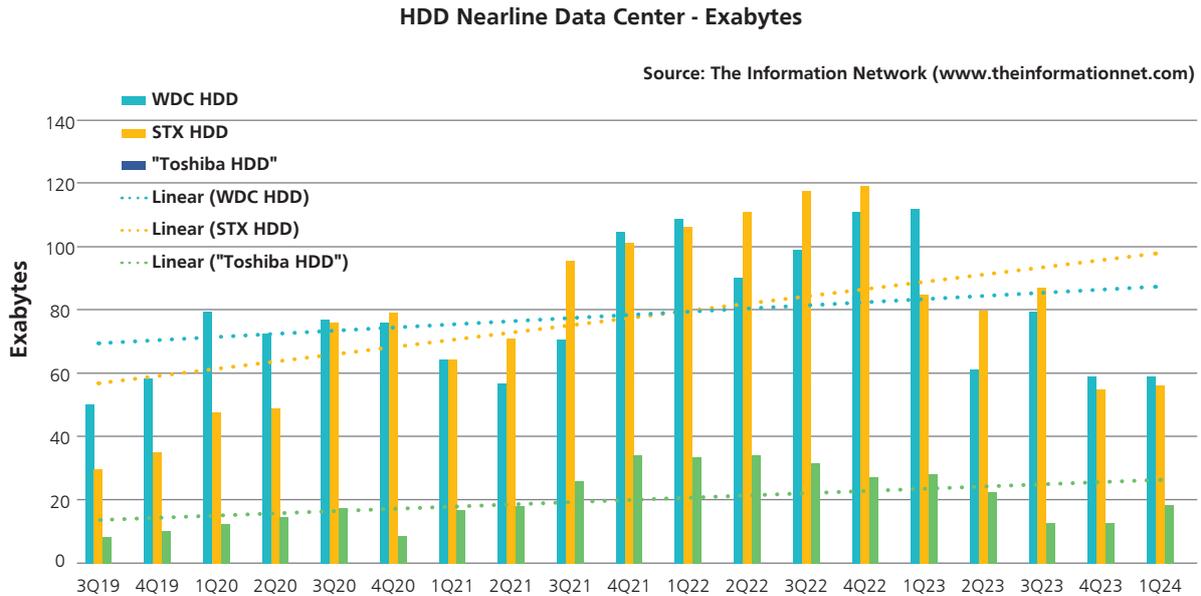
Concurrently, our engineering team is diligently conducting ongoing feasibility studies to diminish our reliance on labour by exploring the development and implementation of automated equipment and machinery wherever feasible within our manufacturing processes.

Management Discussion and Analysis (Cont'd)

Trends, Outlook, Future Challenges & Strategy

The robust performance of the US Dollar, propelled by the faster-than-anticipated interest rate hikes by the US Federal Reserve, has been the primary factor exerting downward pressure on most currencies throughout 2023. Although the USD remains relatively strong in the initial two months of 2024, as we progress further into the year, there is a possibility of witnessing a reversal in the strength of the US Dollar against the Ringgit. This potential reversal could pose a risk to the Group's profit margin.

Chart on HDD Nearline Data Center Shipped (Exabytes)



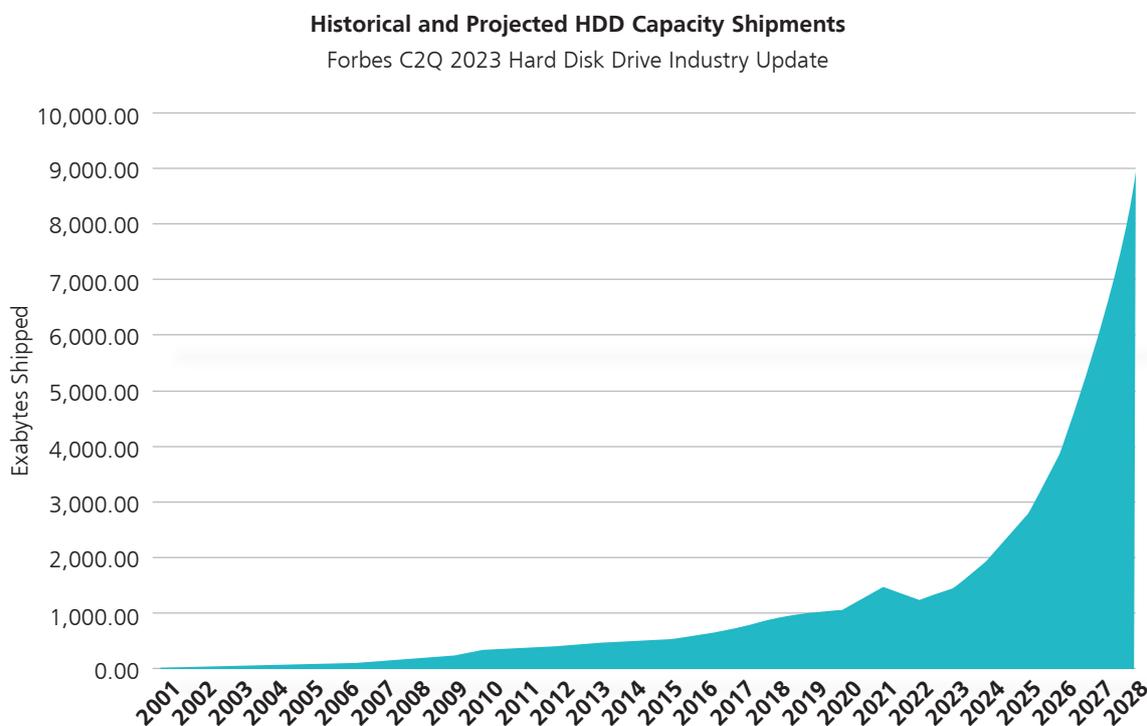
In the above chart, the revenue for HDD Nearline Data Center shipments, based on Exabytes of data, reflects a decline across all three HDD manufacturers. This decrease stemmed from reduced enterprise cloud storage demand due to lockdowns and subsequent inventory adjustments. Despite this downturn, an optimistic outlook emerges as all three companies exhibit a positive trendline in the realm of nearline HDD Data Center shipments. Nearline HDDs, renowned for their expansive storage capacities, find extensive application in data center environments and enterprise storage systems.

The latest trend in Generative Artificial Intelligence (“AI”) applications can produce a wide variety of content, including text, images, videos, and more. As organizations leverage these models to create content for marketing, design, virtual environments, and other applications, they will need to store the generated content. This can lead to a substantial increase in the volume of data that needs to be stored in cloud servers and data centers. For training generative AI models, diverse and extensive datasets are required. Organizations might collect and store large datasets to train these models effectively. These datasets may consist of text, images, videos, and other types of data, contributing to increased storage demands. Flash storage will continue to support high-performance computing systems, while large-capacity HDDs will remain the most economically viable storage solution for storing the immense amounts of data generated and utilized for predictive analytics.

Management Discussion and Analysis (Cont'd)

Trends, Outlook, Future Challenges & Strategy (cont'd)

In an article by Forbes titled C2Q 2023 Hard Disk Drive Industry dated 14 August 2023, Tom Coughlin projects a 900% increase in HDD capacity shipments from 2020 to 2028:



Historical and projected HDD capacity shipments COUGHLIN ASSOCIATES CHART

In general, 90% of the exabytes housed within cloud data centers are stored on HDDs, with the remaining 10% utilizing SSDs. This is due to the substantial cost efficiency advantage of HDDs, which currently stands at approximately five times better per bit compared to equivalent flash solutions—a gap we expect to persist until the decade’s end. Looking forward, HDDs are poised to maintain their market dominance, propelled by ongoing advancements that boost capacities while preserving performance levels.

Forecasts suggest that HDDs are likely to maintain their dominance in data centers for the next decade. With the escalating trend of data consumption, there is an anticipated surge in demand for high-capacity HDDs, particularly within data centers and cloud storage services. This projected growth offers a promising opportunity for component suppliers like Dufu. However, in light of the ongoing short-term market forecasts in the digital storage market, we anticipate that the revenue projection for HDDs in the first half of 2024 will gradually improve as compared to the second half of 2023.

In conclusion, the Group will adopt a prudent approach in its business operations and aims to diversify its customer base by expanding into non-Hard Disk Drive (HDD) industries and businesses. Despite the near-term uncertainties, the Group’s long-term strategy remains intact, with a commitment to continue facility expansions in both China and Malaysia. Although 2024 is expected to be another volatile year for Dufu, these investments are deemed necessary to pave the way for higher growth in the future.

This statement is made in accordance with the resolution of Board of Directors dated 20 March 2024.

Sustainability Statement

Sustainability and Our Business

Dufu Technology Corp. Berhad (“Dufu” or the “Group”) acknowledges that the stability and growth of its business are intertwined with the sustainability of economies, the natural environment, workplaces, and the communities in which the Group operates. Consequently, we are committed to being a responsible company and making a positive impact on society and the environment.

At the heart of Dufu’s sustainable business approach lies a commitment to ethical business practices and effective governance. We pledge to collaborate with customers and suppliers to manufacture and operate responsibly while fostering an engaging workplace for our employees. This commitment enables us to cultivate trust in our products and services, build robust relationships with our stakeholders, and generate enduring value for society and our business.

Sustainability stands as a central pillar of our business priorities. We are continuously addressing ongoing challenges, engaging with our stakeholders to understand their perspectives, and staying abreast of the latest legislative and regulatory updates.

Basis of Preparation

Our Sustainability Statement spans from January 1, 2023, to December 31, 2023, with the reporting focus primarily on Malaysian operations. Unless specified otherwise, Dufu’s business activities in China and Singapore are not currently included.

This report adheres to the guidelines set by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements for Sustainability Statements in Annual Reports and aligns with the Malaysian Code on Corporate Governance (“MCCG”). Our disclosures and reporting have been benchmarked with referenced to the Global Reporting Initiative Standards (“GRI”) 2021, Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations, and the FTSE4Good Bursa Malaysia Index. We strive to address pertinent issues that hold significance for the Dufu Group and our stakeholders, emphasizing value creation and alignment with the United Nations Sustainable Development Goals (“UNSDGs”).

Eco Asia Advisory Sdn Bhd performed a limited independent verification of Dufu’s Sustainability Report FY2023. Subsequently, this report underwent review by the Risk Management and Sustainability Committee (“RMSC”) and tabled to the Board for notation.

Sustainability Governance

Our commitment to sustainability begins at the highest levels of our organization. The Board of Directors (“Board”), as the paramount governing body, plays a pivotal role in providing strategic direction and addressing sustainability issues. This encompasses managing material sustainability concerns in the formulation of the Group’s strategies and policies.

The Board is entrusted with overseeing the integration of sustainability into the Group’s overarching business strategy. Additionally, it ensures the presence of adequate resources, systems, and processes for effectively managing sustainability matters. The Board’s oversight responsibilities extend to evaluating economic impacts, supply chain management, social and environmental considerations—encompassing aspects such as climate change, labor practices, health and safety, and environmental risks and opportunities.

Beyond assessing material impacts and discussing associated risks and opportunities with Management, the Board actively reviews and considers stakeholder feedback on sustainability topics. It also oversees human capital management, including initiatives related to diversity and inclusion.

The Risk Management and Sustainability Committee (“RMSC”) stands as a critical component within Dufu’s corporate governance framework. Comprising four Independent Directors, the CEO, and CFO — with Independent Director, Ms. Joyce Wong Ai May serving as the Chairperson, the RMSC plays a fundamental role in steering and reporting on the Group’s sustainability practices. The appointment of an Independent Director as its Chairman ensures an objective and unbiased approach in managing sustainability matters related to the Group.

The Group’s CEO spearheads the execution of key strategic sustainability initiatives, supported by a working group comprising Department Heads from various departments. Their collective role underscores Dufu’s steadfast dedication to integrating sustainability into its strategic agenda and effectively communicating it to stakeholders.

Sustainability Statement (Cont'd)

Sustainability Governance (cont'd)

The table below provides an overview of our governance structure for sustainability:

BOARD OF DIRECTORS	RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE ("RMSC")	RISK MANAGEMENT AND SUSTAINABILITY WORKING GROUP ("RMSWG")
<ul style="list-style-type: none"> Offers strategic direction and evaluates sustainability matters, risks, and opportunities, incorporating the management of significant sustainability concerns in shaping the Group's strategies and policies. Provides oversight on the business sustainability strategy and monitors performance. Ensures the presence of sufficient resources, systems, and processes to effectively manage sustainability matters. 	<ul style="list-style-type: none"> Comprises 4 Independent Directors, the CEO, and CFO. Assists the Board in establishing direction and overseeing risk, internal controls, and sustainability matters. Reviews and approves the annual risk and sustainability work plan. Reviews and supervises the implementation of the Group's strategic sustainability initiatives. 	<p><u>CEO:</u></p> <ul style="list-style-type: none"> Chairs and leads the RMSWG, reporting sustainability matters to the RMSC. Reviews sustainability matters alongside with RMSWG members. <p><u>CFO:</u></p> <ul style="list-style-type: none"> Assists the CEO in handling sustainability matters and coordinates RMSWG meetings. <p><u>Other members:</u></p> <ul style="list-style-type: none"> Comprise Business Unit Directors, Managers, and representatives of various departments from Business Development, Operations, Quality Assurance, Human Resources and Administration, Finance, Risk Assurance & Internal Control, and Purchasing. Responsible for materiality assessment, identifying and monitoring initiatives/actions, executing these initiatives/actions, and reporting. Report on sustainability matters and risk management (including threats and opportunities) to the CEO. Collate their respective ESG data and information for reporting as well as presents any material ESG findings and proposed actions to RMSWG for deliberation and guidance. Responsible to execute and integrate the sustainability initiatives of the Group as part of the daily operations.

Stakeholder Engagement

We firmly believe that establishing and nurturing open lines of communication and understanding with both internal and external stakeholders is paramount in our quest to maintain strong corporate governance and uphold our reputation as a sustainable and responsible business entity. At Dufu, we wholeheartedly recognize the pivotal role of ongoing engagement with our stakeholders as an integral component of our organizational processes, encompassing business development, day-to-day operations, and financial performance.

We are committed to addressing stakeholder concerns in a timely, effective, and transparent manner. Should any of our stakeholders have questions, suggestions, or concerns related to sustainability matters, we encourage them to reach out to us via email at corporateaffairs@dufu.com.my. Our aim is to facilitate a platform where all relevant parties have ample time and opportunity to partake in meaningful discussions, gain insights, and integrate each project milestone or process improvement step into their understanding. This inclusive approach underscores our dedication to fostering collaboration and ensuring that the perspectives and input of all stakeholders are valued and considered in our decision-making processes.

Throughout 2023, we held regular formal and informal meetings with our key stakeholders. The table below provides a summary of our key stakeholders, sustainability topics, and the engagement channels. These engagements revealed no significant stakeholder concerns or issues regarding our operations

Sustainability Statement (Cont'd)

Stakeholder Engagement (cont'd)

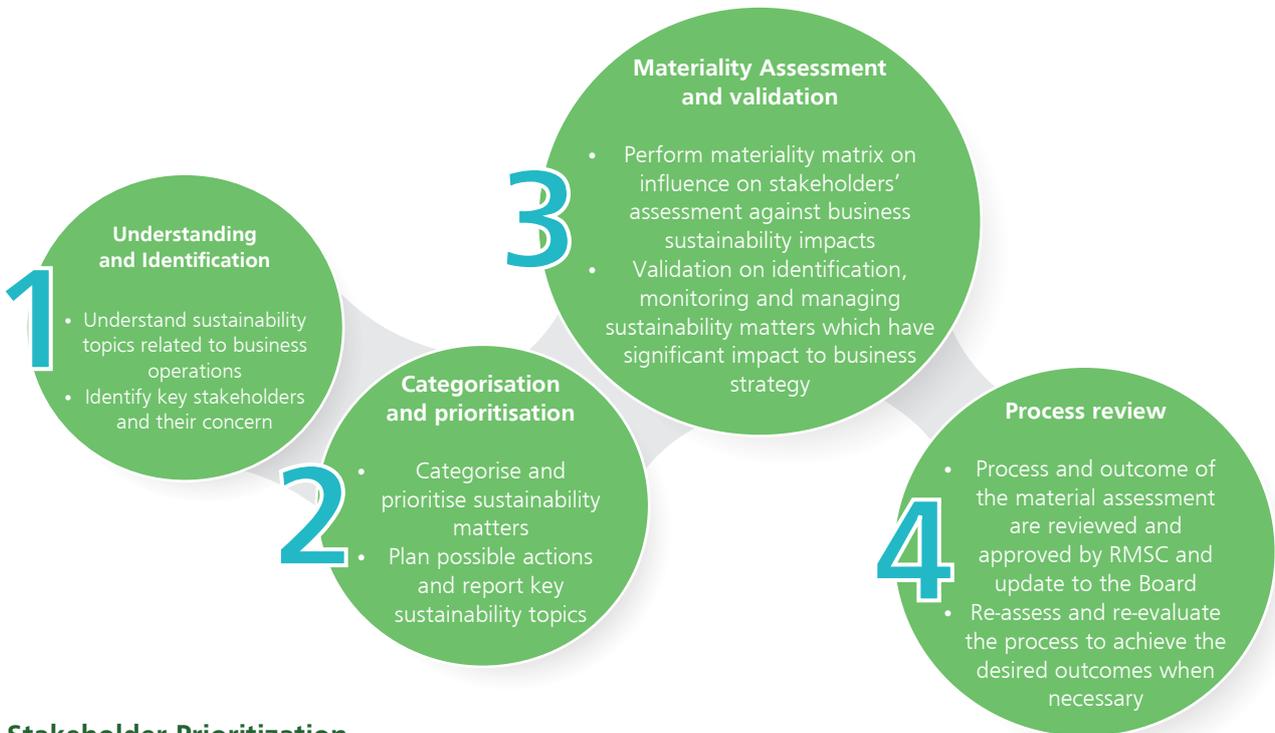
Stakeholder engagement on sustainability topics, type and frequency of engagement

Stakeholders	Sustainability Topics	Type of Engagement	Frequency
 Customers	<ul style="list-style-type: none"> • Production quality, productivity and improvement • Product quality and timely delivery and efficiency • Sustaining long term relationship • Operation in compliance with applicable laws and standards 	<ul style="list-style-type: none"> • Customer satisfaction survey • On-site visits at Dufu's premises • Customer audit • Early supplier involvement • Business Review 	Annually On-going On-going On-going As required
 Employees	<ul style="list-style-type: none"> • Health and safety • Communication and engagement • Working condition and welfare • Employee satisfaction • Career development and training • Business performance review • Operation in compliance with applicable laws and standards 	<ul style="list-style-type: none"> • Social events with employees • Appraisal and performance review • Training and development • Employee engagement survey • Formal meeting and discussion • Feedback boxes 	On-going Semi-Annually On-going As required On-going On-going
 Investors/ Shareholders	<ul style="list-style-type: none"> • Business performance • Operation in compliance with applicable laws and regulations • Strategic plans • Good corporate social responsibility and practices 	<ul style="list-style-type: none"> • Interim results • Regular meetings and correspondence • Annual Report • Feedback to media enquiries • Corporate website and investor relationship channel 	Quarterly On-going Annually As required On-going
 Suppliers	<ul style="list-style-type: none"> • Forging strategic partnership • Supplier performance review • Product quality • Practise ethics and compliance 	<ul style="list-style-type: none"> • Key supplier audits • Supplier selection via pre-qualification • Regular meetings and correspondence • Supplier rating • Supplier training 	On-going As required On-going Quarterly As required
 Media	<ul style="list-style-type: none"> • Timely and accurate information 	<ul style="list-style-type: none"> • Press release • Meetings and correspondence 	As required As required
 Government and Regulators	<ul style="list-style-type: none"> • Regulatory compliance 	<ul style="list-style-type: none"> • Site visit and meeting • Participating in program organised by government bodies 	As required On-going
 Community	<ul style="list-style-type: none"> • Environment protection • Operation in compliance with applicable laws and regulations • Local community activities involvement 	<ul style="list-style-type: none"> • Participation in local community and activities • Sponsorship and donation • Communication through email and phone calls 	On-going On-going On-going

Sustainability Statement (Cont'd)

Materiality Assessment

We identify our sustainability matters by having assessed the significance and materiality of each of the sustainability concerns based on its level of impact and influence to the Group, cognisance of the current economic, environmental and social trends both locally and globally. Our materiality assessment on sustainability matters is summarised as follows:

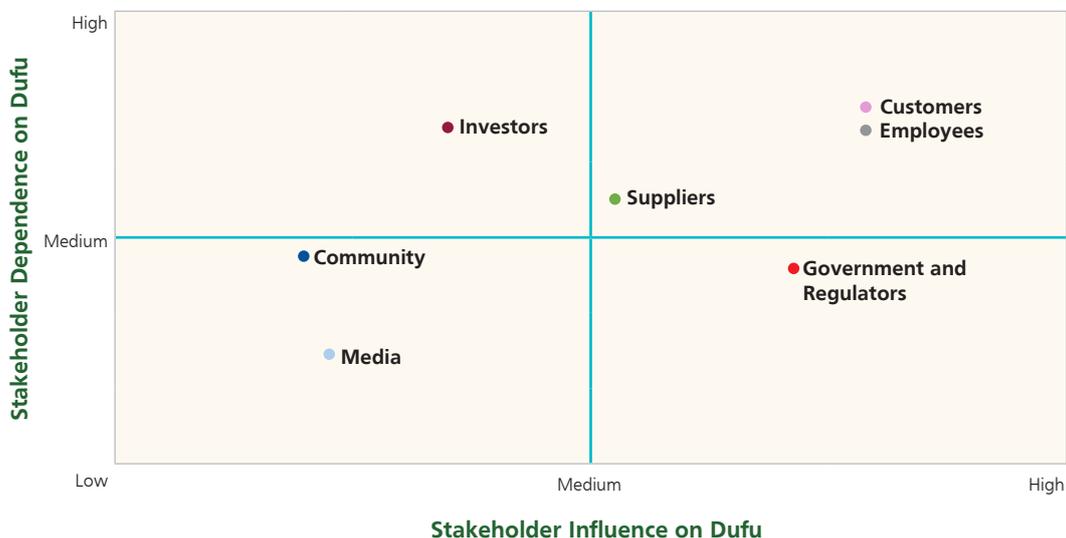


Stakeholder Prioritization

We understand the importance of balancing our strategy for sustainable growth with the diverse expectations from stakeholders. To align with this principle, we've established a series of informal engagement initiatives across the Group's business and supporting units. These initiatives involve engaging stakeholders through various channels periodically to gather their feedback and meet their expectations.

In our most recent stakeholder prioritization exercise conducted in July 2023, members of the RMSWG identified multiple stakeholders with varying degrees of influence and dependence on Dufu. As a result, Customers and Employees emerged as the most critical groups in Dufu's Stakeholder Prioritization Matrix, as depicted in the diagram below.

Stakeholder Prioritisation Matrix



Sustainability Statement (Cont'd)

Materiality Matrix Assessment

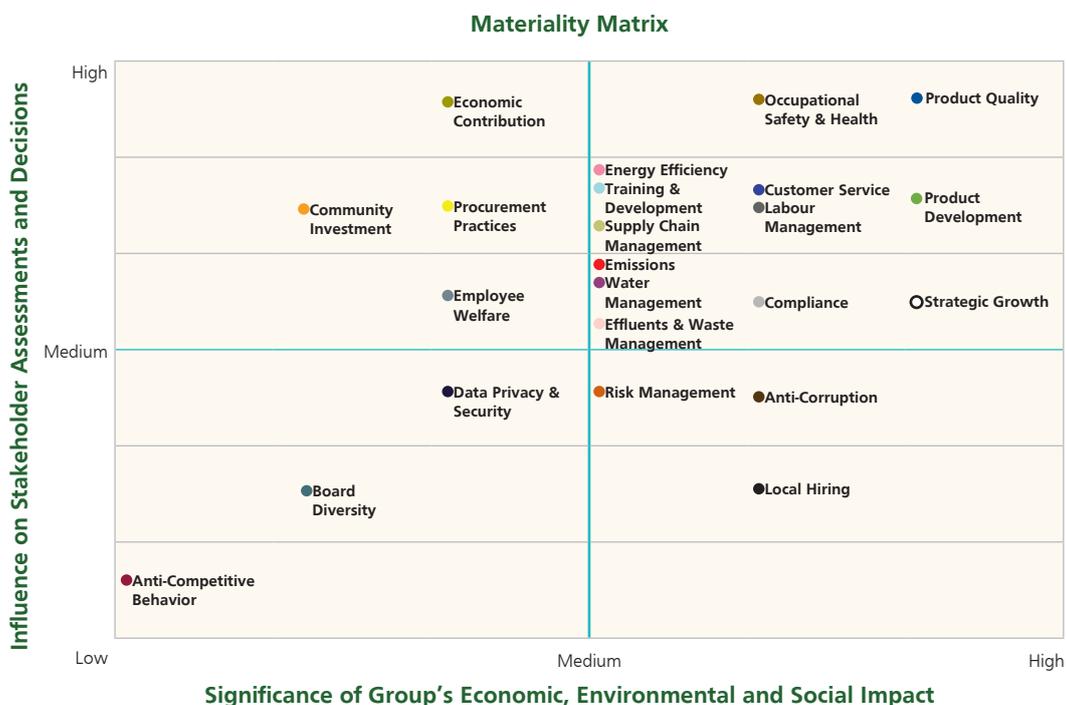
We conduct an annual assessment of our material issues, aiming to continuously enhance and advance our approach in managing sustainability risks and opportunities affecting our business. This process ensures the prioritization of issues that hold the greatest impact on the economy, society, and the environment. Our materiality analysis is shaped by inputs from dialogues with internal stakeholders, including employees and RMSWG representatives from diverse functional groups. While external stakeholders are not directly engaged in the materiality process, their perspectives are represented through ongoing internal stakeholder dialogues.

The identification of a material sustainability matter is based on two criteria:

- Significantly reflecting Dufu’s economic, environmental, and social impact.
- Substantially influencing the assessments and decisions of Dufu’s stakeholders.

On July 19, 2023, the RMSWG revised the materiality matrix encompassing all sustainability matters. The outcomes of this assessment, depicted in the diagram below, were presented to and validated by the RMSC and the Board on August 1, 2023. There were no major changes compared to the previous year’s materiality matrix. Notably, Product Quality, Product Development, Occupational Safety and Health, Customer Service, and Labor Management retained their positions as top material sustainability matters, significantly important to both Dufu’s stakeholders and the Company

Prioritisation of Sustainability Matters



Sustainability Approach

Our approach to sustainability begins with running a safe, efficient, responsible, and profitable business. We view sustainability as intricately tied to our ability to deliver long-term value and growth to all stakeholders. Thus, our sustainability strategies are grounded in five guiding pillars. These pillars serve as the foundation for addressing the material risks and opportunities identified within the twenty-three sustainability matters that may impact our customers, employees, shareholders, suppliers, and the communities in which we operate.

Sustainability Statement (Cont'd)

Sustainability Approach (cont'd)

Each of these five pillars establishes a set of objectives, guiding our efforts to implement our strategy with clarity and purpose. Our sustainability goals within each of these pillars—Economic, Corporate Governance, People, Environment, and Communities are outlined as follows



Economic

- Enhancing shareholders values by pursuing sustainable growth strategies
- Providing quality products and services to enhance customer satisfaction



Corporate Governance

- Upholding an effective governance and decision-making structure
- Fostering an integrity-based approach to ethics management, displaying honesty through honourable conduct



People

- Creating a value-based and performance-led culture
- Making health and safety an integral part of daily culture and work towards zero accidents



Environment

- Addressing climate change and environmental matters in responsible manners with regulatory compliance as the baseline



Communities

- Investment in community engagement in initiatives that make a lasting positive impact

 Economic	 Corporate Governance	 People	 Environment	 Communities
<ul style="list-style-type: none"> • Economic Contribution • Strategic Growth • Product Quality • Supply Chain Management • Customer Service • Product Development • Procurement Practices 	<ul style="list-style-type: none"> • Risk Management • Compliance • Anti-Corruption • Anti-Competitive Behaviour • Data Privacy & Security 	<ul style="list-style-type: none"> • Employee Welfare • Training & Development • Human Rights (Labour Management) • Occupational Safety & Health • Diversity and Inclusion 	<ul style="list-style-type: none"> • Climate Change (Emissions) • Energy Efficiency • Water Management • Effluents and Waste Management 	<ul style="list-style-type: none"> • Community Investment • Local Hiring

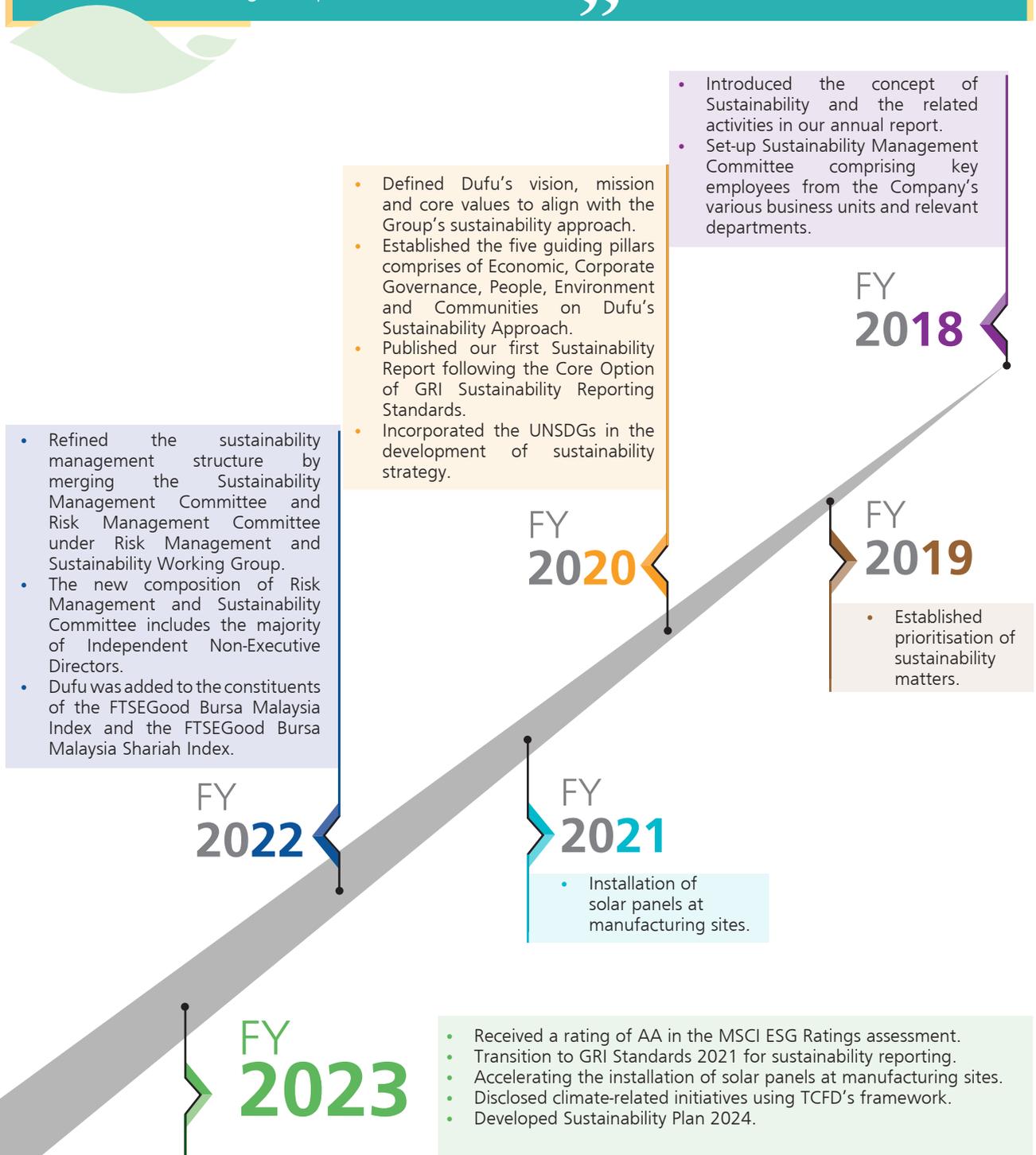
Sustainability Statement (Cont'd)

Sustainability Targets and Performance

Dufu aims to bolster its sustainability efforts by implementing innovative practices and collaborating with stakeholders to amplify its positive environmental and social impact, building upon the foundation laid since the inception of its sustainability journey in FY2018. Through continuous evaluation and adaptation, Dufu seeks to set higher benchmarks and achieve greater sustainability milestones.

Sustainability Progress

“ Centered on a mission that intertwines economic growth, environmental stewardship, and social responsibility, Dufu aligns its business strategies to innovate, produce high-quality products, and contribute to societal well-being. Prioritizing stakeholder and community interests, Dufu remains dedicated to driving sustainable value through its operations and innovations. ”



Sustainability Statement (Cont'd)

Dufu Sustainability Plan 2024

To ensure effective and consistent execution of sustainability initiatives across the company, Dufu initiated its first 1-year Sustainability Plan 2024 and 5-year KPI target for some of its environmental related indexes. This plan will expand the scope with a broader set of sustainability targets, marking a continued commitment to advancing sustainability efforts within the organization. If successful, we shall build a longer horizon in our future Sustainability Plan.

The table below presents our targets developed for Dufu Sustainability Plan 2024.

Strategy Themes	Approaches	Targets for 2024
Corporate Governance		
Corporate Governance	Continuously improve Dufu's policy and procedures to ensure our corporate governance structure meets the applicable laws and regulations, industry best practice and global trends.	Committed continual compliance for inclusion into the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index.
		Ensure that the release of Annual Report is not more than 90 days after end of financial year.
Anti-Corruption and Bribery	Adopts the zero-tolerance approach to bribery and corruption in all its forms.	Maintain zero incident of corruption and bribery cases.
		Maintain zero facilitation payments and zero political contribution.
Data Privacy and Security	Entail proper use, handling and storing of data with sensitive information.	Maintain zero incident of data loses.
		Maintain zero incident of security breaches.
Economic		
Direct Economic Value Generated and Distributed	Creates sustainable value for stakeholders	Providing returns to shareholders of at least 50% pay-out ratio out of Group's operational earnings.
Customer satisfaction	Tracking customer satisfaction	Maintain customer satisfaction rate at or above level of 90% based on the customer satisfaction survey.
Supplier Chain Management	Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet Dufu's sustainability initiatives	Perform ESG related audit on major suppliers and to monitor their compliance at least once every 3 years.
Adherence to global standards to establish credibility and trust among customers and business partners	Upholding of certifications to the identified quality, environment, social, health and safety management frameworks	Compliance to full production system external audits related to ISO 9001, 14001, 45001, RBA and IATF 16949 without major critical discrepancies.

Sustainability Statement (Cont'd)

Dufu Sustainability Plan 2024 (cont'd)

Strategy Themes	Approaches	Targets for 2024
Environment		
Environmental Management	Analyse, monitor, and minimise the associated environmental impacts following our Environmental Management System.	Regular review on update of environmental standards and regulations and maintain the ISO14001 certification.
Climate Change	Review and develop sustainability initiatives to identify and address the associated risks and opportunities.	Reduce GHG emission intensity by 2% compared with FY2023 and 10% by FY2028.
		Increase renewable energy use by 30% compared with FY2023.
Energy Management	Reduce energy consumption and thus the carbon emissions.	Reduce the electricity usage intensity by 2% compared with FY2023 and 10% by FY2028.
		Adopt highly efficient energy system and equipment for high performance operation - upgrade on air compressor systems.
Water Management	Reduce water consumption and improve effluent treatment.	Reduce total water consumption intensity by 2% compared with FY2023 and 10% by FY2028.
Effluents and Waste Management	Recycle materials to minimise waste and conserve resources.	Reduce amount of hazardous waste per production output by 2% compared with FY2023 and 10% by FY2028.
		Reduce amount of non-hazardous waste per production output by 2% compared with FY2023 and 10% by FY2028.
		Reduce packaging material used for finished goods per production output by 2% compared with FY2023 and 10% by FY2028.
Our People		
Occupational Health and Safety	Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment.	Zero work-related fatality case.
		Zero occupational, poisoning and disease related illness.
		Maintain employee satisfaction rate at or above average level of 70% based on the employee satisfaction survey.

Sustainability Statement (Cont'd)

Dufu Sustainability Plan 2024 (cont'd)

Strategy Themes	Approaches	Targets for 2024
Our People		
Human Rights and Labour Practices	Respect the labour and human rights of all our employees with clearly defined human resources management policies, and promote an inclusive culture throughout the company.	Zero substantiated complaints concerning human rights violations annually.
		Ensure that the percentage of women in all exempt positions at or above 33%.
		Maintain average staff turnover rate at or below 20%.
Training and Development	Foster a continuous learning environment and encourage employees to develop and advance their careers in Dufu.	Maintain average training hours per employee at or above 12 hours.
		Performance evaluation is carried out for all the staff at least twice a year.
Communities		
Community Engagement	Use our expertise and resources to support the communities in which we operate.	Ensure that the total number of Dufu volunteers is no less than 10% or 100 of total employee.
		Ensure that the volunteering hours are no less than 1,500 hours.
		Collaborate with corporate philanthropies and participate in more local charitable events with budgeted investments of no less than RM100,000.
		Engage 15 students to participate in Dufu's internship programme.

Mapping Our Material Matters

Dufu has embraced the materiality mapping approach as a cornerstone in recognizing, prioritizing, and effectively addressing issues of profound importance to both our organization and our valued stakeholders. Through this method, we ensure that all matters deemed material are given due attention by our management team. This involves a thorough assessment of associated risks, their potential impacts, and the opportunities that may arise from these focal points. Subsequently, our management responds by crafting robust strategies, integral to the creation of value within the Dufu Group, all underpinned by our five guiding sustainability pillars. Furthermore, we have harmonized these material concerns with the relevant United Nations Sustainable Development Goals (UNSDGs).

The following table elaborates on how our five sustainability pillars—Economic, Corporate Governance, People, Environment, and Communities—are aligned with the UNSDGs pertinent to our industry and elucidates our approach towards them.

Sustainability Statement (Cont'd)

Mapping Our Material Matters (cont'd)

Economic

Under our sustainability pillar “Economic”, we view that UNSDGs Goal 8: Promoting an inclusive and sustainable economic growth, full and productive employment and decent work for all is the most important aspects of all the 17 UNSDGs. Our sustainable financial economic performance and strategic growth are paramount to Dufu’s sustainability journey as they have also a direct beneficial impact to other stakeholders such as our employees, government, local communities and investors.



Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
<p>Strategic growth and Economic Contribution</p> <p>A well-planned expansion of Dufu’s activities, products, or services, with the goal of making a significant and positive impact on the economy.</p>	<p>Strategic growth and economic contribution are essential for Dufu, and its stakeholders, as they create jobs, generate revenue, drive innovation, and enhance the overall well-being of society.</p>	<ul style="list-style-type: none"> - Dufu faces challenging economic conditions including fluctuation of raw material prices, inflationary pressure and uncertain geopolitical landscape. - Exposure to foreign exchange fluctuations results in volatile returns. 	<ul style="list-style-type: none"> - Staying abreast of emerging trends is crucial for maintaining competitiveness and exploring diverse opportunities for the business 	<ul style="list-style-type: none"> - Customers - Suppliers - Government - Investors - Employees 	<ul style="list-style-type: none"> • Financial Performance and Strategic Growth, p 41 • Direct Economic Value Generated and Distributed, p 41 - 42
<p>Product Quality and Development and Customer Service</p> <p>Manufacturing and development of Dufu’s goods and services that meet customers’ needs.</p>	<p>Good customer service and consistent product quality are vital for building a strong image, increasing customer satisfaction, and ensuring Dufu’s sustainable growth of its business.</p>	<ul style="list-style-type: none"> - Dealing with customer service or product quality issues can strain resources and result in operational inefficiencies. - Continual customer complaints or quality issues can demoralize and disengage employees, affecting their job satisfaction - Erosion of Dufu’s market share as customers look for alternatives. 	<ul style="list-style-type: none"> - Optimisation of costs as higher product quality can reduce costs associated with returns and repairs. - Satisfied customers are more likely to make additional purchases, boosting sales and revenue. - High product quality and excellent service result in fewer complaints and issues to resolve. 	<ul style="list-style-type: none"> - Customers - Employees - Suppliers 	<ul style="list-style-type: none"> • Customer Satisfaction, p 42 • Commitment to quality, p 46
<p>Procurement Practices and Supply Chain Management</p> <p>Dufu advocates responsible sourcing by engaging in local procurement and deploy supply chain practices that focuses on acquiring products, materials, and services in an ethical and sustainable manner.</p>	<p>Local procurement is paramount in channelling income back into the local community, increasing local purchasing power and stimulating economic growth while responsible sourcing is important for ethical, legal, financial, and reputational reasons, and it contributes to a more sustainable and resilient global supply chain.</p>	<ul style="list-style-type: none"> - Unethical or unsustainable sourcing can lead to supply chain disruptions, affecting production and business operations. - Competitors with responsible sourcing practices may gain a competitive advantage, leading to market share erosion. 	<ul style="list-style-type: none"> - Consumers increasingly seek products and services that align with their values and expectations for ethical and sustainable sourcing. - Contributes to the long-term sustainability of resources, communities, and businesses. 	<ul style="list-style-type: none"> - Suppliers - Customers - Community 	<ul style="list-style-type: none"> • Supply Chain Management, p 42 - 46 • Local Procurement Practices, p 46

Sustainability Statement (Cont'd)

Mapping Our Material Matters (cont'd)

Corporate Governance

Promoting Goal 16: Peace, justice and strong institutions is the most material goal for our sustainability pillar “Corporate Governance”. Dufu has developed a comprehensive management structure throughout the years. We have continuously reviewed our company policies and procedures to ensure our corporate governance structure meets the applicable laws and regulations, industry best practices, global trend and market expectation. We strive to contribute to UNSDGs Goal 16 in the area of governance and business ethics, by strengthening our effectiveness, accountability and transparency. We recognise that good governance practices are imperative to long-term business success which also contribute to an inclusive society



Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
Corporate Governance and Regulatory Compliance Fostering a culture built on unwavering ethical standards not only helps mitigate risks but also strengthens the foundation of trust with stakeholders, promoting sustainable relationships and long-term resilience for Dufu.	Good corporate governance and compliance are fundamental to establishing transparency, accountability, and ethical conduct within an organization, ensuring that it operates with honesty and responsibility, which in turn builds trust, reduces the risk of misconduct, and supports long-term success.	<ul style="list-style-type: none"> - The lack of governance and compliance can lead to a range of negative consequences, including legal and regulatory violations, financial losses, reputational damage, decreased stakeholder trust, and an increased risk of unethical behavior. 	<ul style="list-style-type: none"> - Enhance reputation, attract ethical investors, improve access to capital, foster positive relationships with Regulators 	<ul style="list-style-type: none"> - Regulators - Employees 	<ul style="list-style-type: none"> • Corporate Governance, p 47 - 50
Risk Management Identifying, assessing, and mitigating potential threats and vulnerabilities to protect Dufu’s assets, reputation, and operational continuity.	Risk Management matters because it enables Dufu to anticipate, prepare for, and respond to potential challenges and uncertainties, ultimately ensuring their long-term sustainability and success.	<ul style="list-style-type: none"> - The absence of effective risk management increases the likelihood of financial losses, operational disruptions, reputational damage and regulatory non-compliance. 	<ul style="list-style-type: none"> - Strategic management of risks may lead to enhanced decision-making, resource allocation, and long-term business sustainability. 	<ul style="list-style-type: none"> - Employees - Regulators 	<ul style="list-style-type: none"> • Risk Management, p 49
Data Privacy and Security Data privacy and security responsibility is a critical aspect of managing and protecting sensitive information in the digital age. Dufu commits to safeguard data, whether it pertains to personal information, financial records, intellectual property, or other sensitive data.	Data privacy and security are important to protect individuals’ sensitive information and maintain trust, as breaches can lead to identity theft, financial loss, and privacy violations. Additionally, they are crucial for businesses to avoid legal and financial consequences, as well as reputational damage resulting from data breaches.	<ul style="list-style-type: none"> - Security breaches have the potential to disrupt critical business operations, leading to downtime, financial losses, and a decline in productivity. - Breaches in data privacy can result in significant reputational damage and public backlash. 	<ul style="list-style-type: none"> - Helps to sustain stakeholders’ trust 	<ul style="list-style-type: none"> - Customers - Employees - General Public 	<ul style="list-style-type: none"> • Data Privacy and Security, p 50

Sustainability Statement (Cont'd)

Mapping Our Material Matters (cont'd)

People

Promoting UNSDGs Goal 3: Ensuring healthy lives and promoting well-being for employees at all for all ages is the most material goal for our sustainability pillar "People". Dufu aims to provide a supportive, pleasant and healthy workplace for employee, and to foster a caring and well-being community in its working environment. We adhere to internationally recognised ethical and responsible business practices. A safe and healthy working environment for our people is of paramount priority for Dufu which we hope to achieve this by conducting comprehensive health and safety training programmes, organising well-being activities and continuous improvement on the workplace facilities.



Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
<p>Occupational Safety & Health</p> <p>Our unwavering commitment is to inspire and empower our people to opt for a healthier future, benefiting themselves, their families, and our business. Simultaneously, we are dedicated to fostering a healthy working environment</p>	<p>Keeping our people and contractors safe at the workplace to keep up the morale of our workers and maintain our license to operate.</p>	<ul style="list-style-type: none"> - Increase cost to invest in health and wellness programmes for employees. - Privacy and confidentiality risks pertaining to employee health status. 	<ul style="list-style-type: none"> - Minimises disruptions to business continuity. - Contributes towards improved employee retention. 	<ul style="list-style-type: none"> - Employees - Regulators 	<ul style="list-style-type: none"> • Occupational Health and Safety, p 64 - 67
<p>Training and Development</p> <p>Encompass the systematic process of enhancing an individual's or a group's knowledge, skills, competencies, and abilities through organized learning experiences. This is done to improve job performance, support career growth, and meet Dufu's evolving needs.</p>	<p>Essential for both individual and Dufu's growth, fostering a skilled and motivated workforce that can adapt to change and contribute to the overall success of Dufu.</p>	<ul style="list-style-type: none"> - Increase costs relating to labour 	<ul style="list-style-type: none"> - provide a pathway for career growth, increasing employee motivation and retention. - helps employees adapt to changes in technology, industry trends, and business processes. - enhance the skills and knowledge of employees, making them more effective and efficient in their roles. 	<ul style="list-style-type: none"> - Employees 	<ul style="list-style-type: none"> • Employee Development and Talent Management, p 57 - 59

Sustainability Statement (Cont'd)

Mapping Our Material Matters (cont'd)

People (cont'd)					
Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
Human Rights on Labour Management Respecting and protecting the rights of our people	Human rights of employees and our supply chain matter because they ensure fairness, dignity, and respect in the workplace, fostering a just and harmonious work environment.	<ul style="list-style-type: none"> - As Dufu comprises a diverse workforce, misinterpretation of policies and work culture may also violate human rights due to differences in backgrounds and cultural biasness. 	<ul style="list-style-type: none"> - Exemplary human rights practices bolster business value by solidifying reputation, drawing in talent, and forging connections with stakeholders, all of which are pivotal to long-term success. 	<ul style="list-style-type: none"> - Employees - Community - Supplier 	<ul style="list-style-type: none"> • Respect of Labour and Human Rights, p 51 - 54
Diversity and Inclusion Promoting a diverse and inclusive workplace where every employee is treated with dignity and respect.	Employee dignity and diversity are vital for ethical, legal, and business reasons, driving innovation, performance, and inclusivity, while supporting Dufu's reputation and our ability to compete in a global marketplace.	<ul style="list-style-type: none"> - Homogeneous groups may lack diverse perspectives, hindering innovative thinking and problem-solving. - A lack of inclusion can foster discrimination and bias, leading to unequal treatment and opportunities for certain individuals or groups. 	<ul style="list-style-type: none"> - Helps to improve morale and productivity among employees. - Contributes towards improved employee retention. 	<ul style="list-style-type: none"> - Employees 	<ul style="list-style-type: none"> • Diversity and Inclusion, p 54 - 56

Environment

Promoting UNSDGs Goal 13: Taking urgent action to combat climate change and its impact is the most material goal for our sustainability pillar "Environment". We are dedicated to protecting the environment and supporting the fight against climate change to move towards a circular economy.

Our key areas of focus in regards to climate change management are mainly concentrated in maximising our resources efficiency and improve productivity while minimising waste and preserving energy consumption and water resources.



Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
Climate Change Measures taken to adapt businesses to a changing climate and boost resilience while transitioning to a low-carbon economy involve reducing greenhouse gas emissions through energy efficiency, advanced production technology, and the adoption of low-carbon processes.	Climate change poses a grave threat, with risks like rising temperatures, extreme weather, sea-level rise, ecosystem disruption, food and water shortages, and human displacement, imperilling our planet's well-being.	<ul style="list-style-type: none"> - The inability to effectively manage the transition to low-carbon processes can jeopardize the long-term resilience and sustainability of the business. 	<ul style="list-style-type: none"> - Enhance sustainability by mitigating environmental impacts. - Fostering a positive reputation. 	<ul style="list-style-type: none"> - Government and Regulators - Suppliers - Community 	<ul style="list-style-type: none"> • Environment and Managing Climate Change, p 68 - 81

Sustainability Statement (Cont'd)

Mapping Our Material Matters (cont'd)

Environment (cont'd)					
Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
Energy Efficiency Measures taken to reduce energy consumption in order to accomplish a specific task or objective.	Energy consumption is a major source of greenhouse gas (“GHG”) emissions, primarily due to the burning of fossil fuels for electricity, heating, and transportation. These emissions are a primary driver of climate change.	<ul style="list-style-type: none"> - Non-compliance among partners and suppliers can hinder our efforts to reduce energy consumption across the entire value chain, as it may disrupt the implementation of energy-efficient practices. 	<ul style="list-style-type: none"> - Potential in reduction of operational costs. - Enhance sustainability by mitigating environmental impacts. - Fostering a positive reputation. 	<ul style="list-style-type: none"> - Government and Regulators - Suppliers 	<ul style="list-style-type: none"> • Energy Management, p 74 - 75
Water Management Tracking and monitoring our water consumption and water discharge to ensure sustainable practices.	Water is indispensable for the health and well-being of communities and is also a critical resource for our business operations.	<ul style="list-style-type: none"> - Potential water scarcity or supply disruptions. 	<ul style="list-style-type: none"> - Potential in reduction of operational costs. - Enhance sustainability by mitigating environmental impacts. - Fostering a positive reputation. 	<ul style="list-style-type: none"> - Government and Regulators 	<ul style="list-style-type: none"> • Water Management, p 77
Effluents and Waste Management Managing waste and effluents generated by our operations, with a focus on reduction and responsible disposal.	Waste management is important because it helps protect the environment, public health, and natural resources by minimizing pollution, conserving energy, reducing the need for new landfills, and promoting a sustainable and responsible approach to handling waste.	<ul style="list-style-type: none"> - Increased in operational costs to adopt infrastructure necessary to enhance waste management. 	<ul style="list-style-type: none"> - Enhance sustainability by mitigating environmental impacts. - Fostering a positive reputation. 	<ul style="list-style-type: none"> - Government and Regulators 	<ul style="list-style-type: none"> • Effluents and Waste Management, p 78 - 81

Sustainability Statement (Cont'd)

Mapping Our Material Matters (cont'd)

Communities

Promoting UNSDGs Goal 17: Strengthen the means of implementation and revitalising the global partnership for sustainable development is the most material goal for our sustainability pillar “Communities”. Dufu uses its expertise and resources to support the communities in which it operates, focusing on supporting people in need, collaborating with local charities and organisations and providing education and training opportunities for young people.



Material Matters	Why it Matters?	Risks	Opportunities	Affected Stakeholders	Action Plan
<p>Community Investment</p> <p>Improving the well-being of a specific community or society at large, often through initiatives that address social, environmental, or economic challenges.</p>	<p>Building a positive reputation, ensuring long-term sustainability, attracting and retaining talent, and enhancing public image.</p>	<ul style="list-style-type: none"> - Can be costly if not managed well. - Overcommitting resources may divert them from core business activities. - Community projects can be influenced by social and political factors. - May involve working with complex community dynamics and differing interests. 	<ul style="list-style-type: none"> - May attract and retain top talent who value socially responsible employers. - Positive community involvement can enhance a company’s reputation, making it more attractive to customers, employees, and investors. - Fosters stronger relationships with stakeholders, including local government, NGOs, and community organizations. 	<ul style="list-style-type: none"> - Community - Employee - Customers - Media - Government 	<ul style="list-style-type: none"> • Collaborating with local charities and organisations. • Providing education and training opportunities for young people. • Enriching Communities, p 82 - 84
<p>Local Hiring</p> <p>Employing individuals who reside in the same geographic area or community as Dufu.</p>	<p>Contributes to the local economy by channelling income back into the community, increasing local purchasing power and stimulating economic growth.</p>	<ul style="list-style-type: none"> - Finding the right local candidates for certain positions can be difficult, leading to longer recruitment timelines. - Local workers not willing to take on unpleasant or low-paying jobs. 	<ul style="list-style-type: none"> - Local hiring circulates income within the community, boosting local businesses and economic growth. 	<ul style="list-style-type: none"> - Employee - Government - Community 	<ul style="list-style-type: none"> • Collaborating with local universities and colleges. • Active participation in job fairs. • Collaborating with recruitment agencies.

Sustainability Statement (Cont'd)

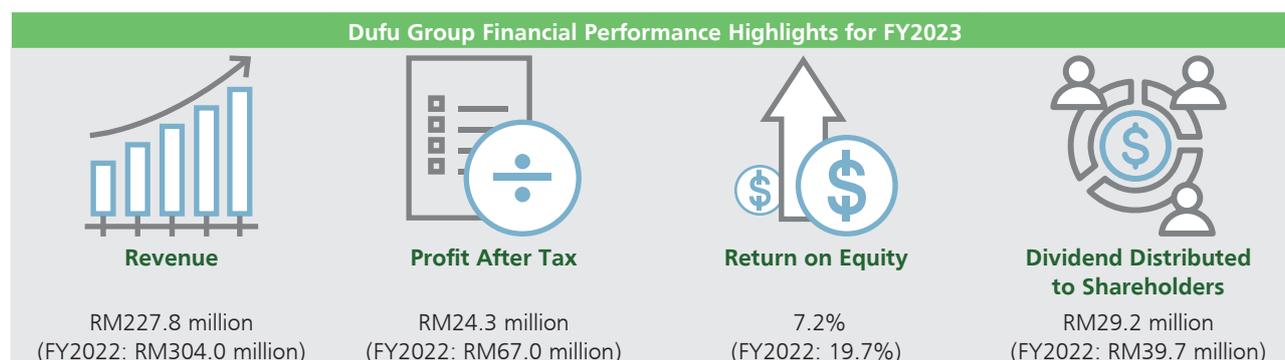
ECONOMIC

Our key initiatives for business sustainability within the economic space are focused on the following key areas:

Financial Performance and Strategic Growth

Our financial performance is significant to our internal and external stakeholders alike where sustainable growth allows us to forge strategic partnership with customers and suppliers. We also acknowledge that providing returns to shareholders is equally important to align with shareholders' expectations. Thus, Dufu adopts a dividend policy of 50% pay-out ratio out from the Group's operational earnings.

A summary of our key Financial Performance for the year 2023 are as follows:



We shall continue to strive towards long-term business profitability and growth as well as maintaining our preferred supplier status by providing a one-stop manufacturing facility offering quality machining parts and solutions in driving sales growth. The strategies we have adopted to foster sustainable growth beyond 2023 are as follows:

- Continued to invest in infrastructure and machineries to maintain current market share, when applicable for targeted growth of Hard Disk Drive ("HDD") components. Despite the recent setbacks in demand due to global inventory adjustments, the surging generation of data by businesses, corporate data centers and cloud service providers will likely cause bountiful need for electronic data storage in the future. Digital transformation of work and artificial intelligent which requires expansion of dataset, life and leisure continues to be fuelled by rising processing power, improvement in data analysis, enhancement in data transmission and the falling cost of data storage.
- The factory building at Bukit Minyak Industrial Park acquired in 2019 with land area of 0.81 hectare provided the Group with a much-needed infrastructure to offer a one-stop solutions center specializing in fabrication and assembly of sheet metal components and equipment. As the Group is facing space constraints due to the overwhelming demand in this business segment, the Group has acquired 2 units of Single Storey Detached Factory on 22 December 2022 where the properties are expected to be completed in 2025. This is part of the overall long-term diversification strategy to grow the Group's revenue with a balance portfolio of products.

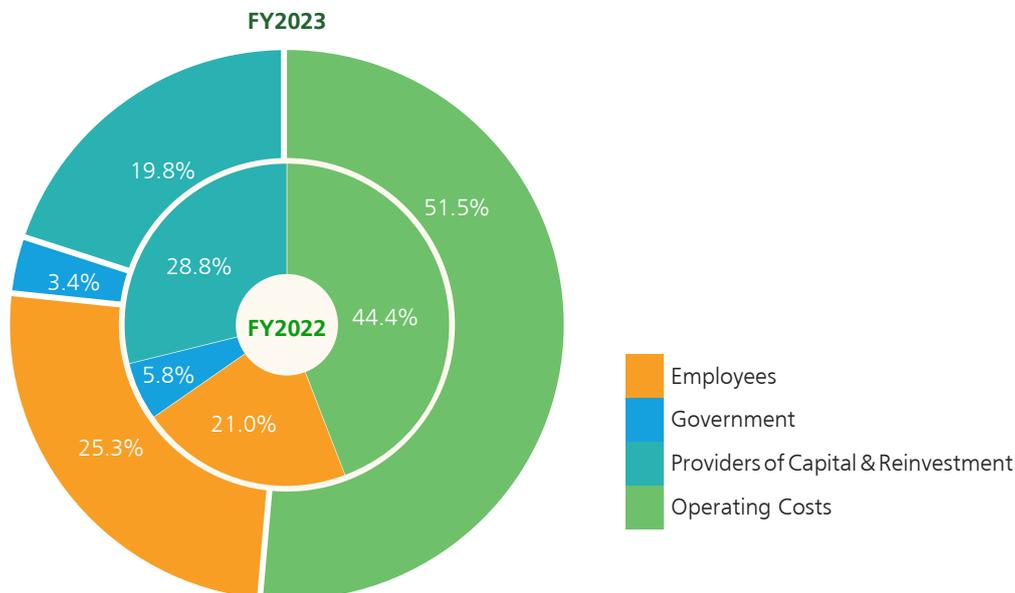
Direct Economic Value Generated and Distributed

Dufu generates sustainable value for its customers, supply chain, and other stakeholders, and ensures that the derived economic value is equitably distributed among them. This includes governments through taxes, employees through compensation and benefits, shareholders through dividends, suppliers and service providers through raw materials and service prices. Part of the value earned is retained in the company for capital investments, and to maintain a certain amount of independence from capital market fluctuations. The following pie chart summarizes the direct economic value generated and distributed by Dufu Group. It describes the economic value we have created for various stakeholders:

Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Direct Economic Value Generated and Distributed (By %)



Customer Satisfaction

The Group's economic success and in particular, the success of our extension strategy is directly linked to the satisfaction level of our customers. Customers' satisfaction is always our priority and responsible of all the managers in their respective business areas. We continued to focus on taking customer interests into account by implementing timely measures to improve product quality and deliverables in the interests of our customers. For instance, we developed mechanical tools and the continuing improvement in our process techniques have helped to prevent handling defects. Listening to customer feedback from around the world and utilize this feedback for product development throughout its entire lifecycle is part of Dufu's culture which we have cultivated in our pursuit to achieve total customer satisfaction. As a result, we build customers confidence in using our products and services where they can be assured of timely delivery with consistent quality.

Customer survey is carried out on yearly basis to assess customer satisfaction. In 2023, we received an overall customer satisfaction score of 93.3% (2022:93.3%). The survey enables us to track our relationship with customers and allows us to identify areas for ongoing improvement.

Supply Chain Management

Sustainability-focused supply chain management is a crucial aspect of our risk management strategy. We've outlined our standards and procedures in the Group's purchasing guidelines, which we consistently refine and enhance to adapt to evolving regulatory landscapes and emerging needs. Our goal is to comprehensively identify and assess sustainability concerns within our value chains, collaborating with our suppliers to enhance sustainability practices collectively.

Our expectations of suppliers are detailed in the global Supplier Code of Conduct, establishing clear standards to adhere to. We prioritize building dependable relationships with our suppliers and actively assist them in meeting our stipulated requirements.

Supplier Code of Conduct

Dufu's Supplier Code of Conduct ("SCC") outlines our expectations and guidelines with respect to responsible sourcing including our commitments to human rights, the environment, health and safety, business ethics and the development of a diverse and sustainable supply chain. The SCC is aligned with Responsible Business Alliance Code ("RBA"), United Declaration of Human Rights, International Labour Organisation Conventions and the United Nation Global Compact ("UNGC") of which Dufu supports their principles and standards.

Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Supply Chain Management (cont'd)

Supplier Code of Conduct (cont'd)

The Supplier Code of Conduct (“SCC”) comprises various categories, including Social, Health & Safety, Environment, and Ethics that suppliers are expected to adhere to:

 <p>Social:</p>	<ul style="list-style-type: none"> • Freely Chosen Employment: Suppliers must refrain from using forced, bonded, indentured, or involuntary prison labour. • Child Labour: Adherence to local laws regarding the minimum age for employment and protection of young workers from hazardous or harmful work. • Working Hours: Compliance with local regulations regarding workweeks and hours, encouraging reasonable working hours and voluntary overtime payment as per statutory requirements. • Wages and Benefits: Ensuring compensation and benefits meet applicable wage laws, with no deductions as disciplinary measures, and reviewing local wages for living wage compliance. • Humane Treatment: Obligation to treat employees with dignity, prohibiting violence, exploitation, abuse, or harassment. • Non-discrimination/Non-harassment: Maintaining a harassment-free workplace, ensuring fair hiring, promotions, and rewards based on job-related factors. • Freedom of Association: Respecting workers’ rights to association, representation, and open communication without fear of reprisal.
 <p>Health & Safety:</p>	<ul style="list-style-type: none"> • Occupational Health, Safety, and Hazard Prevention: Identifying, evaluating, and managing workplace hazards. • Occupational Injury and Illness: Implementing procedures to prevent, manage, track, and report workplace injuries and illnesses. • Emergency Preparedness: Assessing potential emergencies and implementing plans to reduce their impact. • Industrial Hygiene: Controlling workers’ exposure to various workplace agents and hazards. • Physically Demanding Work: Identifying and controlling hazards related to physically demanding tasks. • Machine Safeguarding: Evaluating machinery for safety hazards. • Sanitation, Food, and Housing: Providing clean facilities and ensuring access to sanitary necessities for workers. • Communication: Offering workers appropriate health and safety information and encouraging them to voice concerns without retaliation.
 <p>Environment:</p>	<ul style="list-style-type: none"> • Environmental Permits and Reporting: Obtaining and adhering to necessary environmental permits and reporting requirements. • Pollution Prevention and Resource Reduction: Minimizing waste and resource use through monitoring, controls, and responsible practices. • Hazardous Substances: Managing and appropriately handling hazardous materials. • Solid Waste: Implementing systems for waste reduction, management, and responsible disposal or recycling. • Air Emissions: Monitoring and controlling emissions before discharge. • Materials Restrictions: Adhering to substance restrictions in products. • Water Management: Managing water sources, use, discharge, and wastewater treatment. • Climate Change on Energy Consumption and Greenhouse Gas Emissions: Tracking and documenting energy consumption and emissions.
 <p>Ethics:</p>	<ul style="list-style-type: none"> • Business Integrity and No Improper Advantage: Upholding high integrity standards and prohibiting bribery, corruption, and embezzlement. • Responsible Sourcing of Materials: Exercising due diligence in sourcing materials, aligned with the Organisation for Economic Co-operation and Development (“OECD”) guidance for responsible supply chain practices. • Disclosure of Information: Ensuring accurate and transparent business records and compliance with disclosure regulations. • Fair Business, Advertising, and Competition: Complying with antitrust laws and fair competition standards. • Privacy: Safeguarding sensitive and proprietary information. • Protection of Identity and Non-Retaliation: Establishing transparent and confidential grievance mechanisms for workers and other stakeholders.

Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Supply Chain Management (cont'd)

Supplier Code of Conduct (cont'd)

Dufu's SCC is disseminated globally to all our suppliers in relevant languages and is accessible through our company's website at <https://www.dufutechnology.com/supplier-code-of-conduct/>. The primary objective of this SCC is to enhance awareness, transparency, and adherence to economic, environmental, social, and corporate governance standards within Dufu's supply chain.

To ensure alignment, key direct materials suppliers, indirect material suppliers, and contractors have affirmed their commitment to our SCC by signing the letter of conformance and accompanying questionnaires. These responses are meticulously reviewed and evaluated by our EHS and Procurement team. Additionally, as part of our pre-engagement process for new suppliers and for existing suppliers deemed high risk, particularly concerning social and environmental aspects, a comprehensive risk assessment is conducted.

Moreover, our Human Resource Team conducts annual training sessions for pertinent supplier personnel on the Group's procurement policy and SCC guidelines. Integration of the SCC into our Group's Purchase Orders and relevant Supplier Contracts reinforces compliance. By accepting any Purchase Order from Dufu, suppliers implicitly acknowledge and agree to comply with the SCC's stipulations and requirements. This integration ensures a unified commitment to our ethical and operational standards across our supply chain.

Environmental and Social Assessment in Supply Chain

We have a network of 16 shared key direct material suppliers and contractors, with whom our direct material spending comprises more than 85% of the Group's total direct material procurement. Our supplier audit strategy aims to cover 100% of the 16 suppliers in every three years. As of 31 December 2023, we have performed audits on 13 out of 16 key suppliers/contractors at least once in the past two years.

In FY2022, we initiated periodic on-site audits of suppliers conducted by our trained auditors in the ESH Department. This step, involving the audit of 4 shortlisted suppliers, served to affirm our supplier standards and alert our teams to any potential violations concerning ethical, social, or environmental practices. Expanding our efforts in FY2023, we audited an additional 9 suppliers. For the year under review, the Group did not identify or receive reports of potential SCC violations by suppliers, except for one instance. As a result of our assessment, we terminated our engagement with that particular supplier.

	FY2023	FY2022	FY2021
Total number of major direct material suppliers and contractors	16	16	-
Environmental Impact			
Number of suppliers assessed for environmental impacts* <i>Note: *assessed at least once in the past 3 years</i>	5	4	-
Number of suppliers identified as having significant actual and potential negative environmental impacts	-	-	-
Description of the significant and actual environmental impact identified	-	-	-
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment* <i>Note: *does not include closed cases where agreed-upon improvements have been implemented and verified by Dufu's audit team</i>	-	-	-
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	-	-	-

Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Supply Chain Management (cont'd)

Environmental and Social Assessment in Supply Chain (cont'd)

	FY2023	FY2022	FY2021
Social impact			
Number of suppliers assessed for social impacts	9	4	-
Number of suppliers identified as having significant actual and potential negative social impacts	1	-	-
Description of the significant and actual social impact identified	The affected supplier violated Dufu's SCC.	-	-
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment* <i>Note: *does not consider closed cases where agreed upon improvements have been implemented and verified by Dufu's audit team</i>	-	-	-
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	11.1	-	-

Note: Dufu only commenced its environmental and social audit on its major suppliers and contractors with effective from FY2022.

Conflict-Free Minerals Policy & Raw Materials Sourcing

We take appropriate due diligence process to mitigate the risk that any Conflict Minerals in the procurement or processing of supply chain on raw material and products could possibly benefited armed groups in the Democratic Republic of Congo or adjoining countries by continuing to identify suppliers whose supplies contain 3TG for all new product launches and support our customers in implementing their conflict minerals programs.

In order to achieve the Conflict Minerals compliance, we have formed a Conflict Minerals Committee consisting of personnel from the Purchasing, Sales & Business Development, Quality and Human Resource departments. The Committee will review the due diligence progress to identify and provide resources to support the Conflict Minerals legislation requirements. Our suppliers are required to declare and identify the sources of all its material substances contained in the products and make available any documentation that supports the declaration. This is to ensure the minerals used in our supply chain are conflict-free at all times. Our Conflict-Free Minerals Policy is made available on our company's website at <https://www.dufutechnology.com/conflict-minerals-policy/>.



Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Supply Chain Management (cont'd)

Conflict-Free Minerals Policy & Raw Materials Sourcing (cont'd)

On top of this, we also mandate our suppliers' raw materials sourcing are RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) compliance at all times. RoHS directive restricts the use of ten hazardous substances including lead in electrical and electronic equipment whereas REACH is a regulation adopted to improve the human health and environment from the risks that can be posed by chemicals. We do not use these substances in our production processes. We also work together with customers to fulfil their standards for products stewardship and safety.

Regulations and customer requirements & descriptions	Measures taken by Dufu
RoHS Directive - Restriction on the use of ten substances including lead	<ul style="list-style-type: none"> We ensure compliance through annually conducted review and analysis, supported by documentations such as declaration letter, Certificate of Compliance and Safety Data Sheets. We engage with suppliers to facilitate their compliance. Suppliers are required to perform self-assessment and submit the relevant compliance documentation on yearly basis. Each batch of supplies received is accompanied by the relevant test reports and certificates.

Local Procurement Practices

We drive our business unit's needs for goods and services towards local procurement while taking into consideration the need to establish a secure, reliable and cost-effective supply chain that conforms to the highest standards of quality and delivery. However, there are some exceptions for those goods that are unavailable locally such as certain raw materials and specialised technical equipment and its related spares and accessories. These two aspects are the main reasons why the proportion of spending on non-local purchases are significant to the Group. Nonetheless, the proportion of local purchases have increased from 42% in FY2022 to 63% in FY2023 mainly due to the decreased in the purchase of imported raw materials.

Commitment to quality

Having the latest revision of ISO 9001:2015 certification is a testament that we continue to uphold a consistent quality standard of our products. A comprehensive quality management system framework has been established to ensure customers that quality assurance policies and procedures are in place to address product quality and reliability on regular basis, as well as improving work efficiency.

We enforce stringent quality controls in our entire operations. Our quality practices involve various stages of design, tooling, process and control while adopting well known quality work standardisation techniques such as Poka Yoke, Six Sigma, Design for Manufacturability ("DFM"), Failure Mode Effect Analysis ("FMEA"), Statistical Process Control ("SPC") and etc. Incoming material inspection is conducted to ensure raw materials and components comply with documented standards before mass production whereas in-process quality audit detects abnormalities in our manufacturing process. All our key products characteristics are subject to in-depth process monitoring and quality control checks during different stages of production using delicate measurement tools, metrology and laboratory equipment. Our finished goods quality assessment helps to verify the reliability and compliance of our products, other than ensuring the products meet the required specification and defects-free at the time of delivery. Following that, we strive that every product we deliver is consistently on time, every time.



Sustainability Statement (Cont'd)

CORPORATE GOVERNANCE

Approach

The Board is committed to achieve the desired standards of professionalism and business ethics across the Group's activities. We acknowledge that corporate governance is a form of self-regulation which is part of our sustainability journey aimed at enhancing business propositions taking into considerations various stakeholders' value and expectation. Our company policy and procedures have been constantly updated to ensure our corporate governance structure meets not only the legislative requirement, but on par with the industry best practices. Details of Dufu's corporate governance framework and practices are elaborated in its Corporate Governance Report 2023 which is available on the Company's website and the Corporate Governance Overview Statement contain in this Annual Report.

Dufu's approach to good corporate governance is delineated by our suite of policies, which include:

- a) Board Charter
- b) Code of Conduct & Ethics
- c) Whistleblowing Policy
- d) Anti-Bribery & Corruption Policy
- e) Charity and Sponsorship Policy
- f) Policy for the Assessment of the Suitability and Independence of External Auditors
- g) Related Party Transaction Policy
- h) Board and Senior Management Diversity Policy
- i) Senior Management and Directors Remuneration Policy
- j) Policy on Independence of Directors
- k) Directors' Fit and Proper Policy
- l) Conflicts Mineral Policy
- m) Supplier Code of Conduct

Our governing policies are reviewed and updated as and when required, and accessible via our corporate website: <https://www.dufutechnology.com/investor-relations/> under the column of "Corporate Governance Documents".

Board Diversity and Structure

The Board of the Company comprises two Executive Directors and four Independent Non-Executive Directors. Their names and brief biographies can be found in the section "Board of Directors' Profile" of the Annual Report FY2023. The duties and responsibilities of the Board is spelt out in the Board Charter. The Board has established an Audit Committee, a Nomination Committee, an Employee's Share Option Scheme Committee, a Remuneration Committee, a Risk Management and Sustainability Committee, and an Investment Committee with defined terms of reference to assist and support the Board in discharging its governance and other responsibilities.

The Nomination Committee regularly reviews the composition of the Board and Board Committees. The Board comprises a mixture of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varies background, experience and expertise in legal, finance and corporate affairs have also enabled the Board to discharge its responsibilities effectively and efficiently. The skillsets and diversity in the race/ethnicity (cultural background), nationality, age and gender of the existing Board members are disclosed in Practise 5.5 of the Corporate Governance Report for FY2023.

Code of Conduct and Ethics

The Code of Conduct and Ethics ("CCE") of Dufu states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct in the way we conduct our business. The CCE, which is subject to periodic review, is our way to set the tone and standards in articulating acceptable practices and guide of behaviours expected from Directors, Management and employees that integrates into Dufu's company-wide management practices.

The CCE has a conflict-of-interest provision to ensure that no Director, Management, or employee engages in any other occupation or business or has an interest in any activity or business that conflicts with their positions in Dufu. The Group's CCE policy was last updated by the Board on 27 February 2024.

Sustainability Statement (Cont'd)

CORPORATE GOVERNANCE (CONT'D)

Whistleblowing Mechanism

Our Whistle-Blowing Policy establishes a formal and confidential channel for both internal and external stakeholders to report misconduct, including violations of the CCE, corruption, bribery, and threats to health and safety. This policy assures whistle-blowers protection against retaliation, in accordance with the Whistleblowers Protection Act 2010. Stakeholders can report concerns directly to the Audit Committee Chairman, by emailing the Whistle-Blower Form available at <https://www.dufutechnology.com/submit-a-report/>, or by sending the form to the Audit Committee Chairman via dedicated email or envelope.

After receiving the Whistle-Blower Form, an investigator, specified by the Audit Committee Chairman, will conduct a thorough and impartial investigation to determine the appropriate actions. Our Whistle-Blowing Policy is accessible on our corporate website at <https://www.dufutechnology.com/whistleblowing-policy/>. The Group's Whistleblowing policies was last updated by the Board on 27 February 2024.

Anti-Bribery and Anti-Corruption

Dufu's stance on zero tolerance towards any instances of bribery or corruption is stipulated in our Anti-Corruption and Bribery Policy ("ABC Policy"). The ABC Policy outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, including the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") and any of its amendments made by the relevant authority from time to time. The ABC Policy provides policy guidance to Directors, employees and business associates the way to recognise and deal with any act of corruption and bribery that may arise in the course of daily business and operation activities within the Group.

The ABC Policy was approved by the Board on 1 June 2020 and updated on 1 November 2022 covers salient areas pertaining to potential corruption and bribery risks such as gifts, entertainment, hospitality, facilitation payments, kickbacks and charitable contributions and sponsorships. The ABC Policy necessitates strict adherence by all parties across the Group's supply chain. We strictly prohibit any of our Directors, employees and business associates from taking part in any form of corruption, bribery, extortion, embezzlement or any kind of money laundering activities. The Group's anti-corruption programme is based on the basis of five 'TRUST' principles as follows:

- a) Principle I: Top Level Commitment;
- b) Principal II: Risk Management Assessment;
- c) Principal III: Undertake Control Measures;
- d) Principal IV: Systematic Review, Monitoring and Enforcement; and
- e) Principal V: Training and Communication.

On top of this, the Group's Charitable and Sponsorship Policy which was approved by the Board on 1 June 2020 and updated on 1 November 2022 provides comprehensive guidelines and parameters to aid in responding to the many requests for charitable donations, event sponsorships and in-kind requests received by the Group and the relevant approving authority required. We neither make charitable donations or contributions to political parties nor reimburse for personal political contributions by employees and associated third parties.

Dufu strong stance on zero-tolerance approach to bribery and corruption is communicated top-down by the Group's Executive Chairman and is published on our corporate website at <https://www.dufutechnology.com/chairmans-message-on-dufus-anti-bribery-and-corruption-policy/>.

A comprehensive Risk Management assessment to identify the nature and extent of internal and external risks including exposure to risks associated with jurisdictional, transaction and business involving customers, vendors ie suppliers; contractors; agents, employees, products and transactions has been incorporated into the Group's risk register in May 2020. Seven (7) risk areas were identified which includes contractors and suppliers, political contribution, charitable contribution and sponsorship, facilitation payment, significant investment, promotional gifts and hospitability and customers. Their respective risk profiles and risk response strategy action plan is reviewed and updated by RMSWG and reported to the RMSC on yearly basis. The risk on "significant investment" is considered to be high and thus, the Group has imposed stringent plan in place such as ROI on Assets Justification Form, approval by Investment Committee and due diligence by third party where applicable.

Any new potential supplier is to undergo a stringent due diligence process on their disclosure of Anti-Corruption Practices questionnaires, SCC and to provide letter of undertaking to comply with Dufu's policies related to the ABC Policy, Sponsorship & Charitable Contribution Policy and Code of Business Conduct. The Group's ABC Policy has been adequately communicated to all Directors, employees and associated third parties through various communication channels and is published on our corporate website at <https://www.dufutechnology.com/anti-bribery-corruption-policy/>.

Sustainability Statement (Cont'd)

CORPORATE GOVERNANCE (CONT'D)

Anti-Bribery and Anti-Corruption (cont'd)

The adoption of anti-corruption and bribery culture in business operations, and familiarisation with the ABC Policy, Charitable and Sponsorship Policy and Whistleblowing Policy and Procedures were facilitated through various training sessions conducted to Directors, senior management and employees. Training is included in the induction of new employees. A refresher course is also conducted yearly for exempt employees. Directors, employees, customers, suppliers and other stakeholders are expected to promptly report, via the established whistleblowing channels provided for in the Whistleblowing Policy and Procedures, any suspicious transactions that may indicate acts of corruption, bribery or money laundering.

From FY2021 to FY2023:

- ✓ There were no corruption-related cases reported;
- ✓ No incidents of confirmed corruption;
- ✓ No staff was disciplined or dismissed due to non-compliance with ABC policy;
- ✓ No fines imposed in relation to corruption, bribery, anti-competitive business practices;
- ✓ Zero political contributions made; and
- ✓ Zero facilitation payments made.

	FY2023	FY2022	FY2021
Total number of operations assessed for corruption-related risks	3	2	2
Percentage of operations assessed for corruption-related risks	100	100	100
Percentage of employees who have received training on anti-corruption			
- Exempt	100	100	100
- Non-Exempt*	100	100	100

*Non-Exempt Employees only received ABC training during their induction program.

Risk Management

Dufu has implemented an organisational structure with formal and clearly defined lines of responsibility and delegation of authority for risk management. To ensure the effectiveness of risk management, there are three distinctive but complementary roles for implementing the risk management policies and objectives of the Group, and monitoring the risk management process. First and foremost, the Enterprise Risk Management ("ERM") is practised at Dufu where the Group's RMSWG led by the Group Chief Executive Officer and supported by various Department Heads is responsible to perform periodic review, assessment and update of the Risk Register during the RMSWG meetings and their findings will be reported to the RMSC.



Secondly, the Group also has its own Internal Control Department where the role of this department monitors the Group's operational performance and safeguarding of assets covering areas such as labour efficiency, scrap, machine performance, fixed assets, material yield usage, stocks and tool management.

Finally, the Company outsourced its internal audit function to Eco Asia Advisory Sdn Bhd ("Eco Asia"), an independent professional firm as an internal auditor to provide independent assurance to the Audit Committee that the Group's risk management, governance and internal control processes are operating effectively. For further information on Risk Management, please refer to the section in Statement of Risk Management and Internal Control of the Annual Report FY2023.

Sustainability Statement (Cont'd)

CORPORATE GOVERNANCE (CONT'D)

Data Privacy and Security

Dufu is committed to uphold data privacy fundamentals which entail the proper use and handling of data with sensitive information. This typically includes personal or financial data about an individual or organization. We are also tactful in managing data security which is the process of protecting data from being viewed, altered, or stolen by unauthorized users. These are important aspects to build trust and accountability with customers, business partners and employees who expect their data to be private. Our key internal controls to protect data privacy are as follows:

- Protect our technology resources and assets with encryption, firewalls and antivirus or anti-malware software;
- Use appropriate physical and organisational security measures to protect personal data;
- Require all employees to comply with Dufu's Code of Business Conduct and Ethics;
- Provide training and awareness programmes; and
- Sign Non-Disclosure Agreements with customers, suppliers and contractors.

We have continued to upgrade our servers and backup system for data safekeeping and also installed a new comprehensive sets of anti-virus solution as part of our data security measures.

	FY2023	FY2022	FY2021
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Nil	Nil	Nil

Investor Relation

As part of our effort to enhance Dufu's corporate governance, we are committed to provide accurate information and disclosures in transparent and timely manner to all our shareholders. We continued to work on the timely delivery of the Annual Report and Quarterly Financial Results in 2023.

The release of Dufu's Annual Report and Quarterly Financial Results are as follows:-

Financial Results	Date of Issue/ Release	No. of Days after end of Year/ Quarter	Bursa Securities Deadline for the Issue/ Release
Annual Report			
2022	27 March 2023	86	30 April 2023
2021	28 March 2022	87	30 April 2022
2020	30 March 2021	89	31 May 2021*

Quarterly Results			
2023			
1 st Quarter	28 April 2023	28	31 May 2023
2 nd Quarter	1 August 2023	32	31 August 2023
3 rd Quarter	31 October 2023	31	30 November 2023
4 th Quarter	27 February 2024	58	29 February 2024

2022			
1 st Quarter	28 April 2022	28	31 May 2022
2 nd Quarter	2 August 2022	33	31 August 2022
3 rd Quarter	1 November 2022	32	30 November 2022
4 th Quarter	23 February 2023	54	28 February 2023

*Extension of time given by Bursa Malaysia Securities Bhd in light of Covid-19 pandemic

Sustainability Statement (Cont'd)

PEOPLE

Approach

Dufu aims to provide a supportive, pleasant and healthy workplace for employee, and to foster a caring community in its working environment. We care for our employees and recognise that having good work relationships and a motivated workforce are crucial to our success. They are our partners in delivering and maintaining products and services of the highest quality standards to our customers. We acknowledge our people are the foundation of our business. As such, we support life-long learning and development of our people via yearly training and development programmes. We also place importance on the safety and well-being of employees, and we are committed to providing and maintaining a safe and healthy work environment.

Respect of Labour and Human Rights

Dufu is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community with Responsible Business Alliance (“RBA”) and Occupational Health and Safety Management Systems (“ISO 45001:2018”) as the recognised standards adopted, complied, and used as reference. Dufu also conforms to International Human Rights and Labor Standards (including the International Labor Organization (ILO) core labor conventions such as ILO Labor Conventions No. 29, 87, 98, 100, 105, 111, 138 and 182. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker including suppliers, agents and subcontractors acting on our behalf. Our written policy is aimed to:

- 1) Attain the highest standard of employment practice in compliance with the enacted laws;
- 2) Uphold the culture and principles of equal opportunities in employment; and
- 3) Create a working environment where every member of our team is treated fairly and without fear of reprisal, intimidation or harassment.

We are committed to respecting the labour and human rights of our employees through the following principles, which are clearly stated in the Company’s Human Rights Policy.



Freely Chosen Employment

We do not use forced, bonded (including debt bondage), indentured or involuntary prison labour. Neither, do we exploit persons working for us by means of slavery or trafficking by means of threat, coercion or fraud. At Dufu, our terms of employment are voluntary and workers are free to leave anytime or terminate their employment upon reasonable notice under the terms of their labour contracts. We only hire foreign workers with legal work permits and we do not keep their passports unless such holdings are required by law. The foreign workers are provided with accommodation with free accessibility that comply with the Workers’ Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446). Dufu adopts no-recruitment fees policy where foreign workers shall not be required to pay any agency recruitment fees for their employment.



Young Workers

Child labour is not to be used in any stage of business processes as we strictly adhere to the various restrictions on the employment of child labour imposed by both the local and international regulations. Dufu does not support child labour and it is our practice to recruit workers above age of 18 years old. Reliable proof of age, such as birth certificate, school certificate, identification card, passport, etc. is required when hiring, and a copy of the relevant documents is retained in the Employee’s personal file. Any applicant who comes for an interview is required to present their identification card or passport for age verification. An underage job applicant shall not be entertained.



Working Hours

Work weeks are not to exceed the maximum set by local law. We encourage reasonable working hours including overtime, except in emergency or unusual situations. However, overtime is voluntary and employees are paid in accordance with statutory order. We provide at least one day off after six consecutive days of work to all our employees. Any workers with excessive work days are highlighted in the monthly Management KPI meeting and explanation is required from the respective Department Head to justify and rectify the causal factor.



Wages and Benefits

Compensation and benefits paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. We do not impose wage deduction as a disciplinary measure.

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Respect of Labour and Human Rights (cont'd)



Humane Treatment

Across our organisation, we have embedded a culture of no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. We have put in place clearly defined disciplinary policies and procedures in support of these requirements with multiple communication channels broadcast to all level of employees to ensure effective implementation throughout the Group.



Non-Discrimination

Dufu embrace a workforce free of harassment and unlawful discrimination such as race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, nationality, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. Hiring and remuneration is determined with reference to job related factors such as performance, qualifications and experience. In addition, employees are not subjected to medical tests that could be used in a discriminatory way. We accommodate workers religious practices disregarding their race and religion as we understand and respect each individual's faith by taking extra steps to provide space, time, and flexibility to allow employees to meet their religious obligations.



Freedom of Association

We respect the rights of workers to associate freely, seek representation, and join workers' councils in accordance with local laws. We adopt open communication and direct engagement between workers and Management as we believe they are the most effective ways to resolve workplace and compensation issues. Our doors are always open for employees to communicate and share grievances with Management regarding working conditions and Management practices without fear of reprisal, intimidation or harassment.



Intern Program

We provide internship opportunities to college/ polytechnic/ university students. This program provides interns an opportunity to undergo supervised practical development and gain real-world experiential learning that compliments their education. This is part of our initiative to provide graduate placements and to reduce youth unemployment. Nevertheless, Dufu does not hire student workers other than those that meet the criteria for the intern program.



Safe and Secure Workplace

We are dedicated to maintaining a safe and productive workplace by minimizing the incidence of occupational injury and illness through occupational safety and emergency preparedness.



Privacy/Data Protection

We respect the confidentiality of our employees' personal information and treat all personal data with integrity.



Community Rights

We recognise and respect the legal and customary rights of local communities and indigenous people, as well as the need to protect the basic human rights of marginalised groups, including refugees and persons of different abilities. We treat and assess fairly the employment of under-privileged groups, including those from deprived backgrounds, having poor social status and with no formal education and qualification.

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Respect of Labour and Human Rights (cont'd)



Children Rights

We respect children's rights and seek to uphold, preserve and promote them wherever possible. Dufu aims to support children's access to education and information by working and collaborating with relevant organisations to respect and support children's rights in a manner which is consistent with the role of business and reflects the Company's core values.

The Human Resource Department is responsible for the day-to-day activities to ensure that the principles of the Company's Human Rights Policy are applied accordingly. The RMSWG with the assistance of EHS Manager shall ensure adequate resources has been allocated. The RMSWG shall review the adequacy of this Policy on a regular basis and may from time to time recommend the proposed changes to the Board as it deems appropriate to reflect best practices and new legal or regulatory requirements.

The Human Resource Department is required to proactively assess the Company's human rights impacts on an ongoing basis as part of its core business processes. Such assessment is part of the Group's continual improvement which is driven by evaluating the impact of the business and its set of targets. The current standard operating actions plan are in place to avoid, prevent and mitigate human rights issues. Suppliers are required to do the same and must at least adhere to our Principles on Labour Practices and Human Rights.

Our labour standards and human rights policy is summarised in the Code of Conduct and Ethics. On global basis, all our employees and business partners review and receive an annual awareness briefings on this Code as part of their training on Human Rights Policy. The Human Rights Policy is available in English and other multiple languages deemed appropriate. A copy is available at the Company's corporate website at <https://www.dufutechnology.com/labour-standards-human-rights-policy/>.

Any Dufu employee who suspects violations of the Group's Labour and Human Rights Policy is expected to speak up and raise the issue to their Departmental Manager or Human Resources. If the offense is more serious, the employee or any external stakeholder may raise their concern via whistleblower protection policy. At Dufu, we do not accept any form of retaliation against someone who speaks up, expressing concerns or opinions in line with Dufu's Non-Retaliation Policy. Dufu is committed to guarantee confidentiality of the internal or external stakeholders and to remedy affected parties where it has been identified that it has caused or contributed to human rights impacts. All Dufu's managers and Human Resource Personnel are trained to handle reports or instances of bullying or harassment.

Number of cases			
As at end of Financial Year	2023	2022	2021
Full-time employees identify as differently abled Employee	3	4	4
Percentage of global staff with a disability	0.35%	0.46%	0.44%
Discrimination and harassment incidents reported	-	-	-
Grievance-relation incidents reported	5	4	3
Child labour incidents	-	-	-
Forced or compulsory labour incidents	-	-	-
Number of substantiated complaints concerning human rights violation	-	-	-
Incident responses arising from human rights violation	-	-	-

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Respect of Labour and Human Rights (cont'd)

In FY2023, a total of 5 grievance-related incidents were reported and resolved. Details were as follows:

No.	Incidents	Actions Taken	Status
1	Frequent bus delays causing late arrivals.	Engaged a new transportation provider, eliminating further problems.	Closed
2	Elevated temperature in the hostel.	Improved ventilation by installing exhaust fans, tinting windows, and implementing rooftop water sprinklers.	Closed
3	Unpleasant ambiance in the canteen.	Removed dividers on each table and rearranged tables into groups to create a more comfortable dining environment.	Closed
4	Disorganization in the hostel kitchen leading occupants from other companies to mistakenly use the LPG cylinder designated for Dufu employees.	Reorganized the kitchen area to decrease the possibility of users from other companies accidentally using the LPG cylinder designated for Dufu employees.	Closed
5	Persistent fly infestation on the hostel premises.	Increased disinfection frequency, employed fly repellent, and installed an electric pest killer to address the problem.	Closed

Diversity and Inclusion

Dufu places a significant value on the inherent worth of each individual and is dedicated to treating all with respect, dignity, and equality, regardless of their backgrounds. We acknowledge that achieving diversity, inclusivity, and equality requires a joint effort among stakeholders. Consequently, Dufu is committed to establishing a workplace that is welcoming and inclusive, one that embraces the diversity of the communities we serve.

Approach

Diversity is an intrinsic part of our identity and values. Our approach encompasses inclusive hiring, equal opportunity, training, leadership commitment, and a data-driven perspective, all aimed at fostering a diverse and inclusive workplace. We understand that embracing diversity brings innovative ideas, enhances employee satisfaction, and enables us to better serve our diverse customer base. We are committed to continuing our efforts and making diversity an integral part of our future growth and success.

Workforce Overview

Workforce Overview Diversity, Equity and Inclusion	Unit	2023	2022	2021
Gender group by employee category				
Management - Male	Percentage	82%	78%	79%
Management - Female	Percentage	18%	22%	21%
Executive - Male	Percentage	62%	60%	63%
Executive - Female	Percentage	38%	40%	37%
Non-executive/ Technical staff - Male	Percentage	79%	77%	75%
Non-executive/ Technical staff - Female	Percentage	21%	23%	25%
General Workers - Male	Percentage	78%	77%	76%
General Workers - Female	Percentage	22%	23%	24%

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Diversity and Inclusion (cont'd)

Workforce Overview (cont'd)

Workforce Overview Diversity, Equity and Inclusion	Unit	2023	2022	2021
Age group by employee category				
Management - Under 30	Percentage	0%	0%	0%
Management - Between 30 - 50	Percentage	50%	39%	50%
Management - Above 50	Percentage	50%	61%	50%
Executive - Under 30	Percentage	22%	21%	25%
Executive - Between 30 - 50	Percentage	60%	63%	65%
Executive - Above 50	Percentage	18%	16%	10%
Non executive/ Technical Staff - Under 30	Percentage	39%	42%	45%
Non executive/ Technical Staff - Between 30 - 50	Percentage	55%	51%	50%
Non executive/ Technical Staff - Above 50	Percentage	6%	7%	5%
General Workers - Under 30	Percentage	52%	56%	60%
General Workers - Between 30 - 50	Percentage	47%	43%	39%
General Workers - Above 50	Percentage	1%	1%	1%
Percentage of directors by gender and age group				
Male	Percentage	83%	83%	83%
Female	Percentage	17%	17%	17%
Between 30 - 50	Percentage	33%	33%	33%
Above 50	Percentage	67%	67%	67%
Percentage of employees that are contractors or temporary staff	Percentage	2%	2%	1%
Gender diversity - Male	Percentage	77%	75%	75%
Gender diversity - Female	Percentage	23%	25%	25%
Age diversity - Under 30	Percentage	44%	47%	51%
Age diversity - Between 30 - 50	Percentage	50%	47%	45%
Age diversity - Above 50	Percentage	6%	6%	4%
Ethnic diversity - Bumiputera	Percentage	37%	34%	41%
Ethnic diversity - Chinese	Percentage	10%	10%	10%
Ethnic diversity - Indian	Percentage	0%	0%	0%
Ethnic diversity - Others	Percentage	53%	56%	49%
Gender group by employee category				
Management - Male	Number	18	18	19
Management - Female	Number	4	5	5
Executive - Male	Number	48	49	50
Executive - Female	Number	30	32	29
Non-executive/ Technical staff - Male	Number	205	197	198
Non-executive/ Technical staff - Female	Number	55	60	67
General Workers - Male	Number	391	392	407
General Workers - Female	Number	109	117	129

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Diversity and Inclusion (cont'd)

Workforce Overview (cont'd)

Workforce Overview Diversity, Equity and Inclusion	Unit	2023	2022	2021
Age group by employee category				
Management - Under 30	Number	0	0	0
Management - Between 30 - 50	Number	11	9	12
Management - Above 50	Number	11	14	12
Executive - Under 30	Number	17	17	20
Executive - Between 30 - 50	Number	47	51	51
Executive - Above 50	Number	14	13	8
Non executive/ Technical Staff - Under 30	Number	101	109	119
Non executive/ Technical Staff - Between 30 - 50	Number	143	131	132
Non executive/ Technical Staff - Above 50	Number	16	17	14
General Workers - Under 30	Number	258	283	323
General Workers - Between 30 - 50	Number	235	220	209
General Workers - Above 50	Number	7	6	4
Gender diversity - Male	Number	662	656	674
Gender diversity - Female	Number	198	214	230
Age diversity - Under 30	Number	376	409	462
Age diversity - Between 30 - 50	Number	436	411	404
Age diversity - Above 50	Number	48	50	38
Ethnic diversity - Bumiputera	Number	319	300	371
Ethnic diversity - Chinese	Number	83	86	86
Ethnic diversity - Indian	Number	3	1	2
Ethnic diversity - Others	Number	455	483	445
Employee Management				
Total number of employee turnover by employee category				
Management	Number	2	0	1
Executive	Number	10	11	8
Non-executive/ Technical Staff	Number	31	51	46
General Workers	Number	118	137	272
Annual employee turnover	Percentage	19%	23%	34%
Total new hires	Number	169	228	229
Total new hire rate	Percentage	20%	26%	24%

At Dufu, opportunities for career progression are based on meritocracy. Employees who are deserving should be promoted because they are good at what they do, regardless of their tenure, gender, race, national origin, disability or religion, and promotions cannot be merely about seniority or superiority.

We treat all our employees equally with regards to these qualities. Dufu pledged to evaluate its workforce on an ongoing basis to ensure that women and men employee irrespective of their marital status are paid equally for equal work. Equal treatment applies to all aspects of employment, including hiring and promoting employees as long as they are capable of delivering results. A diverse and inclusive culture is cultivated across the Group to ensure every employee is supported, accepted, respected and safe at work. We have zero tolerance behaviour for discrimination, workplace bullying and harassment and are committed to creating a respectful workplace for everyone in the Group.

Ratio of the basic salary and remuneration of women to men by employee category	
	Female to Male Ratio
Basic salary	
Exempt (Executive and above)	0.75:1
Non-Exempt	1:1
Remuneration	
Exempt (Executive and above)	0.75:1
Non-Exempt	0.97:1

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Employee Development and Talent Management

We recognize the utmost importance of personal and professional growth and firmly believe that learning and development are vital for individuals to realize their full potential. At Dufu, we place substantial emphasis on enhancing our staff's skills and knowledge through training and development, which serves as a fundamental pillar of our talent management strategy. Training is a means by which we aim to improve job performance, cultivate competencies and skills, and foster career progression, all of which are integral to the Group's succession planning program.

Approach

Dufu is dedicated to offering comprehensive training opportunities for both our Board members and employees. These training initiatives cover a wide range of areas, including technical competencies, professional qualifications, soft skills development, leadership skills, and other competencies that are identified as essential, which also includes transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment. On a yearly basis, Department Heads are required to review the training needs of their staff, evaluate the content and result of training courses and develop training programmes not limited to meeting Dufu's business needs, but also to enhance individuals' knowledge and skills.

Initiatives and Programmes

Newly recruited employee will undergo orientation program so that they will feel welcome and understand the culture and background of the organisation. They will also be exposed to on-job structured training programs tailored to their respective roles.

The type of training and development programmes conducted in Dufu are summarised as follows:

Training and Development Programmes	Description
Orientation	<p>The Human Resource Department conducts monthly orientations as a means of acquainting new employees with their roles, colleagues, and the workplace environment. The orientation sessions cover a wide range of areas, including an overview of the organization, labour practices, human rights, compensation, benefits, attendance and leave policies, system operations, applications, and various established policies.</p> <p>For managerial-level and higher positions, the orientation is conducted one-on-one on their first day at work, ensuring a more personalized introduction to their responsibilities and the Group's operational landscape.</p>
On-job training	<p>This informal training, curated by department leaders, aims to provide employees with practical, hands-on knowledge within their workplace. It offers an opportunity for them to learn while seamlessly integrating into their daily work environment.</p>
Technical skills development training	<p>Technical skills encompass the knowledge and expertise necessary for executing intricate actions, tasks, and processes within the scope of Dufu's employees' daily responsibilities. Typically, Human Resources arranges these trainings after gathering feedback from different departments to identify their specific needs.</p> <p>These sessions may focus on software proficiency, such as Microsoft Office, or specialized engineering programs like SPC and Project Management. Additionally, updates on tax or accounting standards might be included. These training sessions are crucial for providing our employees with the specific knowledge and competencies required to proficiently perform their daily tasks.</p>
Soft skills development training	<p>Soft skills encompass people skills, social aptitude, character traits, and interpersonal abilities. Periodic training sessions are conducted to ensure that Dufu's employees can communicate more effectively, cultivate stronger leadership qualities, enhance problem-solving capabilities, and sharpen critical thinking skills. These training initiatives are typically tailored for our executive staff.</p>
Mandatory training	<p>This pertains to training mandated either by governing authorities or certification bodies. For instance, current workplace safety regulations mandate that employers guarantee every worker the chance to receive adequate and comprehensive training on health and safety measures.</p>

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Employee Development and Talent Management (cont'd)

Initiatives and Programmes (cont'd)

Our training and development programs encompass both internal and external elements, each with its distinct advantages. Internal training sessions leverage real-life examples, problems, and challenges that participants commonly face in their daily work. These sessions are often shorter in duration, enabling a more concentrated focus and are presented in language and terms that participants easily understand and relate to. In FY2023, we organized a total of 72 in-house training programs, amounting to 5,918 training hours. These internal sessions were concentrated in the following areas:

Areas of Internal Training Investment

	FY2023 No. of Training	FY2022 No. of Training	FY2021 No. of Training
Environmental, Health and Safety	24	16	15
Communication	6	6	-
Quality	34	36	24
Engineering & Maintenance	4	10	14
Management & Performance	4	-	-
Total No. of Internal Training	72	68	53

External training programs were arranged for employees across all job levels to enhance the skills essential for their career progression and personal growth. In FY2023, we allocated a total of 4,235 hours to external training and recorded an average of 4.9 hours of external training per employee. Noteworthy external training and development courses offered in-house for our employees in FY2023 included:

- i) In relation to upgrading of employee skills
 - Employment Act 1955 and Amendment
 - Environmental & Social Governance - ESG Training
 - Effective Root Cause Analysis (RCA)
 - Making Advance Formulas & Functions with Microsoft Excel 2013
 - Personal & Social Competence Through Emotional Intelligence (EQ)
 - Maximizing Pivot Table
 - Cybersecurity for Finance & Accounting Professionals
 - GRI Standard Certified Training
 - Introduction to AI

- ii) In relation to health and safety
 - Basic First Aid & AED
 - Fire Safety Training
 - Forklift Training
 - The Environmental Aspect and Impact Evaluation
 - Certified Environmental Professional in Bag Filter Operation
 - Course for Certified Environmental Professionals in Operation of Industrial Effluent Treatment Systems

The focus area of external training that our employees participated were as follows:

Areas of External Training Investment

	FY2023 No. of Hours	FY2022 No. of Hours	FY2021 No. of Hours
Administrative Skills	160	426	72
Engineering and Maintenance	-	48	-
Industrial Safety and Environmental Management	2,245	3,416	351
Information Technology	696	784	-
Management and Performance Development	558	368	824
Quality System and Productivity Improvement	576	656	2,056
Total	4,235	5,698	3,303

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Employee Development and Talent Management (cont'd)

Training Investment in Hours by Gender and Employee Category

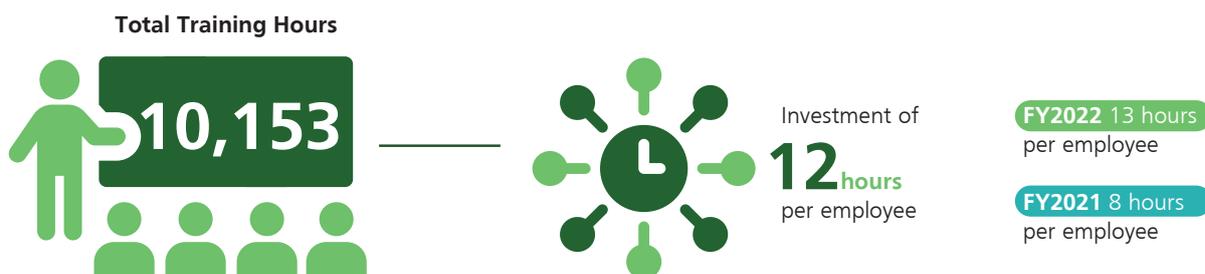
	FY2023 No. of Hours	FY2022 No. of Hours	FY2021 No. of Hours
Employee Category			
- Management	470	*	*
- Executive	1,946	*	*
- Non-executive / Technical Staff	4,024	*	*
- General Workers	3,713	*	*
	10,153	11,332	7,291
Employee Gender			
- Male	7,133	*	*
- Female	3,020	*	*
Total	10,153	11,332	7,291

*Information only available effective FY2023

Average Hours of Training Investment by Gender and Employee Category

	FY2023 No. of Hours	FY2022 No. of Hours	FY2021 No. of Hours
Exempt Staff			
- Male	21.4	*	*
- Female	28.8	*	*
Non-Exempt Staff			
- Male	8.9	*	*
- Female	9.6	*	*
Total	11.8	13.0	8.1

*Information only available effective FY2023



Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Employee Compensation and Benefits

The Company provides benefits to recognise and appreciate employees' contribution and commitment. Dufu pays wages and salaries that are determined by local relevant competitive market data and also adhere to legal minimum wages at all times. As a result, Dufu pays basic starting salary higher than the current statutory minimum wages.

On top of that, full-time employees are entitled to medical benefits, insurance coverage for personal accident and group hospitalization and surgical scheme, festive gifts, uniform and personal protective equipment, annual and special leaves such as hospitalisation, compassionate, maternity, paternity and others. Dufu observed 14 public holidays in FY2023, and pays employee bonus based on company performance and profitability. Eligible employees were offered ESOS and cash incentives which are tied to the Group's profitability. Dufu's in-house facilities include hostel for operators, lockers, prayer rooms, automated teller machine, car parking space, transport services and canteen. We also provide employees with special needs such as dedicated mother's nursing room and sickbay for sick employees.

As part of empowering working parents, all eligible female and male employees are entitled to paid maternity and paternity leave according to the Employment Act. In FY2023, a total of 19 employees took parental leave.

Parental Leave		
	Male	Female
Total number of employees that are entitled to parental leave	144	55
Total number of employees that took parental leave	14	5
Total number of employees that returned to work after parental leave ended	14	5
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	11	6
Return to work rate (%)	100	100
Retention rate (%)	85	86

Employee Welfare and Wellbeing

The welfare and wellbeing of Dufu's employees are our primary concern, which starts with being a fair and responsible employer. Our focus explicitly on providing the welfare facilities to the employees as it results in their satisfaction towards the organisation and improve quality of work life. Dufu has various mechanisms to support the welfare and wellbeing of its employees. The Company's approach is holistic, incorporating both development and support on a wide range of aspects.

Healthier work-life practices

We strive to cultivate a healthy workplace environment that promotes employee well-being. Through simple, enjoyable, and impactful programs, we aim to assist employees in addressing challenges that may hinder their focus and productivity. To foster a healthier work-life balance at Dufu, we've introduced a range of activities designed for employee participation. These initiatives are intended to alleviate stress, facilitate positive relationships among colleagues, and include the following activities:

- (Bi)weekly indoor interactive classes such as toastmaster at our plant and outdoor sporting events such as badminton
- Yearly in-house sports tournament such as bowling, soccer, futsal and badminton tournaments
- Team building for both exempt and non-exempt staff*
- Annual dinner*
- Health screening at workplace
- Greeting card and gifts for employee who falls within the stipulated birthday month
- Wellness programme where free medical check-up for employees aged 40 and above
- Congratulatory vouchers for the newly-wed, hampers or gift vouchers for new born babies and condolence money for immediate family deaths
- Light meals and takeaway are provided by Management to employees during labour day and Muslim workers during the Ramadan month; and
- An email blast to inform and congratulate employees of their new-born

*The employee welfare related activities have not been held since Covid-19 pandemic but will likely resume in FY2024.

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Employee Welfare and Wellbeing (cont'd)

Healthier work-life practices (cont'd)



Our enthusiastic employees gave it their all at the badminton tournament, with some eyeing the title of the next 'Lee Chong Wei'! Cheers to their passion and sportsmanship! Let's aim high!



Nearly 300 of our fantastic employees rocked the lanes at the 2023 in-house bowling competition held at Classic Bowl, Bukit Jambul Complex on August 6th!



What an A-game to watch in the in-house futsal tournament at Futsal Nation, D'Piazza Mall, Bandar Bayan Baru, Penang on December 10th, 2023! It was an absolute blast of sportsmanship and team spirit!

Sustainability Statement (Cont'd)

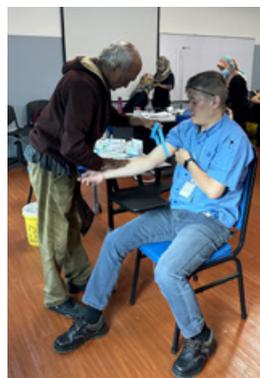
PEOPLE (CONT'D)

Employee Welfare and Wellbeing (cont'd)

Healthier work-life practices (cont'd)



Our incredible employees who've dedicated 10, 15, 20, 25, and even 30 years to Dufu. Your commitment and hard work have shaped our journey, and we can't thank you enough for your invaluable service



Our yearly workplace health screenings are all about keeping our team in top shape! It's a chance for everyone to take charge of their well-being. Stay healthy, stay awesome!



Our Dufu Speak Up Club embarked on an epic exploration of the full route at Gua Tempurung on December 16th, 2023. What an unforgettable experience!

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Employee Welfare and Wellbeing (cont'd)

Healthier work-life practices (cont'd)



As a token of appreciation for their hard work and dedication, we rolled out giveaways for employees to snag some treats in celebration of Labour Day!

It's one of our super cool bi-weekly meetups where employees are giving a chance to crank up their public speaking skills! It's not just about speeches, it's about boosting confidence and having a blast while we're at it!



Employer Sponsorship Programme

Dufu has instituted its "Employer Sponsorship Programme," designed to collaborate with exceptional employees in preparing them for management roles within the organization. This initiative serves as an opportunity for us to facilitate ongoing higher education for talented employees, fostering their growth and commitment to the company. Investing in the development of high-potential employees yields dividends in terms of retention, innovation, and succession planning. Our willingness to sponsor employees exemplifies our confidence in their future potential, and in turn, employees leverage their acquired knowledge to enhance their contributions in the workplace.

Employee Engagement

We strongly believe that a highly engaged workforce significantly contributes to the Group's success. In 2023, an Employee Satisfaction Survey was conducted, focusing on four crucial aspects deemed pivotal in driving employee engagement: employee relations, working environment, employee development, and employee welfare and facilities. The response rate from employees stood at 79%, indicating a notable engagement level. Overall, employees expressed satisfaction with the survey questions, resulting in an 84% satisfaction score.

Additionally, a separate survey was conducted specifically to assess canteen satisfaction. Based on the feedback from these surveys, we implemented several improvements in 2023. These enhancements included maintaining and improving the canteen facilities and introducing changes to the menu to enhance taste and variety. We have further enhanced ventilation in selected hostel units and introduced food vending machines at one of our manufacturing sites to better cater to employees' needs.

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Occupational Health and Safety ("OHS")

Dufu is committed to adhere to its health and safety principles to minimize the incidence of occupational injury and illness through safety and emergency preparedness. Also, to ensure industrial hygiene, physically demanding work, machine safeguarding and all our stakeholders are to be ready accessed to appropriate sanitation, food and living conditions.

Approach

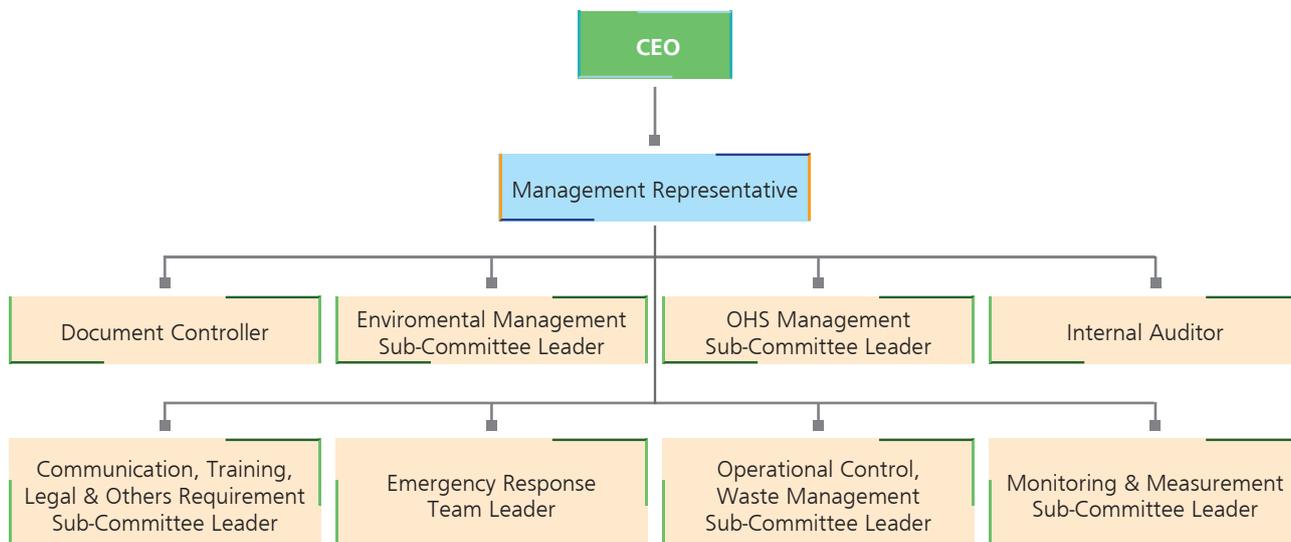
Our Occupational Health and Safety ("OHS") Policy serves as a guide to promote a safety culture in all manufacturing facilities within the Group. The OHS Policy applies to all stakeholders that are present within our manufacturing facilities, such as employees, contractors, vendors, and visitors. To ensure effective implementation, the entity-specific EHS & Compliance Department is responsible for executing OHS Policy in their respective manufacturing facilities.

We invest in the health, safety, and wellness of our employees and our system and processes are modelled on the internationally recognized ISO 45001:2018 Occupational Health and Safety Management System Requirements. Through this process, we have and continual to improve our methods for identifying hazards, assessing risk, and applying risk controls consistently across our operations in order to safeguard OHS related to our employees. The Company complies with the Occupational Safety & Health Act, 1994 ("OSHA") for workplace safety and health requirements and maintain occupational safety and health standards that equal or exceed the best practices. All our manufacturing sites is certified with ISO45001:2018 standards.

We are fully committed to the prevention of workplace accident and ill health in related operational activities through continual improvement of Plan-Do-Check-Act ("PDCA") cycle in the Group's OHS Management System through:

- Compliance with relevant Malaysian OHS Legal and other requirements;
- Recognized the hazards and minimizing the associated risks in order to protect employees;
- Ensuring suitability and effective implementation of the OHS management programs through periodic Management Review of the policy, objectives and targets;
- Communication to all employees and ensuring adequacy in OHS awareness, skill, knowledge, competency and compliances obligations;
- Communicating and promoting awareness to our customers, suppliers and interested parties, and make the policy available to the public upon request; and
- Recognizes the worker's duty including the management to consult, participate and support the Group's overall OHS management programs and encourages them to provide suggestions for improvement.

At Dufu, we have a Safety, Health & Environmental Management System ("SHEMS") Committee to safeguard, manage, discuss and report areas related to Dufu's health, safety and environment ("HSE") performance. The structure of the SHEMS Committee is as follows:



Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Occupational Health and Safety ("OHS") (cont'd)

Approach (cont'd)

For an OHS to be effective, it is essential that management at all levels demonstrate their support of the safety and health program which is accomplished by their participation in safety and health leadership training, committee composition, meetings, inspection tours, and incident investigations. Some of the SHEMS related activities in FY2023 are as follows:

- Identification of chemicals hazardous to health by conducting Chemical Health Risk Assessment ("CHRA");
- Conducting health surveillance and audiometric test;
- Conduct Hazard Identification, Risk Assessment and Risk Control ("HIRARC") on yearly basis and ensure remedy action is taken;
- Equip employees with free access of Personal Protective Equipment ("PPE") and provide training to ensure they use it correctly;
- Investigate occupational accidents and disease to determine the root cause and ensure preventive and corrective actions are implemented to mitigate similar accidents from occurring;
- Raise awareness on chemical management and handling to all employees;
- Regular monitoring of employee exposure to indoor pollution levels related to noise, hazards and air pollution in factories, even in areas that may appear to be innocuous;
- Maintain and inspect firefighting system and equipment as per schedule to ensure they are in good working order;
- Provide information, instructions and training on the safety and health hazards of the workplace and the controls of those hazards;
- Continuously enhancing machine guarding and safety intervention in machinery and training of employees in the handling of machines and equipment, and implementing the Lock Out Tag Out protocol for the servicing and maintenance of moving machinery parts;
- Conduct of in-house internal workplace safety inspection on quarterly basis; and
- Track OHS performance in order to assess its related risks and recommend actions for necessary improvements and compliance with relevant regulations.

Reasonable steps are taken to remove pregnant women/ nursing mothers from working condition with high hazards and practical break time and accommodations are provided to nursing mothers for managing lactation responsibilities at work.

Dufu has approximately 70 individuals comprising the Emergency Response Team ("ERT"), prepared to react swiftly in emergency scenarios. This team is trained to provide first aid, assist in fire drills and evacuations, manage chemical spillage, and offer various forms of aid during crises. Annually, we conduct a fire drill in collaboration with external resources like the fire and public service departments to ensure comprehensive preparedness and coordination.

Incident Reporting and Investigation

Dufu has established formal programs to uphold an effective OHS Management System aimed at minimizing occupational injuries and illnesses. Both employees and contractors are familiarized with our incident reporting platform. In the regrettable event of an incident on our premises, all individuals are responsible for initiating an investigation and, in certain cases determined by severity and hazard type, reporting it to the Regulator.

Our incident reporting and investigation processes extend beyond fulfilling legislative obligations; they provide us with essential tools to gather and analyze incident-related information and facts. This allows our Investigation Team to pinpoint the "contributing factors" leading up to the incident. Consequently, we can identify and implement controls to prevent similar incidents from recurring.

The number of major and minor incidents reported in the Group's manufacturing sites are as follows:

Type of incidents	FY2023	FY2022	FY 2021
1. Minor incident	0	2	1
2. Major incident	2	2	2

Note: Major incident is defined as an injury with a Lost Time Injury ("LTI") of more than 4 days.

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Occupational Health and Safety ("OHS") (cont'd)

Incident Reporting and Investigation (cont'd)

The 2 major and 0 minor workplace injuries reported in FY2023 are summarised as follows:

Severity Injury	Root Cause	Corrective/ Preventive Action
1. Fingers injury (major)	Finger caught between the puller and the material while operating the CNC turning machine	a) Enhanced hazard control by installing a door sensor limit switch to prevent machine operation when the door is open. b) Provided retraining to all operators on safe machine operating instructions.
2. Fingers injury (major)	Finger caught between the stone and stopper while troubleshooting at the honing machine.	a) Improved machine safety by installing a transparent top cover over the grinding stone, preventing worker hand contact during rotation. b) Conducted refresher training for all employees involved in operating or servicing the grinding machine.

The OSH team has made significant strides in ensuring the safety and health of Dufu's employees. The total severity rate has decreased to 17.01. Additionally, both the incident and frequency rates have seen a reduction to 2.19 and 1.10 respectively in FY2023 compared to 4.25 and 2.12 in FY2022. On top of this, some notable achievements are summarized as follows:

- Zero Fatality cases recorded over the 3 years leading up to FY2023
- No Occupational Illness recorded from FY2021 to FY2023.

Dufu Health and Safety key data are as follows:

	2023		2022		2021	
	Occupational Accident cases	Occupational, Poisoning and Disease cases	Occupational Accident cases	Occupational, Poisoning and Disease cases	Occupational Accident cases	Occupational, Poisoning and Disease cases
Fatality Rate *	-	-	-	-	-	-
Incident Rate *	2.19	-	4.25	-	5.33	-
Frequency Rate **	1.10	-	2.12	-	2.67	-
Lost Time Incident (Severity Rate) **	17.01	-	30.79	-	10.13	-

* Fatality and Incident Rate are based on 1,000 employees. Calculation is based on average number of monthly employees.

** Frequency and Severity rate are based on 500 employee / 8hr / 5 days / 50 weeks

Frequency rate is the no. of lost time injuries / illnesses per 1,000,000 exposure hours worked for a year

Severity rate is lost time injuries per 1,000,000 hours work

Note: 1 death = 6,000 lost days

OHS awareness and training

Throughout the Group, ongoing training and safety programs are consistently implemented to foster and integrate a safety-oriented culture among our employees. Our objective is to enhance awareness regarding Occupational Health and Safety (OHS) matters through training sessions that encompass various topics. These sessions cover a wide range of subjects, including chemical handling, proper use of Personal Protective Equipment (PPE), Disaster Recovery Plans, fire safety protocols, contractor safety management, machinery hazards, Lock Out Tag Out procedures, noise-induced hearing conservation, ergonomic practices in the workplace, hot work hazards, first aid administration, and safe operation of stackers.

Sustainability Statement (Cont'd)

PEOPLE (CONT'D)

Occupational Health and Safety (“OHS”) (cont'd)

OHS awareness and training (cont'd)

We provide safety training and preventive measures specifically designed for workers who might encounter various safety hazards such as moving parts, sharp edges, or mishandling chemicals. Detailed information regarding OSH-related trainings is available in the “Initiatives and Programs” section under “Employee Development and Talent Management” within this Sustainability Statement.

Number of	FY2023	FY2022	FY2021
Staff trained on health and safety protocols/ standards/ policy	860	870	904



Safety first! We held our annual fire drill on July 26th, 2023. Big thanks to the Bayan Baru branch’s Fire Brigade for joining this crucial exercise. Preparedness is key, and together, we’re equipped to handle any emergency situation

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE

As an environmentally conscious company, Dufu is dedicated to preserving the environment and addressing the effects of climate change. Our operations primarily impact energy and water consumption, waste production, and logistics. To address these, the company has integrated the 'Reduce, Reuse, and Recycle' (3Rs) principle into its manufacturing process.

We've implemented an energy and resources management system aimed at optimizing resource usage during manufacturing, with a focus on reducing energy and water consumption, minimizing waste generation, and enhancing resource reuse. Our proactive approach involves active engagement with both external and internal stakeholders to understand their environmental concerns and collaboratively identify strategies for ongoing improvement. These commitments are fundamental to our guiding principles, enshrined in our Environmental Management System certified under ISO 14001. Our adoption of this standard underscores our dedication to environmental protection.

The Group is committed to conducting its business operations in alignment with pragmatic principles and sustainable practices that encompass 8 key aspects:

	<p>1. Environmental Permits and Reporting All necessary environmental permits, approvals, and registrations, such as discharge monitoring, are acquired, maintained, and kept up-to-date. Adherence to their operational and reporting requirements is strictly maintained.</p>
	<p>2. Pollution Prevention and Resource Reduction Efforts are made to minimize or eliminate resource usage and waste generation, including water and energy, at the source. This is achieved through practices such as meticulous monitoring, engineering control in production, material substitution, and conservation, recycling, and reusing materials.</p>
	<p>3. Hazardous Substances Identification and appropriate management of hazardous chemicals and materials harmful to the environment ensure safe handling, movement, storage, use, recycling, or disposal.</p>
	<p>4. Solid Waste A systematic approach is implemented to identify, manage, reduce, and responsibly dispose of or recycle non-hazardous solid waste.</p>
	<p>5. Air Emissions Characterization, monitoring, control, and treatment of air emissions from operations, including volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products, are undertaken as required before discharge. Dufu continuously monitors the performance of its air emission control systems.</p>
	<p>6. Materials Restrictions Adherence to all relevant laws, regulations, and customer requirements regarding the prohibition or restriction of specific substances in products and manufacturing. This includes proper labelling for recycling and disposal.</p>
	<p>7. Water Management Implementation of a water management program that documents, characterizes, and monitors water sources, use, and discharge. Efforts are made to conserve water and control contamination channels. All wastewater is categorized, monitored, controlled, and treated as necessary before discharge or disposal. Routine monitoring ensures optimal performance and regulatory compliance of wastewater treatment and containment systems.</p>
	<p>8. Energy Consumption and Greenhouse Gas Emissions Tracking and documentation of energy consumption and greenhouse gas emissions are maintained. Continuous exploration of cost-effective methods to enhance energy consumption and reduce greenhouse gas emissions is prioritized.</p>

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Our Environmental Management Approach

We adopt a risk-based approach to environmental management, considering both actual and potential risks. All our operating sites in Malaysia hold full certification with ISO 14001 and align with the RBA Code of Conduct. Consequently, our sites undergo regular assessments and independent audits.

The SHEMS oversees and evaluates the environmental management performance of each operating site. This includes ensuring compliance with environmental laws, regulations, codes, and standards, along with upholding Dufu's commitments. The RMSWG reviews environmental performance, reporting annually to the Board through the RMSC.

All members of the top management team and employees bear responsibility for implementing the Environmental and Energy Policy. They comprehend how this policy applies to their day-to-day activities. Furthermore, our Supplier Code of Conduct integrates pertinent environmental, health, and safety guidelines that our supply chain partners must respect and consistently adhere to when engaging in business with Dufu. Any violations or breaches can be reported through the various channels outlined in the Whistleblowing Policy.

Climate Change Strategy

The Paris Agreement, established during the UN Climate Change Conference ("COP21") in 2015, set crucial global standards and ambitious goals for reducing carbon emissions to combat the extensive impacts of climate change. In line with this commitment, we have adopted a dedicated approach to mitigate greenhouse gas emissions, aligning our sustainable growth with national and international climate agendas. Our Climate Change Strategy is designed to tackle environmental challenges and aims to minimize our operational footprint. This includes gathering emissions data to establish and track reduction targets.

Our strategy centers on reducing GHG emissions through comprehensive energy and resource-saving programs, significantly cutting our daily energy consumption. This effort emphasizes eco-friendly product designs, environmentally conscious logistics, and a holistic carbon reduction initiative.

Dufu's Climate Change Strategy is crafted to anticipate potential risks and leverage positive opportunities. It not only aligns with the long-term trajectory of climate change but also ensures adaptability to the evolving business landscape. Our engineering and procurement team is actively encouraged to explore eco-friendly materials and equipment, maintaining product quality while further reducing GHG emissions in the manufacturing process.

Continuous reassessment lies at the heart of our strategy, bolstering our resilience and adaptive capacity to both climate change-related risks and opportunities. As part of Dufu's Sustainability Plan for 2024, the Group has established a five-year target, using 2023 as the base year, to reduce carbon emissions. This plan outlines specific efforts dedicated to combatting carbon reduction.

Dufu's Carbon Management Approach	
<p>Supply Chain</p> <ul style="list-style-type: none"> Work closely with our suppliers and require them to follow our CSR requirements Share our energy efficient programmes with our suppliers and help them to reduce the environmental impacts from operations 	<p>Customers</p> <ul style="list-style-type: none"> Share GHG information with customers Optimise the energy efficiency in the use of our manufacturing process
<p>Operations</p> <ul style="list-style-type: none"> Disclose the GHG emissions as per requirement Strive to reduce GHG emission over sales generated Report our GHG information and progress in our Sustainability Report 	<p>Communities</p> <ul style="list-style-type: none"> Support local change policy of our sites of operations

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Climate-related Risks and Opportunities

The Task Force on Climate-related Financial Disclosures (“TCFD”) emerged in 2015, introducing a voluntary reporting framework for companies to consistently communicate climate risks to investors. Recognizing the crucial role of assessing climate-related risks and opportunities in combating climate change and transitioning to a low-carbon economy, Dufu has taken the initiative to disclose its climate-related initiatives using the TCFD’s framework, effective FY2023. This proactive step precedes Bursa Malaysia’s requirement for public listed companies to include TCFD-aligned disclosures in their annual reports for financial years ending on or after 31 December 2025. Various potential risks and opportunities have been identified, with our RMSC overseeing these aspects to ensure close monitoring, measurement, and appropriate mitigation.

In 2023, we initiated our climate-related risks by incorporating climate scenarios within our risk assessment process. We evaluated the level of risk exposure and the likelihood of occurrence under two distinct scenarios guided by the TCFD recommendations. The ‘business-as-usual’ scenario allowed an examination of physical risks under conditions of high greenhouse gas emissions and limited climate action. Simultaneously, the ‘Paris-aligned’ scenario was instrumental in shaping our climate strategy, aligning with the ambitious Paris Agreement target of restraining the temperature increase to well below 2°C above pre-industrial levels. The outcomes are visually represented in the climate risk matrix, highlighting identified risk levels. Our aim is to seamlessly integrate this analysis into our existing risk management framework. We commit to re-evaluate our climate risks on periodic basis to ensure our alignment with the latest developments within our Group and the industry, as well as changes in governmental policies.

	Business-as-usual Scenario	Paris-aligned Scenario
Model Referenced	IPCC Representative Concentration Pathway (“RCP”) 8.5	International Energy Agency’s Sustainable Development Scenario (“SDS”)
Rationale	RCP 8.5 is selected to assess the impact of physical risks under a high-emissions scenario, consistent with a future with no policy changes to reduce emissions. This would enable evaluation of our adaptability to severe consequences of climate change.	SDS is selected to assess the impact of transition risks as we shift towards a low-carbon economy. This would enable our strategic planning in contributing to the Paris Agreement commitment.
Assumptions	Global average temperature increases by around 4°C by 2100, with high frequency and intensity of extreme weather events. ^(N1)	All current net zero pledges are achieved in full, with extensive policy efforts and technological advancement to realise emissions reductions. The temperature rise could be limited to below 2°C by 2100. ^(N2)

^(N1) We consider the assumptions and potential physical impact (including extreme weather, flooding, heat waves, sea level rise etc.) under the Business-as-usual scenario with reference to TCFD (2020) Guidance on Risk Management Integration and Disclosure.

^(N2) We consider the assumptions and potential impact of transition risks (including shifts in energy mix, net-zero assumptions, clean technology development of the industry sector etc.) under the Paris-aligned scenario with reference to the International Energy Agency (IEA) World Energy Outlook 2021.

We have categorized climate change risks into short-term (0-1 year), medium-term (1-5 years), and long-term (5+ years) durations. In response to these identified risks, we have developed both mitigation and adaptation measures. Notably, certain challenges stemming from transition risks also offer opportunities for us to realign our strategies and actions towards a positive transformation. Our commitment extends to further enhancing our efforts and fostering collaboration with suppliers and business partners.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Climate-related Risks and Opportunities (cont'd)

Climate-related Risk Matrix



Type	No	Risk Event
Physical Risk	1	Extreme weather events
	2	Chronic heat waves
	3	Shortage of natural resources
	4	Rise of sea levels
Transition Risk	5	Increase carbon pricing
	6	Tightened climate-related regulations
	7	Tightened emission reporting obligations
	8	Exposure to litigation
	9	Shift to low-carbon technology
	10	Increased procurement cost
	11	Changing customer behaviour
	12	Changing investor preference
	13	Stigmatization of sector
	14	Workforce Management

Climate-related Physical Risks

In the medium term, our assessment of physical risks includes acute threats arising from extreme weather events such as floods, tropical cyclones, and natural disasters. Looking further into the long term, we anticipate chronic physical risks, encompassing issues like water shortages, shifts in precipitation patterns, and significant fluctuations in weather conditions. Both the medium and long-term acute and chronic physical risks have the potential to significantly impact Dufu's operations. This could result in asset write-offs, increased insurance premiums, and reduced revenue due to decreased production capacity and supply chain disruptions. To mitigate these physical risks, we have diligently implemented and continuously review our Disaster Recovery Plan and other emergency measures. This proactive approach ensures our preparedness and resilience in the face of challenges posed by climate change.

Climate-related Transition Risks

As we drive towards a low-carbon, eco-conscious economy, we have identified transition risks that demand our attention. These primary risks revolve around the shift towards low-carbon technology, which might require increased long-term capital expenditure. Unpredictable fluctuations in fuel and energy prices, influenced by evolving climate policies, could also drive up our procurement costs. In the short term, we anticipate heightened emissions-reporting obligations from regulatory authorities, resulting in increased compliance costs to meet these evolving requirements.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Climate-related Risks and Opportunities (cont'd)

Climate-related Transition Risks (cont'd)

Looking ahead to the medium term, we expect new regulatory standards concerning climate change impacting our operations, products, and services. Potential costs associated with GHG emissions, such as carbon taxes and emissions trading schemes, may lead to increased operational expenses in the long term. Additionally, market risk emerges as a potential loss of market share due to evolving customer preferences favouring sustainable products in the medium term. Neglecting stakeholder concerns and changing perceptions regarding an organization's role in the low-carbon transition could adversely affect our reputation.

The potential cost increases stemming from these transition risks span various areas, including operational, compliance, and research and development expenses. These risks could potentially lead to reduced revenues as consumer preferences evolve. To effectively manage these risks, we maintain vigilant monitoring of regulatory changes and continually enhance our internal capabilities to mitigate any adverse impacts on our business.

The challenges posed by climate risks also offer significant opportunities for Dufu to align our strategies with the ongoing trajectory of climate change. To capitalize on these opportunities and effectively address climate-related risks, Dufu has implemented various sustainability initiatives. These initiatives focus on improving materials yield, responsibly recycling our packaging materials, components, and trays, and increasing the utilization of renewable energy. Additionally, our goal is to integrate more eco-friendly transportation modes into our supply chain management.

For the short, medium, and long term, our commitment remains steadfast in transforming our operations into a high-performance production chain. Through close collaboration with our suppliers, we aim to enhance resource efficiency, reduce material usage, decrease electricity consumption, and subsequently lower manufacturing costs. Our plans also involve streamlining distribution processes to shorten transportation distances and thereby minimize GHG emissions.

Looking ahead to the long term, our strategy involves transitioning towards lower-emission or renewable energy sources. This shift in strategy aims to mitigate our exposure to potential future fluctuations in fossil fuel prices.

	Risk Description	Potential Financial Impact	Timeframe	Impact Level	Our Response - Risk and Opportunities
Physical Risks					
Acute Risk	Frequent extreme weather events	<ul style="list-style-type: none"> Decreased revenue due to diminished production capacity and disruptions in the supply chain Elevated operational costs resulting from increased insurance premiums and higher emergency response expenses Write-offs and premature retirement of existing assets owing to facility damage 	Long-term	***	The RMSWG conducts an annual review of the Business Disaster Recovery Plan to ensure the sufficiency of contingency policies, safeguarding employees and minimizing losses during extreme weather events. This includes adding new manufacturing sites in other continent, developing climate resilience capacity, encompassing essential financial resources, equipment, and employee training.
Chronic Physical Risk	Chronic heat waves	<ul style="list-style-type: none"> Elevated operational costs due to increased expenditure on maintaining productivity 	Long-term	**	Implementing more efficient production and distribution processes. Vigilantly monitoring our operation sites highly susceptible to chronic physical risks and integrating these risks into critical business decisions, such as the addition of new manufacturing sites.
	Shortage of natural resources	<ul style="list-style-type: none"> Diminished revenue due to reduced production capacity and interruptions in the supply chain Heightened operational costs arising from increased expenses on water and energy 	Long-term	**	
	Rise of sea levels	<ul style="list-style-type: none"> Elevated capital costs, write-offs, and premature retirement of existing assets Diminished revenue resulting from supply chain disruptions 	Long-term	**	

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Climate-related Risks and Opportunities (cont'd)

	Risk Description	Potential Financial Impact	Timeframe	Impact Level	Our Response - Risk and Opportunities
Transition Risks					
Technology Risk	Shifts to low-carbon technology	<ul style="list-style-type: none"> Escalation in production and product development costs to explore eco-friendly solutions for products and services. Uncertainty in investment returns on lower emissions technology. Write-offs and premature retirement of existing equipment due to the adoption of new technology 	Long-term	***	Continuously developing and expanding low GHG emission products and services through research and development, innovation, and strategic collaboration with suppliers. Our commitment extends to achieving sustainability in energy and resource utilization by embracing efficient production processes. Additionally, we are actively transitioning towards automation and smart manufacturing model to further curtail resource consumption.
Policy and Legal Risk	Increased carbon pricing	<ul style="list-style-type: none"> Increased GHG emissions cost from carbon tax and/or GHG emissions trading scheme 	Long-term	**	Stay abreast of the implementation of carbon taxes and the emissions trading market in the regions where we operate.
	Tightened climate-related regulations	<ul style="list-style-type: none"> New regulatory requirements pertaining to climate change affecting operations, products, and services, leading to increased operational costs and shifts in revenue sources, potentially resulting in decreased revenue 	Mid-term	*	Enhancing adaptive capabilities, including refining our organizational structure to effectively manage updated policy and legal requirements.
	Tightened emissions reporting obligations	<ul style="list-style-type: none"> Increased emissions reporting obligations leading to higher compliance costs 	Short-term	*	Continue to adapt our data collection system to meet the necessary disclosure requirements.
	Exposure to litigation	<ul style="list-style-type: none"> Increased compliance cost due to significant fines and penalty from environmental noncompliance 	Mid-term	*	Stay updated on the latest environmental laws and regulations through periodic reviews and adjust internal policies as needed to ensure compliance.
Market Risks	Increased procurement cost	<ul style="list-style-type: none"> Elevated operational costs due to a sudden and unexpected rise in fuel and energy prices, leading to increased expenses for raw materials 	Long-term	**	Sustain emergency mechanisms and leverage lower emission or renewable energy sources to mitigate exposure to potential fluctuations in future fossil fuel prices. Invest in R&D initiatives to improve materials consumption yield.
	Changing customer behaviour	<ul style="list-style-type: none"> Diminished product competitiveness and loss of market share due to evolving customer preferences or due to changes in product characteristics 	Long-term	***	Diversification into various industry and specifically focusing into green related products that caters to evolving consumer preferences.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Climate-related Risks and Opportunities (cont'd)

	Risk Description	Potential Financial Impact	Timeframe	Impact Level	Our Response - Risk and Opportunities
Transition Risks (cont'd)					
Reputation Risks	Changing investor preference	<ul style="list-style-type: none"> Decline in share price stemming from reputation damage Diminished capital availability due to shifting investor preferences 	Mid-term	*	Establish a green branding strategy as our long-term business approach, backed by innovation and R&D efforts. Enhance reporting and communication with shareholders and stakeholders regarding our sustainability initiatives.
	Stigmatization strategy of sector	<ul style="list-style-type: none"> Decline in revenue resulting from heightened stakeholder concern and their evolving perceptions regarding the organization's role in transitioning to a low-carbon economy, contributing to a deteriorating industry image 	Long-term	**	
	Workforce management	<ul style="list-style-type: none"> Elevated operational costs in attracting and retaining employees due to their increased focus on companies' environmental performances 	Mid-term	*	

Energy Management

Dufu's plants primarily need energy in the form of electricity which we purchased directly from Tenaga Nasional Berhad ("TNB"). Electricity is mainly used for drives in electric motors in air compressors and pumps for manufacturing machinery and other process engineering equipment. The measurement and control technology, as well as the lighting, requires electricity. None of our plants use steam, coal nor natural gas as a source of energy.

Energy Committee

Dufu has established its Energy Committee, led by the CEO and comprised of various heads of business units such as Production, Engineering, Machine Maintenance, Facility, Safety, and Environmental Officers, along with an external energy consultant retained for this purpose. The Energy Committee's objectives encompass managing energy usage, identifying climate change risks and opportunities, implementing green manufacturing initiatives, conserving energy consumption, and reducing carbon emissions. The core focus lies in continually improving energy efficiency and preventing energy wastage.

The inclusion of an external consultant has empowered Dufu to address identified energy risk areas and improvements from an external perspective. Additionally, it equips us with the latest knowledge of energy-saving technologies and measures.

Energy Conservation Programmes

Dufu is committed to ongoing energy conservation efforts, demonstrated through various initiatives:

- Continuous re-engineering of manufacturing facilities and processes to promote energy efficiency. This includes consolidating production lines to eliminate redundant spaces in factory buildings, reducing the use of air conditioners, ventilations, and lighting in idle production areas. These consolidations minimize unnecessary electricity consumption and enhance building energy efficiency. Regular facility maintenance and ongoing retrofits of machinery and equipment are part of this effort, incorporating new energy-saving technologies as appropriate;
- Integration of renewable energy through the installation of an industrial-scale Solar Photovoltaic ("PV") System on Dufu's building rooftops;
- Close monitoring of high-energy consumption items such as chillers and air compressors to ensure efficient energy usage;
- Installation of Lighting Emitting Diodes ("LEDs") to replace fluorescent lights, contributing to energy efficiency; and
- Encouraging daily office energy conservation habits, including the installation of smart movement sensors in common areas like toilets, maintaining air conditioning temperatures within the range of 23-24°C, and implementing a practice of powering down computers and turning off lights when leaving the office or at the end of the day.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Energy Management (cont'd)

Energy Conservation Programmes (cont'd)

The Group has initiated the installation of rooftop solar panels at one of our manufacturing sites in Bayan Lepas, boasting an installed capacity of 813.14kWp. The commissioning of the PV system began on December 22, 2021. These PV cells harness clean and green energy by absorbing sunlight, converting it into electrical current. Our goal is to tap into the vast and underutilized potential of Dufu's rooftops to produce natural, free, and readily accessible energy. In FY2022, this initiative yielded a total generation of 1,084 MWh of energy from renewable sources. This translated into a reduction of 1,081 tonnes of CO2 emissions or the equivalent of planting 58,546 trees to absorb annual CO2 emissions.

Recognizing the benefits, Dufu has expedited the adoption of renewable energy in FY2023 by fast-tracking the installation of solar panels across its manufacturing sites. The second phase aims to augment capacity by 431.2kWp, with installation projected for completion by the first quarter of 2024. When combined with the existing capacity, this addition will result in a total capacity of 1,244.34 kWp

Regarding machinery and equipment, several retrofits were undertaken to reduce electricity usage. Notably, the installation of inverter air compressors with Progressive Adaptive Control stands out. These compressors monitor key operational parameters and dynamically adapting to prevent unexpected downtime, improving efficiency and air flow by optimizing the rotor profile for enhanced energy efficiency. From our initial pilot project installed in the third quarter of 2023, our study indicated an estimated energy savings of 7% compared to our existing setup. Consequently, we anticipate a full rollout to procure additional units of energy-efficient inverter air compressors to replace all less energy-efficient units in 2024.

Energy Consumption	Unit	FY2023	FY2022	FY2021
Electricity consumption	MWh	7,276.68	10,047.91	12,673.88
Solar energy consumption	MWh	1,075.74	1,084.20	46.92
Total electricity consumption	MWh	8,352.42	11,132.11	12,720.80
Renewable energy over total electricity consumption	%	12.9	9.7	0.4
Fuel consumption				
Petrol	MWh	255.06	295.36	237.78
Diesel	MWh	188.95	216.20	308.84
Total fuel consumption	MWh	444.01	511.56	546.62
Total energy consumption	MWh	8,796.43	11,643.67	13,267.42
Energy Intensity				
Electricity (MWh/ Sales RM'million)		45.35	46.06	41.69

In FY 2023, a total of 1,076 MWh of energy was generated by green energy which translated into a reduction of 1,073 tonnes of CO2 emissions or 58,113 equivalents of trees planted to absorb the annual CO2 emission. In addition to that, Dufu consumed energy equivalent to 8,796.43 MWh, with electricity contributing 95.0% of the total energy consumption. The total energy consumption in FY2023 was 24.5% lower than FY2022 mainly due to lower production output recorded during the year.

There were no significant cases of noncompliance with environmental laws or regulations or fines in FY2023.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

GHG Emissions



GHG Emissions

The signing of the 2015 Paris Agreement catalyzed increased global attention toward climate change, prompting heightened expectations from stakeholders regarding the role that private companies should play and the initiatives they should invest in to address this issue. Recognizing that the Group consumes a substantial amount of energy across its businesses, we actively advocate for the reduction of GHG emissions throughout the entire product life cycle. This commitment spans from business planning to product disposal, contributing significantly to the realization of a sustainable society.

The intensity of operational GHG emissions is measured and disclosed as follows:

Scope	Emission Type	Definition	Status
Scope 1	Direct emissions	GHG emissions in activities from Dufu's owned mobile combustion	Measured and disclosed
Scope 2	Indirect emissions	GHG emissions generated from the consumption of purchased electricity	Measured and disclosed
Scope 3	Indirect emissions	GHG emissions generated from business travel and employee commuting	Measured and disclosed

GHG Emissions	Unit	FY2023	FY2022	FY2021
Scope 1	tCO ₂ e	283.72	326.89	349.29
Scope 2	tCO ₂ e	4,649.80	6,420.61	8,098.61
Total Scope 1 and 2	tCO ₂ e	4,933.52	6,747.50	8,447.90
Scope 3				
Business Travel*	tCO ₂ e	70.86	N/A	N/A
Employee Commuting*	tCO ₂ e	431.75	N/A	N/A
Total	tCO ₂ e	5,436.13	6,747.50	8,447.90
Intensity (tCO ₂ e/ Sales RM'million)		29.5	27.9	27.7

* Information only available effective FY2023

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

GHG Emissions (cont'd)

Over the years, our commitment to reducing carbon emissions has been evident, notably when we acquired the Bukit Minyak plant. In this instance, we replaced all fluorescent lighting with LED fixtures. Aligned with the Energy Conservation Programmes outlined earlier in this report, Dufu remains dedicated to carbon emissions reduction through various initiatives. These include the re-engineering of manufacturing facilities and processes, monitoring high-energy consumption items, and daily practices such as efficient use of office lighting and air-conditioning.

We've integrated a climate change risk and opportunity strategy, demonstrated by the installation of a rooftop solar panel system at one of our manufacturing sites in Bayan Lepas in December 2021. The ongoing second phase aims to expand capacity by an additional 431.2kWp, with installation expected to be completed by the first quarter of 2024.

For FY2023, we have collected the data on GHG emissions Scope 3 (indirect emissions) which relates to business travel and employee commuting. However, we have yet to compile the data on other Scope 3 emissions categories such as purchase of goods and services, capital goods, transportation and distribution, waste generated in operations and etc.

Additionally, Dufu does not produce any Nitrogen Oxides (NOx) and Sulfur Oxides (SOx) emissions as none of our business activities involve biomass combustion. Neither flaring (CO₂e) or methane (CH₄) related emissions is emitted from our manufacturing sites.

Water Management

Dufu adheres to stringent environmental regulations, strategically locating its plants in integrated industrial parks to ensure that its operations have no discernible impact on surrounding residential areas and the local flora and fauna.

Water plays a crucial role in the manufacturing process of hard disk drive components. A reliable and clean water supply is essential, particularly during double disk grinding and washing processes. We maintain constant vigilance over our water consumption, implementing initiatives aimed at reducing waste and maximizing water recycling and reuse within our factories. These measures aim to decrease our reliance on municipal water supplies.

	2023	2022	2021
<u>Water withdrawal by source*</u>			
Water (liter/ cubic meters)	83,719	83,763	91,333
<u>Water consumption intensity</u>			
Water (liter/ cubic meters)/ Sales (RM'000)	0.45	0.35	0.30

* Dufu solely draws water from local water grids

Our ongoing water-saving initiatives include the modification of lavatory fixtures, integrating self-push button taps and spray bidets to curtail unnecessary water wastage. Additionally, our flush tanks are equipped with a 1-litre water-filled container, reducing water usage by 1 litre per flush without compromising flushing efficiency when employees use the toilet. Continuing our commitment to water reuse, we've initiated the recovery of reverse osmosis (RO) water from our industrial washing processes, redirecting it for reuse in our double disk grinding manufacturing processes. In FY2023, a total of 1,416 liter/ cubic meters were reused for such purposes.

The wastewater generated by Dufu in the reviewed year had no measurable impact on biodiversity. Our process water and effluent discharges undergo treatment via our Industrial Effluent Treatment System. We consistently collect discharge samples on a weekly basis, sending them to third-party laboratories for comprehensive analysis to ensure compliance with legislative requirements. Our submissions of industrial effluent discharge monitoring reports to the Department of Environment ("DOE") on a monthly basis attest to the strict adherence of our industrial effluents and mixed effluent generated within our premises to DOE's guideline specifications.

Throughout 2023, there were no significant spills into water sources, and we upheld full compliance with water quality standards and regulations.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Effluents and Waste Management

Our waste management strategy is centered around optimizing material usage, reducing waste generation, and minimizing landfill disposal. This approach not only ensures efficient operations but also prioritizes workplace safety and health, especially in handling hazardous materials. Aligned with our strategic priorities of operational excellence and environmental responsibility, these initiatives aim to optimize costs and reduce our environmental impact.

At each operational site, the Facility Department is responsible for day-to-day waste management activities. Concurrently, Dufu's Safety Department ensures strict adherence to our Environment Policy and waste management procedures, ensuring full compliance with relevant laws, regulations, and internal policies. Furthermore, the Facility Department meticulously maintains records detailing waste management processes, including quantities recycled, reused, and disposed of.

Non-hazardous Waste Management

We adhere to the 3Rs (Reduce, Reuse, and Recycle) principle for managing non-hazardous waste, aiming to minimize direct disposal. Ongoing efforts involve boosting our internal reuse rate by repurposing disposable cardboard boxes and plastic trays as internal packaging materials. Recycling centers are operational at all our manufacturing sites, where staff gather and compress recyclable materials like cardboard, plastics, and metals. These recyclables are repurposed internally at material recovery centers before being passed on to licensed recyclers for further processing.

Waste materials resulting from our production processes—whether titanium, aluminium, mild steel, or stainless steel—are recyclable and can be reintegrated into a circular system for other industrial purposes. A significant achievement of our waste minimization strategy has been the continual reduction in metal bar end wastage. Like other metalworking facilities, Dufu generates substantial quantities of scrap metal chips laden with cutting oils. Waste generated from metal components such as steel, aluminium, and titanium undergo compaction before being sent to licensed scrap metal recyclers.

Hazardous Waste Management

Given the nature of our operations, a significant portion of our waste stems from the use of cutting oils and cooling lubricants in metal fabrication and machining. Consequently, the management of mixed contaminated metal chips is handled meticulously, adhering fully to the stipulated criteria outlined in the Environmental Quality (Scheduled Wastes) Regulations of 2005, as well as our internal policies and procedures. Our pursuit of waste reduction involves following best practices:

- Providing clear work instructions and personal protective equipment to employees at all times.
- Ensuring employees undergo hazardous waste and chemical management training before engaging in operations.

We are committed to minimizing hazardous waste generation through continuous review of our manufacturing processes, machinery upgrades, and material reduction during product design. The Group actively reduces coolant consumption and waste disposal costs by advocating the use of long-life cutting fluids in our CNC machining centers. This initiative prolongs cutting tool lifespan, reduces coolant replacement frequency, minimizes waste, and improves workplace safety. Where feasible, we avoid using hazardous or environmentally harmful substances and assess their potential hazards using safety data sheets.

At Dufu, we exclusively partner with reputable and licensed local waste recovery contractors for the recycling or disposal of scheduled waste. Our selection process for these contractors is stringent, undergoing comprehensive audits that encompass social and environmental considerations. This ensures our commitment to engaging only those who meet our high standards and align with our values.

We consistently raise waste management awareness among our employees by educating them on proper waste labelling and segregation by material type. More importantly, we encourage all departments to adopt waste minimization strategies, encompassing inventory management changes to prevent stock obsolescence, equipment upgrades or modifications, material alterations, product design improvements, and adjustments to operational and maintenance procedures.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

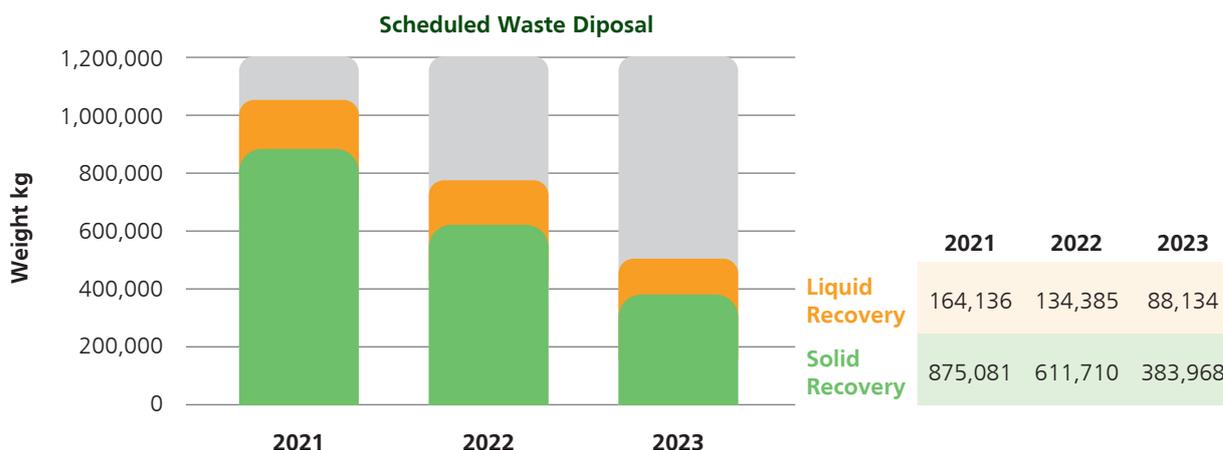
Effluents and Waste Management (cont'd)

Hazardous Waste Management (cont'd)

Our on-going 3R program managing various operation waste generated at Dufu are as follows:

3R Program	Methodology
 Recovery	<ul style="list-style-type: none"> Send scheduled waste to the recovery facilities via licensed waste recovery contractors Types of scheduled waste generated are as follows:
	<ol style="list-style-type: none"> Liquid Recovery <ul style="list-style-type: none"> (SW307) Spent coolant (SW306) Spent hydraulic oil (SW305) Spent lubricating oil (SW402) Spent alkaline (SW109) Used COD Reagents Solid Recovery <ul style="list-style-type: none"> (SW104) Dust, slag, dross, ash contained metal (SW109) Fluorescent tube /LED wastes (SW110) Electrical & electronic assemblies' wastes (SW204) Metal hydroxide sludge (SW325) Uncured resin (SW409) Empty contaminated containers (SW410) Contaminated rags/ paper/ filter (SW422) Metal chips contaminated with coolant/ oil (SW431) Sand Blasting

The scheduled waste generated are as follows:



 Re-use	<ul style="list-style-type: none"> Collaborate with the chemical suppliers to return empty drums to re-use for similar original purposes Re-use of carton boxes and pallets for internal packaging Re-use of plastic trays for in-process activities such as turning and disk grinding stock keeping 	We did not collect the data for re-use of carton boxes and pallets for internal packaging.
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Sustainability Statement (Cont'd)

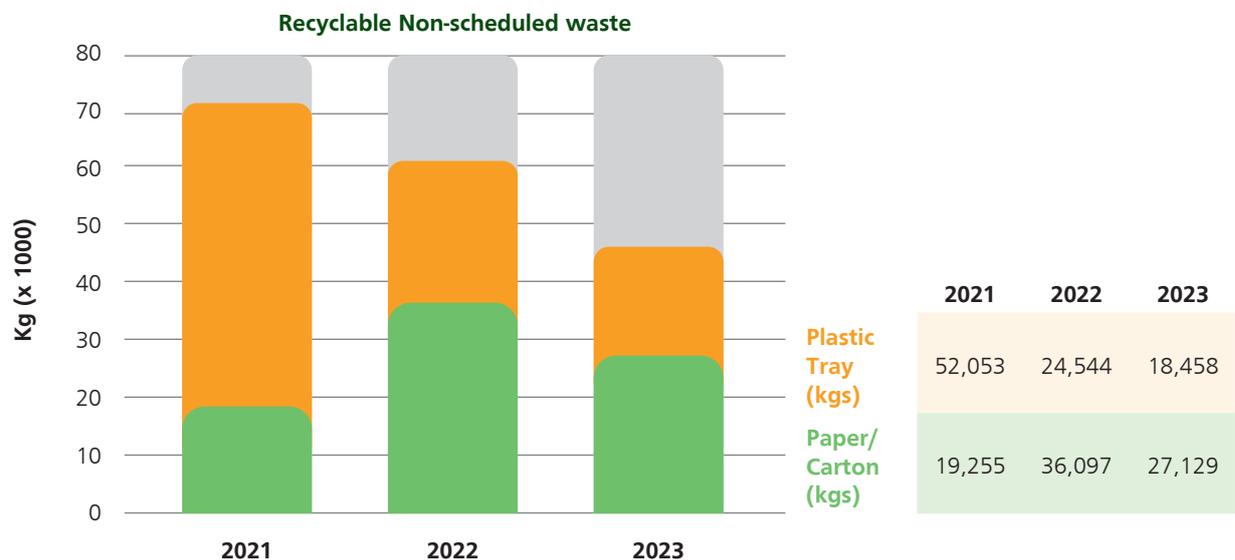
ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Effluents and Waste Management (cont'd)

Hazardous Waste Management (cont'd)

3R Program	Methodology
 <p>Recycle</p>	<ul style="list-style-type: none"> Recyclable waste includes metal waste (such as titanium, aluminium, iron, etc), paper, carton boxes and plastic trays Recyclable waste is transferred to centralized recycle waste area and sold to approved or licensed collector for further recycling process

The recyclable waste generated are as follows:



 <p>Reduce</p>	<ul style="list-style-type: none"> Reduce titanium and aluminium bar end wastages for metal components Reduce consumption of office paper by electronic means such as invoicing, purchase requisition and etc.
 <p>Disposal</p>	<ul style="list-style-type: none"> General waste which is non-scheduled waste and non-recyclable (rubbish) Enclosed bin provided at the designated area and collected by licensed contractors.

Sustainability Statement (Cont'd)

ENVIRONMENT AND MANAGING CLIMATE CHANGE (CONT'D)

Effluents and Waste Management (cont'd)

Summary of how waste is handled

	2023 tonne	2022 tonne	2021 tonne
Diverted from disposal ⁽¹⁾			
- Non-hazardous waste ⁽¹⁾	46	61	48
Directed to disposal			
- Non-hazardous waste	182	183	N/A
- Hazardous waste (Scheduled waste)	472	746	1,039
Total waste disposal	654	929	1,039
Total waste generated ⁽²⁾	700	990	1,087
Total non-hazardous waste	228	244	48
Total hazardous waste (Scheduled waste ⁽³⁾)	472	746	1,039

Note:

*⁽¹⁾ Consists of recycled waste.

*⁽²⁾ Total waste generated is the sum of total waste diverted from disposal and total directed to disposal.

*⁽³⁾ Scheduled wastes are hazardous wastes.

N/A – Data not available or not collected during that particular financial year



FY2023
 “ Total costs of environmental fines and penalties ”
Nil

“ Percentage of sites covered by environmental management system such as ISO14001 ”

100%



Sustainability Statement (Cont'd)

ENRICHING COMMUNITIES

Approach

The idea of community enrichment is of paramount importance to the neighborhoods in which we operate. We think of a community as any group of people who share a desire to make a positive difference, wherever and whenever they can. Understanding the power of working together, we partner with suppliers, customers and vendors to maximize our impact in the community. We also back up that commitment with financial support by investing in programs and projects in our communities targeted at improving education, promoting environment conservation and helping underserved groups gain skills and obtain employment opportunities which is in line with the Group's business strategy to recruit local talent and operating in a sustainable manner.

Our community development strategy involves social mapping towards:

- | | | |
|----|-------------------------------|--|
| a) | Providing Quality Education | Provide universal access to education, irrespective of a child's background or location, by harnessing the potential of technology and fostering collaborative partnerships. |
| b) | Promoting Health and Wellness | Organise and support events that promote health and wellness in local communities. |
| c) | Supporting Vulnerable Groups | Support marginalized communities by offering financial aid, in-kind donations, and engaging in volunteer efforts to foster social equality. |

Dufu uses its expertise and resources to support the communities in which it operates, focusing on supporting people in need, collaborating with local schools and charities, providing training opportunities for young people, nourishing an innovative environment and developing a healthy and green community.

In this respect, Dufu supported its Corporate Social Responsibility ("CSR") Programme by investing a total of RM218,333 in FY2023 namely,

- Donation of RM150,000 to Kuang Yu Chinese Primary School for their relocation project to Batu Kawan
- Sponsorship of RM50,180 for Dufu's "Pledge a Library" initiative
- Donation of RM1,000 to Reach Charity Food Fair
- Contribution to Bomba, Bayan Baru of RM500 for their Jamuan Hari Raya Aidilfitri
- Corporate sponsor of RM3,000 to OFRA Ventures, a Penang-based sports event team which contributed to the success of their second edition of "Bukit Cendana – Trail of the Ruins" Ultra Trail event held on 22 July 2023 at Youth Park, Penang
- Contribution of RM13,653 to Husco United Way Campaign, one of our customer's community outreach and philanthropic efforts.

Dufu's annual "Pledge a Library" initiative which commenced in 2020, reached 10 schools in FY2023. A total of 1,200 books and monthly educational magazines were disseminated to the targeted secondary school students and teachers to augment their libraries. The reading materials cover diverse topics of popular interest and current events related to science, geography, financial management, languages, self-cultivation, life psychology, historical findings, information technology and social issues. The schools which benefitted from our yearlong supply of reading materials worth RM50,180 were as follows:

- 1) Jit Sin Independent High School, Penang
- 2) Phor Tay Private High School, Penang
- 3) Chung Ling Private High School, Penang
- 4) Penang Chinese Girls' Private High School, Penang
- 5) Yuk Choy High School, Perak
- 6) Chung Hua Middle School, Kuching, Sarawak
- 7) Beaufort Middle School, Sabah
- 8) Kiang Hin Middle School, Sarawak
- 9) Catholic High School, Sarawak
- 10) Yu Yuan Secondary School, Sabah

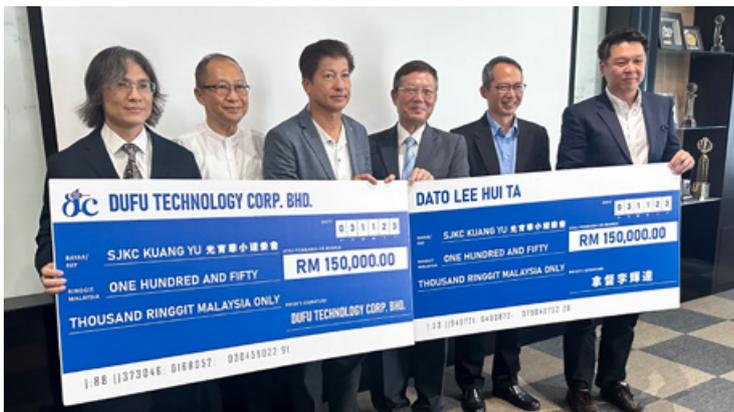


Sustainability Statement (Cont'd)

ENRICHING COMMUNITIES (CONT'D)

	FY2023	FY2022	FY2021
Total amount invested in the community where the target beneficiaries are external to the Group ("RM")	218,333	71,078	598,757
Total number of beneficiaries of the investment in communities	15	14	15

The 2-hour Cheque Handover Ceremony was held on November 3, 2023, at Dufu's Main Conference Room. We were honoured to have esteemed guests like YB Dato Law Choo Kiang, YB Heng Lee Lee, reps from Kuang Yu Primary School, media folks, and our beloved Dufu family.



Dufu's Executive Chairman and the Company have proudly donated RM300,000 to support Kuang Yu Chinese Primary School's Relocation Project to Batu Kawan! It's our honour to contribute to such a meaningful cause that enhances education and community growth.



Mr. Ng Wooi Cheong, the school board secretary, shared an exciting update with the audience and media about the Kuang Yu Primary School construction project milestones! The whole construction is set to wrap up by 2025, and classes are gearing up to start in 2027.

Sustainability Statement (Cont'd)

ENRICHING COMMUNITIES (CONT'D)

Volunteerism

Dufu prioritizes the significance of volunteering, recognizing that our employees can enhance both their personal and professional lives through these endeavours. By actively engaging in volunteer activities, our team members can cultivate profound connections, attain heightened job satisfaction, and champion inclusivity.

One of our pivotal volunteer events was “Dufu’s Beach CleanUp - “Protect Our Beach, Preserve Our Ocean” Initiative Day, where 81 dedicated volunteers from Dufu Industries Sdn Bhd and Dufusion Sdn Bhd united on September 24, 2023, to leave a significant mark on both the community and the environment at Pantai Esen, Batu Maung, Penang. This collective endeavour yielded a remarkable achievement of 150 kilograms of waste collected, serving as a compelling example of how small actions can lead to substantial, positive change. The second volunteering activity was related to the Bukit Cendana Ultra trail event on 22 July 2023 which we send a larger participants compared to the first edition in prior year.



“Guess what? We just gathered 150 kilograms of waste at Pantai Esen!



Such an honour to have had the esteemed presence of YB Dato’ Dr. Mohamad bin Abdul Hamid to inaugurate our event!



“Our incredible volunteers don’t let a little rain stop them! They’re out here, warming up before our beach clean-up session. Dedication at its finest.



A big round of applause to all our incredible volunteers for their unwavering commitment to this noble cause! Let’s keep nurturing this amazing spirit of community and environmental stewardship, inspiring others to join in and make a difference!

	FY2023	FY2022	FY2021
Total volunteer activities initiated	2	1	-
Total volunteer hours	508	24	-
Number of employees involved	105	3	-

Sustainability Statement (Cont'd)

GRI CONTENT INDEX

GRI Content Index	
Statement of use	Dufu Technology Corp. Berhad has reported the information cited in this GRI content Index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1	Organizational details Basis of Preparation, p 25 Group Structure, p 4 Corporate Information, p 2
	2-2	Entities included in the organization's sustainability reporting Basis of Preparation, p 25
	2-3	Reporting period, frequency and contact point Basis of Preparation, p 25 Contact point for questions: David Khoo Chong Beng Chief Financial Officer Tel: 604-6161328 Email: corporateaffairs@dufu.com.my
	2-4	Restatements of information Restatements of information is disclosed at the relevant sections, where applicable
	2-5	External assurance Basis of Preparation, p 25 Limited Statement of Assurance Report, p 94 - 96
	2-6	Activities, value chain, and other business relationships Management Discussion and Analysis, p 16 - 24
	2-7	Employees Diversity and Inclusion, p 54 - 56
	2-8	Workers who are not employees All workers perform work for Dufu are in employment relationship with Dufu.
	2-9	Governance structure and composition Sustainability Governance, p 25 - 26 Corporate Governance Overview Statement, p 97 - 102
	2-10	Nomination and selection of the highest governance body Corporate Governance Report
	2-11	Chair of the highest governance body Corporate Governance Overview Statement, p 97 - 102
	2-12	Role of the highest governance body in overseeing the management of impacts Corporate Governance Overview Statement, p 97 - 102 Sustainability Governance, p 25 - 26
	2-13	Delegation of responsibility for managing impacts Sustainability Governance, p 25 - 26
	2-14	Role of the highest governance body in sustainability reporting Sustainability Governance, p 25 - 26 Basis of Preparation, p 25

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure	Location
	2-15	Conflicts of interest Corporate Governance Report
	2-16	Communication of critical concerns Corporate Governance, p 47 - 50
	2-17	Collective knowledge of the highest governance body Corporate Governance Report
	2-18	Evaluation of the performance of the highest governance body Dufu currently does not implement performance evaluation of its Board members based on our impacts on the economy, environment, and people.
	2-19	Remuneration policies Corporate Governance Report
	2-20	Process to determine remuneration Corporate Governance Report
	2-21	Annual total compensation ratio Diversity and Inclusion, p 54 - 56
	2-22	Statement on sustainable development strategy Chairman's Statement, p 5 - 7
	2-23	Policy commitments Corporate Governance, p 47 - 50
	2-24	Embedding policy commitments Embedding of Dufu's policy commitments is disclosed at the relevant sections, where applicable.
	2-25	Processes to remediate negative impacts Respect of Labour and Human 51 - 54
	2-26	Mechanisms for seeking advice and raising concerns Corporate Governance Report Whistleblowing mechanism, p 48
	2-27	Compliance with laws and regulations There were no significant instances of non-compliance with laws and regulations during the reporting period.
	2-28	Membership associations Dufu does not have a significant role in any association or advocacy organization when it holds a position in the governance body, participates in projects or committees, or provides substantive funding beyond routine membership dues.
	2-29	Approach to stakeholder engagement Stakeholder Engagement, p 26 - 27
	2-30	Collective bargaining agreements We do not have any collective bargaining agreement in place. Nevertheless, we respect the rights of employees to associate or join workers' councils with local laws.

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure		Location
GRI 3: Material Topics 2021	3-1	Process to determine material topic	Materiality Assessment, p 28 Materiality Matrix Assessment, p 29
	3-2	List of material topics	Materiality Matrix Assessment, p 29
	3-3	Management of material topics	Mapping our Materiality Matrix, p 34 - 40
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Direct Economic Value Generated and Distributed, p 41 - 42
	201-2	Financial implications & other risks & opportunities due to climate change	Mapping our Materiality Matrix, p 34 - 40 Climate related Risk and Opportunities, p 70 - 74
	201-3	Defined benefit plan obligations and other retirement plans	Dufu merely subscribed and is fully adhered to the requirements of the statutory retirement benefit plan obligations.
	201-4	Financial assistance received from government	There was no financial assistance received from government in 2023.
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	On employees compensated based on wages subject to minimum wage rules, the ratios of standard entry level wage by either male or female compared to local minimum wage is 1 to 1.
	202-2	Proportion of senior management hired from the local community	All our Senior Management Team as disclosed in the Annual Report FY2023 is hired from their respective local countries in which they are operating.
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Enriching Communities, p 82 - 84
	203-2	Significant indirect economic impacts	Enriching Communities, p 82 - 84 Dufu's activities as an employer, as a consumer of local products and services, and as a payer of taxes and fees as well as providing local employment support local economic development.
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Local Procurement Practices, p 46
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risks related to corruption	Corporate Governance, p 47 - 50
	205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance, p 47 - 50
	205-3	Confirmed incidents of corruption and actions taken	Corporate Governance, p 47 - 50

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure		Location
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	There were no incidents reported in 2023.
GRI 301: Materials 2016	301-1	Materials used by weight or volume	The information is currently unavailable. For future consideration
	301-2	Recycled input materials used	The percentage of recycled input material used is low due to the nature of the production process, as recycled raw materials cannot be used very often due to the requirements regarding purity or because customer's standards must be met.
	301-3	Reclaimed products and near packaging materials	Dufu provides fresh packaging materials and trays when supplying to customers mainly due to the concern of its highly sensitive precision parts. Dufu uses mostly reusable packaging and trays for in-process treatments.
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Energy Management, p 74 - 75
	302-2	Energy consumption outside of the organization	Energy Management, p 74 - 75
	302-3	Energy intensity	Energy Management, p 74 - 75
	302-4	Reduction of energy consumption	Energy Management, p 74 - 75
	302-5	Reductions in energy requirements of products and services	Energy Management, p 74 - 75
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water Management, p 77
	303-2	Management of water discharge-related impacts	Water Management, p 77
	303-3	Water withdrawal	Water Management, p 77
	303-4	Water discharge	Dufu currently does not keep track on the volume of the water discharge from it sites. Notwithstanding this, Dufu conform with legislative requirements to ensure all the priority substances of concern are being treated before the discharge. Dufu will keep track of its water discharge volume in 2024.
	303-5	Water consumption	Dufu currently does not keep track on the volume of the water consumption. Dufu will starts to keep track of its water consumption in 2024.

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure		Location
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable as all factories are located in Industrial Estates designated by the respective state governments.
	304-2	Significant impacts of activities, products and services on biodiversity	Not applicable as all factories are located in Industrial Estates designated by the respective state governments.
	304-3	Habitats protected or restored	The Group did not take part in the protection or restoration of any habitat areas in 2023.
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable as there are no reports of IUCN Red List species in the areas of operations. All factories are located in Industrial Estates designated by the respective state governments.
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	GHG Emissions, p 76 - 77
	305-2	Energy indirect (Scope 2) GHG emissions	GHG Emissions, p 76 - 77
	305-3	Other indirect (Scope 3) GHG emissions	GHG Emissions, p 76 - 77
	305-4	GHG emissions intensity	GHG Emissions, p 76 - 77
	305-5	Reduction of GHG emissions	Energy Conservation Programmes, p 74 - 75 GHG Emissions, p 76 - 77
	305-6	Emissions of ozone-depleting substances (ODS)	GHG Emissions, p 76 - 77
	305-7	Nitrogen oxides, sulphur oxides, and other significant air emissions	GHG Emissions, p 76 - 77
GRI 306: Waste 2016	306-1	Waste generation and significant waste-related impacts	Effluents and Waste Management, p 78 - 81
	306-2	Management of significant waste-related impacts	Effluents and Waste Management, p 78 - 81
	306-3	Waste generated	Effluents and Waste Management, p 78 - 81
	306-4	Waste diverted from disposal	Effluents and Waste Management, p 78 - 81
	306-5	Waste directed to disposal	Effluents and Waste Management, p 78 - 81
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management, p 42 - 46
	308-2	Negative environment impacts in the supply chain and actions taken	Supply Chain Management, p 42 - 46

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure		Location
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Diversity and Inclusion, p 54 - 56
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Compensation and Benefits, p 60
	401-3	Parental leave	Employee Compensation and Benefits, p 60
Labour/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	We do not have a fixed minimum notice regarding operational change. However, to the extent possible, we do inform our colleagues well in advance the intention and details of the change. Prior to such change, we will conduct briefing for employees to collect their feedback and try to put relevant notice within a month's time.
GRI 403: Occupational Health and Safety 2016	403-1	Occupational health and safety management system	Occupational Health and Safety, p 64 - 67
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety, p 64 - 67
	403-3	Occupational health services	Occupational Health and Safety, p 64 - 67
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety, p 64 - 67
	403-5	Worker training on occupational health and safety	Occupational Health and Safety, p 64 - 67 Employee Development and Talent Management, p 57 - 59
	403-6	Promotion of worker health	Occupational Health and Safety, p 64 - 67 Employee Welfare and Wellbeing, p 60 - 63
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety, p 64 - 67
	403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety, p 64 - 67
	403-9	Work-related injuries	Occupational Health and Safety, p 64 - 67
	403-10	Work-related ill health	Occupational Health and Safety, p 64 - 67
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Employee Development and Talent Management, p 57 - 59
	404-2	Programs for upgrading employee skills and transition assistance programs	Employee Development and Talent Management, p 57 - 59
	404-3	Percentage of employees receiving regular performance and career development reviews	Diversity and Inclusion, p 54 - 56

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure		Location
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Diversity and Inclusion, p 54 - 56
	405-2	Ratio of basic salary and remuneration of women to men	Diversity and Inclusion, p 54 - 56
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Respect of Labour and Human Rights, p 51 - 53
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Respect of Labour and Human Rights, p 51 - 53 Supply Change Management, p 42 - 46
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Respect of Labour and Human Rights, p 51 - 53 Supply Change Management, p 42 - 46
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Respect of Labour and Human Rights, p 51 - 53 Supply Change Management, p 42 - 46
GRI 410: Security Practices	410-1	Security personnel trained in human rights policies or procedures	We ensure that our security personnel receive the necessary training on our policies.
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	There were no incidents reported in 2023.
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Enriching Communities, p 82 - 84
	413-2	Operations with significant actual and potential negative impacts on local communities	There were no incidents reported in 2023.
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Supply Chain Management, p 42 - 46
	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management, p 42 - 46
GRI 415: Public Policy 2016	415-1	Political contributions	Dufu does not contribute to political parties and/or politicians. Corporate Governance, p 47 - 50
GRI 416: Consumer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Dufu currently does not address health and safety across the life cycle of its products or services and may consider to do so in future.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no incidents reported in 2023.

Sustainability Statement (Cont'd)

GRI CONTENT INDEX (CONT'D)

GRI Standard	Disclosure		Location
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	The sourcing of components, and safe use of the product or services adhere to our customer's requirements.
	417-2	Incidents of non-compliance concerning product and service information and labelling	There were no incidents reported in 2023.
	417-3	Incidents of non-compliance concerning marketing communications	There were no incidents reported in 2023. Corporate Governance, p 47 - 50
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no incidents reported in 2023. Corporate Governance, p 47 - 50

Sustainability Statement (Cont'd)

PERFORMANCE DATA

Indicator	Measurement Unit	2023
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Management	Percentage	100.00
Executive	Percentage	100.00
Non-executive/Technical Staff	Percentage	100.00
General Workers	Percentage	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	218,333.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	15
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management Under 30	Percentage	0.00
Management Between 30-50	Percentage	50.00
Management Above 50	Percentage	50.00
Executive Under 30	Percentage	22.00
Executive Between 30-50	Percentage	60.00
Executive Above 50	Percentage	18.00
Non-executive/Technical Staff Under 30	Percentage	39.00
Non-executive/Technical Staff Between 30-50	Percentage	55.00
Non-executive/Technical Staff Above 50	Percentage	6.00
General Workers Under 30	Percentage	52.00
General Workers Between 30-50	Percentage	47.00
General Workers Above 50	Percentage	1.00
Gender Group by Employee Category		
Management Male	Percentage	82.00
Management Female	Percentage	18.00
Executive Male	Percentage	62.00
Executive Female	Percentage	38.00
Non-executive/Technical Staff Male	Percentage	79.00
Non-executive/Technical Staff Female	Percentage	21.00
General Workers Male	Percentage	78.00
General Workers Female	Percentage	22.00
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	83.00
Female	Percentage	17.00
Under 30	Percentage	0.00
Between 30-50	Percentage	33.00
Above 50	Percentage	67.00
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	8,796.43
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.22
Bursa C5(c) Number of employees trained on health and safety standards	Number	860
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	63.00
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Management	Hours	470
Executive	Hours	1,946
Non-executive/Technical Staff	Hours	4,024
General Workers	Hours	3,713
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	2.00
Bursa C6(c) Total number of employee turnover by employee category		
Management	Number	2
Executive	Number	10
Non-executive/Technical Staff	Number	31
General Workers	Number	118
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	83.720000

Internal assurance **External assurance** No assurance (*)Restated

Sustainability Statement (Cont'd)

LIMITED STATEMENT OF ASSURANCE LETTER



LIMITED STATEMENT OF ASSURANCE ON DUFU TECHNOLOGY CORP. BERHAD'S ("DUFU" OR "THE COMPANY") SUSTAINABILITY STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

To: Board of Directors, Stakeholders and Interested Parties of Dufu

Introduction and Objective

Eco Asia Governance Advisory Sdn Bhd ("**Eco Asia**") has been engaged by Dufu, in the capacity as an outsourced Internal Auditor, to conduct a limited review on the Sustainability Statement of Dufu for the financial year ended 31 December 2023 ("**FYE 2023**") ("**Statement**").

Eco Asia is providing limited assurance on the accuracy and reliability of the specific sustainability performance information on the subject matters narrated in the "**Scope and Subject Matters**" section below. This limited assurance statement applies to the related information as described below.

Methodology

Our overall verification was conducted with reference to Bursa Malaysia Securities Berhad's Sustainability Reporting Guide 3rd Edition and the Main Market Listing Requirements in relation to the sustainability statement. In addition, we have also made reference to United Nation's Sustainability Development Goals as well as the Global Reporting Initiative for the evaluation on the overall presentation of the Statement.

Our verification and evaluation works were planned and carried out to provide a limited, rather than an absolute assurance on the information/data disclosed in the Statement. We have conducted our verification and evaluation based on the following procedures: -

- (i) perform a site verification and review at the headquarter of Dufu located at No. 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Penang, Malaysia;
- (ii) interview and discussion with the key personnel who are responsible for collating relevant sustainability reporting information and writing various parts of the Statement;
- (iii) review internal and external supporting documentation;
- (iv) cross-reference and check on the qualitative and quantitative information collected from various sources;
- (v) verify the specific sustainability performance data of the subject matters as narrated in the "Subject Matters" section below, on sampling basis; and
- (vi) review the overall presentation of the Statement.

During the verification and evaluation process, issues noted on the accuracy of certain information disclosed in the draft Statement was raised and clarified with the Management of Dufu. Subsequent rectifications/ amendments were properly incorporated in the final Statement.

Sustainability Statement (Cont'd)

LIMITED STATEMENT OF ASSURANCE LETTER (CONT'D)



Scope and Subject Matters

The following common sustainability indicators relates to Dufu and all its subsidiaries except for Guangzhou Futron Technology Co. Ltd, Guangzhou Futron Precision Industries Co. Ltd and Dufu Industries Services Pte. Ltd, for the period from 1 January 2023 to 31 December 2023 ("**Reporting Period**").

The selected common sustainability indicators presented in the Statement, which are subjected to our verification include: -

No.	Common Sustainability Indicator	Areas Covered
1.	Anti-Corruption	(i) Percentage of employees who have received training on anti-corruption by employee category: a) Management b) Executive c) Non-executive; (ii) Percentage of operations assessed for corruption-related risks; and (iii) Confirmed incidents of corruption and action taken.
2.	Community/Society	(i) Total amount invested in the community where the target beneficiaries are external to the listed issuer; and (ii) Total number of beneficiaries of the investment in communities.
3.	Diversity	(i) Percentage of employees by gender and age group, for each employee category (by position level and function); and (ii) Percentage of directors by gender and age group.
4.	Health and Safety	(i) Number of work-related fatalities by: a) Employees b) Workers who are not employees but whose work and/or workplace is controlled by the company; (ii) Lost time incident rate (" LTIR "); and (iii) Number of employees trained on health and safety standards.
5.	Labor Practices and Standards	(i) Total hours of training by employee category (by position level and function); (ii) Percentage of employees that are contractors or temporary staff; (iii) Total number of employee turnover by employee category (by position level and function); and (iv) Number of substantiated complaints concerning human rights violations.
6.	Data Privacy and Security	(i) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data.

Collectively known as ("**Subject Matters**").

Sustainability Statement (Cont'd)

LIMITED STATEMENT OF ASSURANCE LETTER (CONT'D)



Responsibility

The Management of Dufu is solely responsible for the preparation and presentation of the Statement. This responsibility includes the selection and application of appropriate methods in the preparation and collection of the information/data of the Subject Matters and ensure that the information/data presented are free from material misstatement, whether due to fraud or error. Furthermore, the responsibility also includes the use of assumptions and estimates for disclosures made by Dufu which are reasonable in the circumstances.

Eco Asia was not involved in the preparation of the Statement to ensure impartiality. Our responsibility is to provide a limited assurance on whether the information/data of the Subject Matters have been disclosed appropriately in the Statement.

Limitation

Our responsibility to provide a limited assurance is subjected to the following limitation as our procedures excludes the verification and evaluation of the following: -

- (i) other information contained in Dufu's Annual Report for the FYE 2023;
- (ii) information/data of the Subject Matters from Guangzhou Futron Technology Co. Ltd, Guangzhou Futron Precision Industries Co. Ltd and Dufu Industries Services Pte. Ltd;
- (iii) information/data of the Subject Matters outside of the Reporting Period; and
- (iv) data from any contractor or third-party.

This limited assurance engagement relies on a risk-based sampling basis for data samples selection and hence this limited assurance statement should not be relied upon to detect all errors, omissions or misstatements that may potentially exist.

Conclusion

Based on our methodology and the evidence that we have obtained on the matters covered in the Subject Matters as described above, Eco Asia is of the view that the Subject Matters as disclosed in the Statement are fairly stated, properly prepared and supported.

Yours faithfully,

Eco Asia

Eco Asia Governance Advisory Sdn Bhd

Date: 20 March 2024

Corporate Governance Overview Statement

The Board of Directors (“the Board”) of Dufu Technology Corp. Berhad (“Dufu” or “the Company”) presents this statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year 2023 (“FY2023”). This overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance (“the Code” or “MCCG”).

This statement is prepared in compliance with Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”) and it is to be read together with the Corporate Governance Report 2023 of the Company (“CG Report”) which is available on the Company’s website at www.dufutechnology.com.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during FY2023.

Dufu and its subsidiaries (“Dufu Group”) recognises the importance of adopting good corporate governance and acknowledges the importance of the principles set out in the MCCG and is committed to ensure high standards of good corporate governance are in place and practiced within our Group in order to safeguard the shareholders and relevant stakeholders’ interests as well as enhancing shareholders’ value.

The Board then planned and has continued its efforts in raising the bar in the Group’s corporate governance standards set out in the Code through various measures for implementation from time to time.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board is always mindful of the long-term success of the Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board governs and sets the Company’s strategic direction and also exercises oversight on management. The Board will continue to play its role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group.

Following the top-down strategic planning process adopted by the Group, the Executive Directors will periodically formulate Group’s strategy and communicate it down to the organisation for implementation. The Chairman will continue leading the Board in establishing and monitoring good corporate governance practices in the Company by focusing on strategy, governance and compliance.

The Company continues to practice a division of responsibilities between the Chairman and the CEO. Their roles are separated and clearly defined in the Board Charter of the Company. The Board Charter serves as a reference and primary induction literature providing all Board members and Management insights into the fiduciary and leadership functions of the Board. It also clearly sets out the respective roles and responsibilities of the Board, Board Committees, individual directors and Management.

The Board has established various board committees to assist the Board in overseeing the affairs of the Company and these Committees have been entrusted with specific responsibilities and authority. The authorities and functions of these Board committees are properly set out in their respective Terms of Reference. The Board last reviewed its Board Charter on 27 February 2024 to keep abreast with changes in regulations and best practices and ensure its effectiveness and relevance to the Board’s strategic intent as well as relevant standards of corporate governance. Besides, the Board also sets out the Code of Conduct and Ethics (“CCE”) of Dufu which states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct amongst Dufu’s Directors and employees. The policies of the CCE covers areas in managing conflicts of interest, preventing abuse of power, business gifts, insider trading and money laundering. The Board has established, reviewed and implemented the policies and procedures on whistleblowing.

A copy of the Board Charter, CCE Policy and Whistle Blowing Policy last reviewed by the Board on 27 February 2024 are available at the Company’s website, www.dufutechnology.com.

The Board has in place the Group’s Anti-Corruption and Bribery Policy which outlines the Group’s commitment to conduct business ethically as well as complying with all applicable laws, including the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) (“MACC Act”) and any of its amendments made by the relevant authority from time to time. The Anti-Corruption and Bribery Policy provides policy guidance to Directors, employees and business associates the way to recognise and deal with any act of corruption and bribery that may arise in the course of daily business and operation activities within the Group. Besides, the Board of Dufu has also approved the Group’s Charitable and Sponsorship Policy on 1 June 2020. The Charitable and Sponsorship Policy provides comprehensive guidelines and parameters to aid in responding to the many requests for charitable donations, event sponsorships and in-kind requests received by the Group and the required approval matrix from relevant personnel. Both the Anti-Corruption and Bribery Policy as well as the Charitable and Sponsorship Policy of the Group last reviewed by the Board on 1 November 2022, are available at the Company’s website at www.dufutechnology.com.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

The Board is responsible for formulating on-going programmes to promote sustainability, where attention is given to environmental, social and governance aspects of business which underpins sustainability. With the formation of Risk Management and Sustainability Working Group ("RMSWG"), the Group's CEO oversees the implementation of the Company's key strategic sustainability initiatives and is supported by the working group comprises of Department Heads from various departments.

The Risk Management and Sustainability Committee ("RMSC") comprises of 4 Independent Directors, CEO and CFO of which is chaired by an Independent Director, Ms Joyce Wong Ai May. The Board is of the opinion that the new changes will be more effective to ensure the Board's role in considering sustainability matters when exercising its duties of developing and implementing company strategies, business plans, major plans of actions and risk management and that adequate resources, systems and process are in place for managing sustainability matters. The RMSC is tasked to provide oversight and approves strategic initiatives and policies for the sustainability agenda of the Company and reports to the Board regularly. Details of the corporate sustainability of the Group are presented in the Sustainability Report.

The Board of Dufu is supported by two (2) Company Secretaries, both have legal credentials, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. The Company Secretary plays an important advisory role in advising the Board on statutory and regulatory requirements, particularly on corporate governance issues and ensuring compliance with the relevant acts, rules and regulations.

The Board is updated regularly by the Company Secretary and management on the training programme available by regulators and professional bodies. The present Board members have attended the following trainings:

Director	Date	Description
Dato' Lee, Hui-Ta also known as Li Hui Ta	7-10 August 2023	Programme (MAP) Part II: Leading for Impact (LIP)
Wu, Mao-Yuan	7-10 August 2023	Programme (MAP) Part II: Leading for Impact (LIP)
Sung, Cheng-Hsi	26 December 2023	DGA Board and Supervision Corporate Governance Manager Training: Practical Aspects of Online Board and Shareholder Meetings in the Digital Era
Joyce Wong Ai May	21 March 2023 5 April 2023 12 April 2023 18 April 2023 17 May 2023 21 June 2023	Why Data Automation is essential for Business Growth The Rise of Generative AI – How should Accountants Respond? Benefits and Risks of Cloud Adoption Cryptocurrency: The Latest Regulatory Development in Asia Building Value with ESG Board readiness: Building Your Online Presence
Yin, Chih-Chu also known as Laurence Yin	29 to 30 November 2023	Mandatory Accreditation Programme (MAP) Part II: Leading for Impact (LIP)
Lee Yoke Khay	7 to 8 August 2023	Personal and Social Competence Through Emotional Intelligence

The Board's rights to all information pertaining to the Group and independent access to senior management for information and clarification in furtherance of its duties are set out in the Board Charter. Besides, the Board Charter also provides for the Directors, either as a group or individually to seek and obtain independent professional advice where necessary, at the Company's expense, to discharge their duties effectively.

Directors have unrestricted access to senior management for information or updates regarding the Group. Senior management provides Directors with the required information or updates either personally or at meetings. The Board emphasises provision of timely and quality information by management to facilitate effective deliberation and decision-making process. Generally, the Notice of Meeting for the Board of Directors' Meeting and/or respective Committee Meeting are circulated seven (7) days prior to the Meetings.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. Board meetings, meetings of Board Committees and the Company's AGM for each financial year are scheduled in advance for Directors to plan their schedule ahead. The time table for the proposed Board meetings in the year 2024 was circulated on 31 October 2023.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as Directors of the Company as evidenced by their attendance at the respective meetings in the FY2023:

Director	Board Committees					Annual General Meeting
	Board	AC	NC	RC	RMSC	
Dato' Lee, Hui-Ta also known as Li Hui Ta	4/4	N/A	N/A	N/A	N/A	1/1
Wu, Mao-Yuan	4/4	N/A	N/A	N/A	N/A	1/1
Sung, Cheng Hsi	4/4	4/4	1/1	1/1	4/4	1/1
Joyce Wong Ai May	4/4	4/4	1/1	1/1	4/4	1/1
Yin, Chih-Chu also known as Laurence Yin	4/4	4/4	1/1	1/1	4/4	1/1
Lee Yoke Khay	4/4	4/4	1/1	1/1	4/4	1/1

II. BOARD COMPOSITION

In order to achieve the intended outcome of the Code, Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. The Group met most of the recommended practices set out in the Code detailed in the CG Report 2023.

Based on the Policy on Independence of Directors effective on 25 February 2022, the tenure of an Independent Director shall not exceed a cumulative of nine years and shall not be further extended. As it is not contemplated that any Independent Director will continue to serve on the Board as a Non-Independent Director, the Board, through the Nominating Committee ("NC"), shall commence a search for replacement of an outgoing Independent Director prior to the end of the anticipated nine-year term.

The Board acknowledges the importance of Board diversity to the effective functioning of the Board. The Board has adopted a Board Diversity Policy effective from 25 February 2022, which is available on the Company's website. Differences in thought, perspective, knowledge, skills, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender will be considered in determining the optimum Board composition. Directionally, apart from adhering to the Bursa Malaysia Securities Berhad Main Market Listing Requirements to have at least 1 female director on the Board, the Board will work towards having 30% female directors, and will over time, induct more suitable female directors with the right knowledge and skills to improve the Board composition. Selection of candidates for appointment to the Senior Management will be based on a range of diversity perspective, which includes gender, age, cultural and educational background, professional experience, skills and knowledge. All the decisions associated with career advancement including promotions, transfers, and other assignments in meeting the requirements of the Group are determined based on merits, skills, performance and contribution regardless of age, gender and ethnicity.

The Board has through its NC conduct the annual assessment on its size and composition. Based on their assessment, the NC was satisfied that the Board comprises a mixture of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enabled the Board to discharge its responsibilities effectively and efficiently.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

The skillsets and diversity of the existing Board are as follows:-

Directors	Nationality	Designation	Industry / Background Experience							By Composition						
			Technology	Marketing	Industrial	Corporate	Accounting / Finance	Internal Audit	Law / legal	Age			Ethnic		Gender	
										40 – 49 years	60 – 69 years	70 – 79 years	Chinese	Foreigner	Male	Female
Dato Lee, Hui-Ta also known as Li Hui Ta	Taiwanese	Executive Chairman	√	√	√	√	√				√				√	
Wu, Mao- Yuan	Taiwanese	Executive Director	√	√	√	√					√				√	
Joyce Wong Ai May	Malaysian	Independent Non-Executive Director		√		√	√	√		√			√			√
Sung, Cheng-Hsi	Taiwanese	Independent Non-Executive Director		√	√	√	√			√				√	√	
Yin, Chih-Chu also known as Laurence Yin	Taiwanese	Independent Non-Executive Director	√	√	√	√	√				√			√	√	
Lee Yoke Khay	Malaysian	Independent Non-Executive Director				√	√		√			√	√		√	

The activities carried out by the NC during FY2023 in discharging its functions are as follows:

- reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- reviewed the training needs of the Directors; and
- undertaken review of independency of Independent Directors.

III. REMUNERATION

The Board has established the Remuneration Committee ("RC"), comprising Independent Non-Executive Directors, to assist the Board mainly in establishing formal and transparent remuneration policies and procedures to attract and retain Directors. The RC is also entrusted with the role of determining and recommending suitable policies in respect of salary packages for Executive Directors, CEO and Senior Management. The current salary packages comprise a combination of basic salary and a variable performance incentive to attract and retain talent in a competitive environment. The Board formalised its remuneration policies and practices on 25 February 2022. Based on the Directors' and Senior Management Remuneration Policy, Directors' remuneration, fees and meeting allowances are reviewed annually. The Directors' Remuneration Policy and Senior Management's Remuneration Policy are available on the Company's website.

The remuneration of Directors and Senior Management takes into account the demands, complexities and performance of the Company and the Group as well as skills and experience required. The Group's remuneration policies and decisions are made through a transparent and independent process. The policies and procedures are periodically reviewed to ensure it remain competitive and consistent with the Company's business strategy and long-term objectives.

Corporate Governance

Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION (CONT'D)

Aggregate remuneration of Directors for the FY2023 categorised into appropriate components are as follows:

Category	Fee	Salaries	Bonus	Allowances	Share-based payments	Benefits-in-kind	Total
	RM	RM	RM	RM	RM	RM	RM
Executive Directors							
Dato' Lee, Hui-Ta also known as Li Hui Ta							
- Company	42,000	-	-	6,000	-	-	48,000
- Subsidiaries	-	801,584	211,162	-	-	15,500	1,028,246
	<u>42,000</u>	<u>801,584</u>	<u>211,162</u>	<u>6,000</u>	<u>-</u>	<u>15,500</u>	<u>1,076,246</u>
Wu Mao-Yuan							
- Company	42,000	-	-	6,000	-	-	48,000
- Subsidiaries	-	497,869	250,834	-	80,675	-	829,378
	<u>42,000</u>	<u>497,869</u>	<u>250,834</u>	<u>6,000</u>	<u>80,675</u>	<u>-</u>	<u>877,378</u>
Total Executive Directors							
- Company	84,000	-	-	12,000	-	-	96,000
- Subsidiaries	-	1,299,453	461,996	-	80,675	15,500	1,857,624
	<u>84,000</u>	<u>1,299,453</u>	<u>461,996</u>	<u>12,000</u>	<u>80,675</u>	<u>15,500</u>	<u>1,953,624</u>
Non-Executive Directors							
- Company							
Sung, Cheng- Hsi	42,000	-	-	6,000	-	-	48,000
Joyce Wong Ai May	66,000	-	-	10,000	-	-	76,000
Yin, Chih-Chu also known as Laurence Yin	42,000	-	-	6,000	-	-	48,000
Lee Yoke Khay	42,000	-	-	6,000	-	-	48,000
	<u>192,000</u>	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>220,000</u>
Total							
- Company	276,000	-	-	40,000	-	-	316,000
- Subsidiaries	-	1,299,453	461,996	-	80,675	15,500	1,857,624
	<u>276,000</u>	<u>1,299,453</u>	<u>461,996</u>	<u>40,000</u>	<u>80,675</u>	<u>15,500</u>	<u>2,173,624</u>

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("AC") comprises solely of Independent Non-Executive Directors. The Chairman of the AC is not the Chairman of the Board. This composition of the AC meets the requirements of paragraph 15.09(1)(a) and (b) of the Main LR.

The Board has put in place a policy that requires a former key audit partner to observe a cooling-off period of at least three financial year ends before being appointed as a member of the AC.

The AC has adopted the Policy for the Assessment of the Suitability and Independence of External Auditors, guided by the factor as provided in the Main LR as well as the Auditors Independence Policy.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management and Internal Control Framework

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance on efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines to achieve corporate objectives.

The AC assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The AC does this by deploying an independent outsourced internal audit function that conduct internal audit, with findings presented to the AC, including the remedial measures and action plans agreed by Management to address the matters so highlighted. For more details of Internal Audit functions, refer to the Statement on Risk Management and Internal Control which is included in the Company's Annual Report as well as the Corporate Governance Report FY2023 that is made available on the Company's website at www.dufutechnology.com.

In assisting the Board, the Risk Management and Sustainability Committee is responsible for overseeing the risk management framework and policies on behalf while Management of the respective business units and subsidiaries is tasked to manage business risks, including developing, implementing, monitoring and mitigating measures to manage such risks to acceptable levels. Details of the Group's Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Dufu would always ensure there is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Presently, the Board and Management of the Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:

1. Website of Bursa Malaysia Securities Berhad ("Bursa Securities")
2. Company Website and Investor relationship channel; and
3. Analyst Briefings and correspondence.

II. Conduct of General Meetings

Dufu's Annual General Meeting ("AGM") is an important and effective platform for Directors and Senior Management to communicate with the shareholders. Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at general meetings.

Dufu dispatches its notice of AGM to shareholders at-least 28 days before the AGM. The adequate time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

The 21st AGM of the Company was held at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900, Penang, Malaysia on Friday, 28 April 2023. An easily accessible location where it is near to Penang International Airport and within driving distance from town centre of Penang Island. After the AGM, the Board allocated a special session for questions and queries with the shareholders. There was active participation by the shareholders and all Directors were present to engage with shareholders.

The Board noted the advantages of electronic voting as promoted by the MCCG. However, the Board is of the opinion that the implementation of the remote shareholders meeting will only be conducted based on various consideration taking into account the number of shareholders and their location and costs involved.

This Statement is made in accordance with the resolution of the Board of Directors dated 20 March 2024.

Audit Committee Report

The Board of Directors (“the Board”) presents the Audit Committee (“AC”) report which provides insights into the manner in which the AC discharged its functions for the Group in the financial year ended 31 December 2023 (“FY2023”).

Introduction

The AC was established to assist the Board in fulfilling its responsibilities with respect to its oversight responsibilities. The AC is committed to ensure the integrity of the Group’s financial reporting process, monitoring the management of risk and system of internal control, external and internal audit processes, compliance with legal and regulatory matters and other matters that may be specifically delegated to the AC by the Board.

Composition and Meeting

The present composition of the AC consists of four (4) members of the Board, all of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Main LR”). The current composition of the AC are as follows: -

Chairman	Joyce Wong Ai May
Members	Sung, Cheng-Hsi Yin, Chih-Chu also known as Laurence Yin Lee Yoke Khay

Ms. Joyce Wong Ai May, the AC Chairman graduated from University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an Accountant by profession and a member of the Malaysian Institute of Accountants and Fellow member of the Certified Practising Accountants, Australia. Her credentials meet the requirements of paragraph 15.09(1)(c) of the Main LR, which stipulates that at least one member of the AC must be a qualified Accountant.

Mr. Sung, Cheng-Hsi is the Chief Financial Officer of an investee company of Tatung Company, a Company listed on Taiwan Stock Exchange (TSE), where he primarily manages the financial risk, financial planning as well as financial reporting to higher management whilst Mr. Yin, Chih-Chu also known as Laurence Yin has vast experience in both financial and industrial-wide knowledge. Mr. Lee Yoke Khay is a practicing advocate & solicitor in profession and is currently a partner of Messrs. Ooi Lee & Co., a legal firm based in Penang. All the AC members are financially literate and able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as AC members.

The Board had on 27 February 2024 assessed the performance of the AC and its members through an annual board committee effectiveness evaluation. The Nominating Committee is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC’s Terms of Reference and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

During the FY2023, the AC had convened four (4) meetings and the details of attendance of each member at the AC meetings are as follows:-

Member	No. of AC Meetings held	No. of AC Meetings attended
Joyce Wong Ai May	4	4
Sung, Cheng-Hsi	4	4
Yin, Chih-Chu also known as Laurence Yin	4	4
Lee Yoke Khay	4	4

The AC meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss emerging issues.

The AC conducted its meeting in an open and constructive manner and encouraged focused discussion, questioning and expressions of differing opinions. The External Auditors and Internal Auditors attended meetings of the AC to present their reports. As and when necessary, the AC would request the attendance of relevant personnel at its meeting to brief the AC on specific issues. The Chief Financial Officer also attended the AC meetings to present the unaudited quarterly financial statements, as well as other financial reporting related matters for the AC’s deliberation and recommendation to the Board for approval, whereas the Group Chief Executive Officer presented the Group’s outlook and operational update where appropriate.

Audit Committee Report (Cont'd)

Composition and Meeting (cont'd)

At each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board. Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

Summary of Activities

In discharging its functions, the AC is guided by the terms of reference, which was approved by the Board and aligned to the provisions of the Main LR, Malaysian Code on Corporate Governance ("MCCG") and other best practices.

The activities of the AC for the FY2023 are summarized as follows:-

Financial Reporting

The AC reviewed the Group's fourth quarterly financial statements and draft financial statements for FY2023 on 27 February 2024.

The Committee also reviewed the first, second and third quarterly financial statements of the Group for the FY2023 and recommended the same to the Board for approval during its AC meetings held on 28 April 2023, 1 August 2023 and 31 October 2023 respectively.

The Committee reviewed and was satisfied that the said quarterly financial statements are prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting issued by International Accounting Standards Board and the Main LR.

External Auditors

On 23 February 2023, the AC met with the External Auditors without the presence of the Executive Directors and Management to understand the audit status of the financial statements of the Company and Group for FY2022 and the outstanding audit areas as summarized in the Audit Review Memorandum. In compliance with ISA 701: Communicating Key Audit Matters ("KAM") in the Independent Auditor's Report, the External Auditors highlighted the identified KAM and the audit procedures in addressing such KAM to be presented in the Independent Auditors Report for the AC's notation. The AC also deliberated on audit issues raised by the External Auditors and the action plans required to address those issues.

During the Meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by the staff thus far which will in any way cause difficulties to discharge their duties that warrant the AC's attention. The External Auditor, Messrs. Crowe Malaysia PLT ("Crowe") informed that the Management had granted full co-operation to them during their course of audit.

On 23 February 2023, the AC recommended the re-appointment of Crowe as the External Auditors of the Group for the ensuing year ending 31 December 2023, which was approved by the shareholders at its Annual General Meeting held on 28 April 2023.

On 31 October 2023, the External Auditors tabled the Audit Plan prior to the commencement of the audit of the financial statements for FY2023, more particularly outlined the audit approach, areas of audit emphasis, and update of the new accounting standards. The External Auditors also confirmed that they have complied with the requirements for independence as required by their firm's requirements and the provisions of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

In addition to the briefing by the External Auditors, the AC took note on the key changes in the financial reporting standards and updates which are applicable to the Group. Further to the concern raised by the External Auditors, the AC deliberated on key areas of the Group that are subject to improvement to facilitate the smooth and effective progress of the audit review of the Group's financial statements.

The AC had two private meetings on 31 October 2023 and 27 February 2024 with the External Auditors without the presence of the Executive Directors or Management to reinforce the independence of the external audit function of the Company during FY2023.

Audit

Committee Report (Cont'd)

External Auditors (cont'd)

On 27 February 2024, the AC has undertaken an assessment of the suitability and independence of the External Auditors considering the factors which include adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence, audit fees, Crowe Transparency Report 2023 and the level of non-audit services to be rendered by the External Auditors to the Company, etc. The Board maintains a transparent relationship with the External Auditors.

Based on the assessment, the AC recommended the re-appointment of Crowe as the External Auditors of the Group for the ensuing year ending 31 December 2024 after having satisfied with its audit independence and the performance of Crowe throughout its course of audit for the FY2023, amongst others:-

- satisfied that the quality processes/ performance of the External Auditors;
- able to give adequate technical support when an audit issue arises; and
- adequate experience and resources for the audit engagements.

Internal Audit Function

The AC is responsible to review and monitor the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function.

The Company has outsourced the Internal Audit functions to Eco Asia Advisory Sdn. Bhd. ("Eco Asia"), an independent professional firm as the Internal Auditors for FY2023. During the financial year, Eco Asia carried out a total of three (3) audit assignments comprising six (6) operating cycles on the Group in accordance with the audit plan. On top of that, Eco Asia was also engaged to perform a limited review on the sustainability statement for inclusion to the Group's Annual Report FY2023. The Internal Auditors issue their internal audit findings and reports to the AC on quarterly basis.

On 23 February 2023, the Internal Audit Plan for year 2023 was tabled for the AC's review and approval. The AC reviewed the Internal Audit Plan which was developed based on the methodology practiced by Eco Asia focusing on the core business processes of the Group. The AC approved the said Plan upon incorporation of the comments from the Committee and advice from the Internal Auditors.

The findings of internal audits including the audit recommendations made by the Internal Auditors and the Management responses to those recommendations are reported directly to the AC. Where appropriate, the AC directed the Management to rectify and improve control and workflow procedures based on the Internal Auditors' recommendations and suggestions for improvements.

Besides, the AC also follow up from time to time the updates and corrective actions by the Management on reported weaknesses reported in the prior quarters.

Risk Management and Internal Control

On 27 February 2024, the AC reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report. The Committee is of the opinion that the amount spent in FY2023 is adequate to provide an effective internal audit function.

Others

On 27 February 2024, the AC reviewed and verified the allocation of options pursuant to the Employees' Share Option Scheme ("ESOS") for FY2023 and satisfied that it is in compliance with the criteria set out in the By-Laws and the provision of the Scheme.

The AC reviewed and noted that no conflict of interest situation arose, persist or may arise within the Group as at 27 February 2024.

Statement On Risk Management And Internal Control

Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors ("Board") to establish a sound risk management framework and internal controls system to safeguard shareholders' investments and the assets of the Group. Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of listed issuers is required to include in its Annual Report, a statement on the Group's state of internal control. The Board recognises its responsibilities for and the importance of a sound system of Risk Management and Internal Controls. Set out below is the Board's Statement on Risk Management and Internal Control, which provides an overview of the Group's state of Risk Management and Internal Control system.

Board Responsibility

The Board affirms its overall responsibility in maintaining a sound system of internal control and risk management systems for the Group and recognises the importance of the said sound system that covers not only financial but also operational, compliance and integrity risks and the relevant controls designed to manage these risks on a continuous and systematic basis. Given that there are inherent limitations in any internal control and risk management systems, the system in place is designed to manage risks within tolerable, acceptable and knowledgeable limits in an efficient manner, rather than completely eliminate the risk of failure to achieve business objectives of the Group. The system provides reasonable but not absolute assurance against material misstatements, financial losses, defalcations or fraud. The Audit Committee, Risk Management and Sustainability Committee and Investment Committee have been entrusted with the responsibility of assisting the Board in discharging its fiduciary duties in relation to the management of principal risks and internal controls.

- **Audit Committee ("AC")**
The AC, which comprises solely of Independent Non-Executive Directors, assists the Board in obtaining the necessary assurance on the adequacy and effectiveness of the Group's Risk Management and Internal Control systems through ongoing and independent reviews carried out by the internal audit function.
- **Risk Management and Sustainability Committee ("RMSC")**
The RMSC, which comprises of four (4) Independent Non-Executive Directors, Group Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") has been established to oversee risk management and sustainability matters in an integrated manner within the Group. The RMSC is led by an Independent Non-Executive Director, Ms Joyce Wong Ai May. The primary responsibilities of the RMSC are to assist the Board in identifying principal risks on business sustainability strategies and ensuring implementation of determined action plan and adherence to appropriate risk mitigation and sustainability efforts within the Group.
- **Investment Committee ("IVC")**
The Investment Committee ("IVC"), which comprises majority of Independent Non-Executive Directors, is entrusted with the power/ authority to review, deliberate and approve the acquisition or disposal of investments or assets of the Group.

This statement does not cover associate companies which the Group does not have any direct control. Nevertheless, the Board appointed representatives in the board of associate companies to oversight the business and to update key matters and significant information to the Board.

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES

Risk Management Framework

The Board has put in a risk management framework and ongoing process to assess the various types of risks, which might have an impact on the profitable operation of the Group's business. These include strategic risk, operational risk, financial risk and project risk. The following outlines the Group's risk management objectives:-

- (a) to assess the principle risks faced, or potential risk exposure by the Group in its business operations and to implement appropriate internal control systems that will mitigate those risks;
- (b) to review the adequacy and integrity of the internal controls in compliance to guidelines, laws and regulations, and to respond to changes of business environment from time to time;
- (c) to weigh business decisions against the philosophy that business risks would be necessarily incurred if the associated rewards are expected to enhance the Group's shareholder value;
- (d) to ensure risks which may have a significant impact upon the Group are identified in a manner which would result in their expeditious treatment;
- (e) to provide an assurance regarding the extent of the Group's compliance with regulatory requirements and the policies and procedures which are in place.

Statement On Risk Management And Internal Control (Cont'd)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (CONT'D)

Risk Management Framework (cont'd)

Under the Group's risk management framework, Risk Management and Sustainability Working Group ("RMSWG") and Risk Management and Sustainability Committee ("RMSC") have been formed. The RMSWG is responsible to perform a periodic review, assessment and update of the Risk Register during the quarterly RMSWG meetings. The Group continued enhancing its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMSWG is led by the Group CEO with the CFO acting as Secretary and Department Heads as its members. The RMSWG is required to identify major business and compliance risks concerning their respective business units, oversees and ensures integration of risk management into their business processes to safeguard the interest of the Group covering eighteen (18) risk areas such as Purchasing, Sales and Marketing, Conversion and Production, Management Information System, Human Resource Management, Cash Management, Finance and Corporate, Inventory Management, Assets Management, Anti-Corruption and Bribery Management, Logistics, General Safety and Security, Intellectual Property, External Environment, Management of Climate Change, Product and Process Development and Quality System. During FY2023, Risk Management on Climate Change was included in the Risk Register. The risks are identified and assessed by employing the following methodologies:

- ❖ Identification of risks by the process owners;
- ❖ Assessment of the likelihood and impact of the risks identified;
- ❖ Evaluating the control strategies in relation to the risks;
- ❖ Formulating action plan to address control deficiencies; and
- ❖ Setting Key Risk Indicators to monitor the risks

Formal database of risks and controls information arising from the quarterly risk assessment exercise shall be captured in the format of risk registers. The identified risks are assessed and rated from low, moderate, significant to high depending upon the severity of consequence and the likelihood of its occurrence and financial impact on the Group's cash flow and profit. The CFO, and where applicable the owner of the respective risk profiles shall present the Group's Risk Report and updates the RMSC on biannual basis the status of the Group's ERM process, changes in risk profiles and their controls currently in place.

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Executive Chairman leads the presentation of board papers while the Executive Director, where applicable provides explanation of pertinent issues. Additionally, the Group CEO or Executive Director, where applicable updates the Board on key business and operational issues such as key products result and growth, business plan, corporate affairs and prospects. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite.

Organizational Structure

There exists a clearly defined organisational structure with defined lines of job responsibilities and delegation of authority. This will assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with Management criteria.

In addition, the committees made up predominantly of non-executive directors such as AC, Remuneration Committee, Nominating Committee, RMSC and IVC with defined terms of reference and functions, provide the essential support to the Board.

Internal Policies and Procedures

Internal Policies and Procedures have been developed throughout the Group. The policies and procedures are updated timely to incorporate changes to systems, work environment and guidelines. Testament to our efforts in doing so, the Group's Standard Operating Procedures ("SOP") are aligned and adhered to Responsible Business Alliance ("RBA"), EMS 14001 Environmental Management System, ISO 45001:2018 Occupational Health & Safety Management System and Quality Management System ISO 9001:2015 and IATF 16949:2016 accreditation.

There are also documented Limits of Approving Authority for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic review as to its implementation and continuing suitability in meeting the Group's business objectives and operational needs.

Statement On Risk Management And Internal Control (Cont'd)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (CONT'D)

Performance Management Framework

Management reports are generated on a regular and consistent basis to facilitate the Board, the Company's and the Group's Management to perform financial and operational reviews on its various business units. The reviews encompass areas such as financial and non-financial Key Performance Index ("KPI"), variances between standard and operating results and compliance with laws and regulations. The KPI meetings are chaired by the Group CEO and comprises of Senior Management, Department Heads and supporting staff, and is held once a month to assess and measure the performance and risks of various business units. On top of this, the "Management Review" meeting is held once a year.

Internal Audit

The AC is responsible to review and monitor the adequacy and effectiveness of the Group's system of internal control via the internal audit function. The internal audit function assists the AC to achieve the following objectives:

- ❖ assess and report on the effectiveness of the risk management and internal control systems;
- ❖ assess and report the reliability of systems and reporting information;
- ❖ assess and report on the operational efficiency of various business units and departments within the Group and identify cost saving potentials, where practical; and
- ❖ review on compliance with the Group policies, standing instructions and guidelines requested by Management, and applicable laws and regulations.

The Company has outsourced the internal audit functions to Eco Asia Advisory Sdn. Bhd. ("Eco Asia"), an independent professional firm as the Internal Auditors since 2018. During the financial year ended 31 December 2023 ("FY2023"), Eco Asia carried out a total of three (3) audit assignments comprising six (6) operating cycles on the Group in accordance with their audit plan. The Internal Auditors issue their internal audit findings and reports to the AC on a quarterly basis. The Internal Audit Review Report for FY2023 prepared by Eco Asia covered the review of the Group's two subsidiaries namely Dufu Industries Sdn Bhd ("DISB") and Guangzhou Futron Technology Co., Ltd. ("Futron") in the following areas:

- Credit Control - DISB
- Conversion and Production - DISB
- Management Information System – Futron
- Inventory Management - Futron
- Maintenance of Machinery - Futron
- Conversion and Production - Futron

On 23 February 2023, the Internal Audit Plan for year 2023 was tabled for AC's review and approval. The AC reviewed the Internal Audit Plan which was developed based on the methodology practiced by Eco Asia focusing on the core business processes of the Group. The AC approved the said Plan upon incorporation of the comments from the Committee and advise from the Internal Auditors.

The findings of internal audits including the audit recommendations made by the Internal Auditors and the Management responses to those recommendations are reported directly to the AC. Where appropriate, the AC directed the Management to rectify and improve control and workflow procedures based on the Internal Auditors' recommendations and suggestion for improvements.

Besides, the AC also follow up from time to time the updates and corrective actions by the Management on reported weaknesses reported in the prior quarters.

The total cost incurred for the Internal Audit function for the FY2023 was RM90,736.

Statement On Risk Management And Internal Control (Cont'd)

REVIEW OF THIS STATEMENT

The Internal Auditor has reported to the AC that all internal control weaknesses identified during the course of its audit assignments for the FY2023 have been, or are being, addressed and that none of the weaknesses have resulted in any material losses, contingencies or uncertainties that require disclosure in the Company's Annual Report.

The Board has received assurance from the Group CEO and the Chief Financial Officer that the Group's Risk Management and Internal Control system is operating adequately and effectively, in all material aspects, based on the Risk Management and Internal Control system of the Group.

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2023 Annual Report. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

Based on the review by the External Auditors, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers to be set out, nor is this Statement factually inaccurate.

The Board is of the view that the ERM and system of internal controls in place for the FY2023 and up to the date of approval of this report is sound and sufficient to safeguard the shareholders' investment, interests of customers, regulators, employees and other stakeholders of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 20 March 2024.

Additional Compliance Information

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2023 ("FY2023") by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows:-

Category	Audit Fees (RM)	Non-Audit Fees* (RM)
Company	135,000	12,500
Subsidiaries	123,000	19,000
Total	258,000	31,500

*The non-audit services rendered were in respect of review of the Statement on Risk Management and Internal Control and tax fee.

3. EMPLOYEES' SHARE SCHEME

The shareholders of the Company had via its Extraordinary General Meeting held on 12 June 2019, amongst others, approved the establishment, implementation and administration of an Employees' Share Option Scheme ("ESOS") of up to 10% of the total number of issued shares of the Company at any point of time during the duration of the ESOS for eligible Executive Directors and Employees of the Company and its subsidiaries. The implementation of the ESOS is effective from 17 June 2019 and shall expire on 16 June 2024.

The total number of ESOS granted, forfeited, exercised and outstanding during FY2023 are set out below:-

Category	Number of ESOS as at 31 December 2023				Balance as at 31 December 2023
	Balance as at 1 January 2023	Granted	Exercised	Lapse / Forfeited	
Directors	268,500	250,000	-	-	518,500
Chief Executive Officer [^]	332,000	-	-	(332,000)	-
Chief Executive Officer	166,000	250,000	-	-	416,000
Employees	2,905,000	3,200,000	(314,000)	(191,500)	5,599,500
Total	3,671,500	3,700,000	(314,000)	(523,500)	6,534,000

[^]Resigned on 31 March 2023

Pursuant to the Company's ESOS, not more than 50% of the options available under the scheme shall be allotted, in aggregate, to the Executive Directors and Senior Management. Since the commencement of the scheme, 36.9% of the options available under the scheme have been granted to Executive Directors and Senior Management.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving the Directors, Chief Executive Officer (who is not a director or major shareholders) and Major Shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Statement On Directors' Responsibilities

Pursuant to Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad

The Directors are responsible to ensure that the financial statements of the Group and the Company are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 2016 in Malaysia ("the Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the financial performance and cash flows of the Group and the Company for the financial year then ended.

In preparing these financial statements, the Directors have considered the following:-

- That the Group and the Company have used appropriate accounting policies, and these are applied consistently;
- That reasonable and prudent judgements and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 20 March 2024.



Financial Statements

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Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2023.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Profit for the financial year	<u>24,348,327</u>	<u>40,865,435</u>

Dividends

During the financial year, the Company paid the following dividends:

	RM
Final single tier dividend of 4.00 sen per share in respect of the financial year ended 31 December 2022	21,213,330
Interim single tier dividend of 1.50 sen per share in respect of the financial year ended 31 December 2023	<u>7,954,999</u>
	<u>29,168,329</u>

A final single tier dividend of 2.00 sen per share in respect of the financial year ended 31 December 2023 will be proposed for shareholders' approval at the forthcoming annual general meeting.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares or debentures

During the financial year, the Company issued 314,000 new ordinary shares at RM0.695 per share pursuant to its Employees' Share Option Scheme ("ESOS").

The Company did not issue any debentures during the financial year.

Share options

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 12 June 2019, approved the ESOS of the Company. The ESOS became effective on 17 June 2019.

The principal features of the ESOS are disclosed in Note 17 to the financial statements.

Directors' Report (Cont'd)

Share options (cont'd)

The movements in the number of options during the financial year are as follows:

Grant date	Exercise	Number of options over ordinary shares				Balance at 31.12.2023
	price RM	Balance at 1.1.2023	Granted	Exercised	Forfeited	
1 July 2019	0.695	463,000	0	(314,000)	0	149,000
6 October 2021	3.780	1,137,500	0	0	(210,500)	927,000
1 March 2022	2.570	2,071,000	0	0	(313,000)	1,758,000
19 December 2023	1.640	0	3,700,000	0	0	3,700,000
		<u>3,671,500</u>	<u>3,700,000</u>	<u>(314,000)</u>	<u>(523,500)</u>	<u>6,534,000</u>

Bad and doubtful debts

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

Change of circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Directors' Report (Cont'd)

Items of an unusual nature

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

Directors

The directors in office since the beginning of the financial year are:

Directors of the Company

Dato' Lee, Hui-Ta also known as Li Hui Ta
Wu, Mao-Yuan
Sung, Cheng-Hsi
Joyce Wong Ai May
Yin, Chih-Chu also known as Laurence Yin
Lee Yoke Khay

Directors of subsidiaries (other than directors of the Company)

Wong Ser Yian
Yeoh Beng Hooi (retired on 31.3.2023)
Teoh Chiew Hong (appointed on 31.3.2023)
David Khoo Chong Beng (appointed on 31.3.2023)

Directors' interests

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:

Name of director	Number of ordinary shares					
	Balance at 1.1.2023	Direct interest		Balance at 31.12.2023	Deemed interest	
		Allotted/ Bought	Transfer		Balance at 1.1.2023	Balance at 31.12.2023
Dato' Lee, Hui-Ta also known as Li Hui Ta	49,635,698	0	0	49,635,698	56,410,000*	56,410,000*
Wu, Mao-Yuan	19,319,000	200,000	(5,000,000)	14,519,000	0	0
Sung, Cheng-Hsi	57,300	52,700	0	110,000	0	0

Name of Director	Number of options over ordinary shares			
	Balance at 1.1.2023	Granted	Exercised	Balance at
				31.12.2023
Wu, Mao-Yuan	268,500	250,000	0	518,500

* Deemed interest by virtue of shares held by company in which the director has interest

By virtue of his interests in shares in the Company, Dato' Lee, Hui-Ta also known as Li Hui Ta is deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Directors' Report (Cont'd)

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 19 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement, apart from the Company's ESOS, whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance for directors and officers

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Group and the Company were RM10,000,000 and RM21,000 respectively.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 21 to the financial statements. The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016. No payment has been made to indemnify the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 20 March 2024

Dato' Lee, Hui-Ta also known as Li Hui Ta

Wu, Mao-Yuan

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 122 to 164 give a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 20 March 2024

Dato' Lee, Hui-Ta also known as Li Hui Ta

Wu, Mao-Yuan

Statutory Declaration

I, David Khoo Chong Beng (MIA membership no.: 20159), being the officer primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that the financial statements set out on pages 122 to 164 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed David Khoo Chong Beng at George Town in the State of Penang on this 20 March 2024

David Khoo Chong Beng
Chief Financial Officer

Before me

Shamini A/P M Shanmugam
No. P157
Commissioner for Oaths

Independent Auditors' Report

To The Members Of Dufu Technology Corp. Berhad

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dufu Technology Corp. Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 122 to 164.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2023, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<u>Valuation of inventories (Refer to Notes 3 and 10 to the financial statements)</u> The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.	Our audit procedures included, among others: <ul style="list-style-type: none">• Obtaining an understanding of:<ul style="list-style-type: none">• the Group's inventory management process;• how the Group identifies and assesses inventory write-downs; and• how the Group makes the accounting estimates for inventory write-downs.• Reviewing the ageing analysis of inventories and testing the reliability thereof.• Examining the perpetual records for inventory movements and to identify slow moving aged items.• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.• Reviewing the net realisable value of major inventories.• Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

Independent Auditors' Report

To The Members Of Dufu Technology Corp. Berhad (Cont'd)

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of: <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. • Reviewing the subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

To The Members Of Dufu Technology Corp. Berhad (Cont'd)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

To The Members Of Dufu Technology Corp. Berhad (Cont'd)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT

201906000005 (LLP0018817-LCA) & AF 1018

Chartered Accountants

Date: 20 March 2024

Penang

Eddy Chan Wai Hun

02182/10/2025 J

Chartered Accountant

Consolidated Statement Of Financial Position

As At 31 December 2023

	Note	2023 RM	2022 RM
Non-current assets			
Property, plant and equipment	4	129,055,413	120,005,743
Right-of-use assets	5	19,045,504	19,614,320
Investment in associate	7	8,568,255	8,767,268
Investments in club memberships	8	42,001	42,001
Deferred tax assets	9	764,490	1,026,647
		<u>157,475,663</u>	<u>149,455,979</u>
Current assets			
Inventories	10	68,430,496	95,190,846
Receivables	11	79,514,418	58,870,058
Prepayments		7,422,524	12,615,434
Current tax assets		1,330,303	361,055
Cash and cash equivalents	12	103,201,116	107,905,347
		<u>259,898,857</u>	<u>274,942,740</u>
Current liabilities			
Payables	13	25,748,875	19,406,533
Loans and borrowings	14	5,040,426	9,541,970
Lease liabilities	15	132,282	394,709
Contract liabilities	16	1,044,682	1,789,717
Current tax liabilities		358,931	3,649,387
		<u>32,325,196</u>	<u>34,782,316</u>
Net current assets		227,573,661	240,160,424
Non-current liabilities			
Loans and borrowings	14	42,010,300	46,930,593
Lease liabilities	15	159,129	277,153
Deferred tax liabilities	9	2,456,158	1,711,319
		<u>44,625,587</u>	<u>48,919,065</u>
Net assets		<u>340,423,737</u>	<u>340,697,338</u>
Equity			
Share capital	17	107,012,648	106,670,953
Treasury shares	17	(3,452,490)	(3,452,490)
Currency translation reserve		10,668,378	7,534,197
Share option reserve		3,934,041	3,494,601
Statutory reserve		5,993,838	5,993,838
Reverse acquisition reserve		(24,110,002)	(24,110,002)
Retained profits		240,377,324	244,566,241
Total equity		<u>340,423,737</u>	<u>340,697,338</u>

The annexed notes form an integral part of these financial statements.

Consolidated Statement Of Comprehensive Income

For The Financial Year Ended 31 December 2023

	Note	2023 RM	2022 RM
Revenue	18	227,811,409	304,028,887
Other income		12,033,863	20,988,783
Amortisation and depreciation		(10,881,998)	(11,426,094)
Changes in inventories of work-in-progress and finished goods		(11,333,895)	11,679,488
Purchase of work-in-progress and finished goods		(3,856,041)	(9,840,532)
Raw materials consumed		(48,095,435)	(71,921,666)
Employee benefits expense	19	(60,222,942)	(66,582,773)
Finance costs		(255,305)	(234,032)
Impairment losses on financial assets	20	(120,000)	(161,925)
Other expenses		(71,201,940)	(93,052,335)
Share of associate's (loss)/profit		(323,872)	1,068,289
Profit before tax	21	33,553,844	84,546,090
Tax expense	22	(9,205,517)	(17,532,746)
Profit for the financial year		24,348,327	67,013,344
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
- Currency translation differences for foreign operations		3,134,181	(1,235,060)
Other comprehensive income for the financial year		3,134,181	(1,235,060)
Comprehensive income for the financial year		27,482,508	65,778,284
Earnings per share:	23		
- Basic (sen)		4.59	12.66
- Diluted (sen)		4.59	12.64

The annexed notes form an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2023

	Non-distributable					Distributable		
	Share capital RM	Treasury shares RM	Currency translation reserve RM	Share option reserve RM	Statutory reserve* RM	Reverse acquisition reserve RM	Retained profits RM	Total equity RM
Balance at 1 January 2022	105,256,293	(3,452,490)	8,769,257	2,364,475	5,264,988	(24,110,002)	217,987,815	312,080,336
Share-based payments	0	0	0	1,641,286	0	0	0	1,641,286
Issue of shares pursuant to Employees' Share Option Scheme	1,414,660	0	0	(511,160)	0	0	0	903,500
Dividends (Note 24)	0	0	0	0	0	0	(39,706,068)	(39,706,068)
Total transactions with owners	1,414,660	0	0	1,130,126	0	0	(39,706,068)	(37,161,282)
Profit for the financial year	0	0	0	0	0	0	67,013,344	67,013,344
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	(1,235,060)	0	0	0	0	(1,235,060)
Comprehensive income for the financial year	0	0	(1,235,060)	0	0	0	67,013,344	65,778,284
Transfer to statutory reserve	0	0	0	0	728,850	0	(728,850)	0
Balance at 31 December 2022	106,670,953	(3,452,490)	7,534,197	3,494,601	5,993,838	(24,110,002)	244,566,241	340,697,338
Share-based payments	0	0	0	1,193,990	0	0	0	1,193,990
Issue of shares pursuant to Employees' Share Option Scheme	341,695	0	0	(123,465)	0	0	0	218,230
Transfer of share option reserve	0	0	0	(631,085)	0	0	631,085	0
Dividends (Note 24)	0	0	0	0	0	0	(29,168,329)	(29,168,329)
Total transactions with owners	341,695	0	0	439,440	0	0	(28,537,244)	(27,756,109)
Profit for the financial year	0	0	0	0	0	0	24,348,327	24,348,327
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	3,134,181	0	0	0	0	3,134,181
Comprehensive income for the financial year	0	0	3,134,181	0	0	0	24,348,327	27,482,508
Balance at 31 December 2023	107,012,648	(3,452,490)	10,668,378	3,934,041	5,993,838	(24,110,002)	240,377,324	340,423,737

* This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of the People's Republic of China.

The annexed notes form an integral part of these financial statements.

Consolidated Statement Of Cash Flows

For The Financial Year Ended 31 December 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit before tax		33,553,844	84,546,090
Adjustments for:			
Amortisation and depreciation		10,881,998	11,426,094
Fair value gains on financial instruments		(71,395)	(155,567)
Gain on disposal of property, plant and equipment		(105,661)	(117,355)
Impairment losses on financial assets		120,000	161,925
Interest expense		255,305	234,032
Interest income		(2,117,288)	(679,400)
Inventories written down		894,049	3,768,222
Property, plant and equipment written off		2,272	6,298
Reversal of inventories written down		(2,589,612)	0
Share of associate's loss/(profit)		323,872	(1,068,289)
Share-based payments		1,193,990	1,641,286
Unrealised loss on foreign exchange		1,509,755	2,097,845
Operating profit before working capital changes		43,851,129	101,861,181
Changes in:			
Inventories		28,442,194	(22,287,752)
Receivables		(21,999,418)	38,426,995
Prepayments		5,192,910	2,371,953
Payables		6,455,619	(28,182,820)
Contract liabilities		(745,035)	1,385,196
Cash generated from operations		61,197,399	93,574,753
Tax paid		(12,966,932)	(20,476,097)
Tax refunded		495,057	150,292
Net cash from operating activities		48,725,524	73,248,948
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17,749,205)	(51,615,640)
Dividend received from associate		233,444	153,088
Interest and fund distributions received		2,188,683	834,967
Proceeds from disposal of property, plant and equipment		105,768	150,075
Net cash used in investing activities		(15,221,310)	(50,477,510)

The annexed notes form an integral part of these financial statements.

Consolidated Statement Of Cash Flows

For The Financial Year Ended 31 December 2023 (Cont'd)

	Note	2023 RM	2022 RM
Cash flows from financing activities			
Change in bank balance pledged as security		158,500	0
Dividends paid		(29,168,329)	(39,706,068)
Drawdown of term loans	25	0	41,762,145
Interest paid		(255,305)	(234,032)
Issue of shares		218,230	903,500
Net (decrease)/increase in short-term loans and borrowings	25	(7,938,000)	905,986
Payment of lease liabilities	25	(392,386)	(367,658)
Repayment of term loans	25	(2,327,914)	(1,836,402)
Net cash (used in)/from financing activities		(39,705,204)	1,427,471
Currency translation differences		1,655,259	(1,298,086)
Net (decrease)/increase in cash and cash equivalents		(4,545,731)	22,900,823
Cash and cash equivalents brought forward		107,746,847	84,846,024
Cash and cash equivalents carried forward	12	<u>103,201,116</u>	<u>107,746,847</u>

The annexed notes form an integral part of these financial statements.

Statement Of Financial Position

As At 31 December 2023

	Note	2023 RM	2022 RM
Non-current assets			
Investments in subsidiaries	6	156,188,815	144,994,825
Investment in associate	7	7,593,330	7,593,330
		<u>163,782,145</u>	<u>152,588,155</u>
Current assets			
Current tax assets		31,266	90,615
Cash and cash equivalents	12	4,672,947	2,903,992
		<u>4,704,213</u>	<u>2,994,607</u>
Current liabilities			
Payables	13	170,500	376,230
		<u>170,500</u>	<u>376,230</u>
Net current assets		4,533,713	2,618,377
Net assets		<u>168,315,858</u>	<u>155,206,532</u>
Equity			
Share capital	17	107,012,648	106,670,953
Treasury shares	17	(3,452,490)	(3,452,490)
Share option reserve		3,934,041	3,494,601
Retained profits		60,821,659	48,493,468
Total equity		<u>168,315,858</u>	<u>155,206,532</u>

The annexed notes form an integral part of these financial statements.

Statement Of Comprehensive Income

For The Financial Year Ended 31 December 2023

	Note	2023 RM	2022 RM
Revenue	18	41,759,382	43,670,098
Other income		86,553	156,093
Employee benefits expense	19	(316,000)	(316,000)
Other expenses		(633,094)	(546,530)
Profit before tax	21	40,896,841	42,963,661
Tax expense	22	(31,406)	(17,010)
Profit for the financial year		<u>40,865,435</u>	<u>42,946,651</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>40,865,435</u>	<u>42,946,651</u>

The annexed notes form an integral part of these financial statements.

Statement Of Changes In Equity

For The Financial Year Ended 31 December 2023

	Share capital RM	Treasury shares RM	Non-distributable Share option reserve RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2022	105,256,293	(3,452,490)	2,364,475	45,252,885	149,421,163
Share-based payments	0	0	1,641,286	0	1,641,286
Issue of shares pursuant to Employees' Share Option Scheme	1,414,660	0	(511,160)	0	903,500
Dividends (Note 24)	0	0	0	(39,706,068)	(39,706,068)
Total transactions with owners	1,414,660	0	1,130,126	(39,706,068)	(37,161,282)
Profit (representing comprehensive income) for the financial year	0	0	0	42,946,651	42,946,651
Balance at 31 December 2022	106,670,953	(3,452,490)	3,494,601	48,493,468	155,206,532
Share-based payments	0	0	1,193,990	0	1,193,990
Issue of shares pursuant to Employees' Share Option Scheme	341,695	0	(123,465)	0	218,230
Transfer of share option reserve	0	0	(631,085)	631,085	0
Dividends (Note 24)	0	0	0	(29,168,329)	(29,168,329)
Total transactions with owners	341,695	0	439,440	(28,537,244)	(27,756,109)
Profit (representing comprehensive income) for the financial year	0	0	0	40,865,435	40,865,435
Balance at 31 December 2023	107,012,648	(3,452,490)	3,934,041	60,821,659	168,315,858

The annexed notes form an integral part of these financial statements.

Statement Of Cash Flows

For The Financial Year Ended 31 December 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit before tax		40,896,841	42,963,661
Adjustments for:			
Dividend income		(41,759,382)	(43,670,098)
Fair value gains on financial instruments		(71,395)	(155,567)
Interest income		(13,217)	(419)
Loss on dissolution of subsidiary		0	20,342
Operating loss before working capital changes		(947,153)	(842,081)
Change in payables		(205,730)	(901)
Cash absorbed by operations		(1,152,883)	(842,982)
Tax paid		(3,994)	(18,010)
Tax refunded		57,875	0
Net cash used in operating activities		(1,099,002)	(860,992)
Cash flows from investing activities			
Capital distribution from subsidiary		0	348,233
Dividends received		41,733,444	43,653,088
Interest and fund distributions received		84,612	155,986
Subscription for shares in subsidiary		(10,000,000)	(10,000,000)
Net cash from investing activities		31,818,056	34,157,307
Cash flows from financing activities			
Dividends paid		(29,168,329)	(39,706,068)
Issue of shares		218,230	903,500
Net cash used in financing activities		(28,950,099)	(38,802,568)
Net increase/(decrease) in cash and cash equivalents		1,768,955	(5,506,253)
Cash and cash equivalents brought forward		2,903,992	8,410,245
Cash and cash equivalents carried forward	12	4,672,947	2,903,992

The annexed notes form an integral part of these financial statements.

Notes To The Financial Statements

31 December 2023

1. General information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Penang, Malaysia and its principal place of business is located at 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Bayan Lepas, Penang, Malaysia.

The consolidated financial statements set out on pages 122 to 126 together with the notes thereto cover the Company and its subsidiaries ("Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 127 to 130 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue in accordance with a resolution of the directors dated 20 March 2024.

2. Material accounting policy information

2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the material accounting policy information, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:

MFRS	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform - Pillar Two Model Rules</i>	1 January 2023

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets acquired are not a business, the transaction or other event is accounted for as an asset acquisition.

Business combinations are accounted for using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:

- (a) the aggregate of:
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

2.3 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.3 Basis of consolidation (cont'd)

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:

Buildings	5% - 6.67%
Plant and machinery	10%
Furniture, fixtures and office equipment	5% - 33%
Renovation and electrical installation	10% - 33%
Motor vehicles	10% - 25%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Lessor accounting

When the Group acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group has not entered into any finance lease.

Lessee accounting

Initial recognition and measurement

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.5 Leases (cont'd)

Lessee accounting (cont'd)

Initial recognition and measurement (cont'd)

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.9.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

2.6 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

2.7 Investment in associate

An associate is an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.9.

In the separate financial statements of the Company, investment in associate is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

2.8 Investments in club memberships

Investments in club memberships are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

Investments in club memberships with limited membership terms are amortised over the membership terms.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.9 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets and inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

2.10 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.11 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.12. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.12 Financial assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.17). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables, cash and bank balances and term deposits are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.12 Financial assets (cont'd)

Subsequent measurement (cont'd)

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All short-term funds are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2.13 Financial liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.13 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.14 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.15 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends or cancelled, the cost of the shares distributed or cancelled is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, any excess of sale consideration over the cost of the shares resold is adjusted to share capital, whereas any deficit is applied in the reduction of distributable reserves.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Financial assets and financial liabilities

The carrying amounts of receivables, cash and bank balances, term deposits, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of short-term funds are directly measured using their unadjusted market values quoted by financial institutions (i.e. Level 1).

2.17 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.17 Revenue from contracts with customers (cont'd)

- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

2.18 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income for financial assets measured at amortised cost is recognised in profit or loss using the effective interest method. Interest or fund distribution income for financial assets measured at fair value through profit or loss is included in their net fair value gains or losses.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

2.20 Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Share-based payments

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are treated as equity-settled share-based payment transactions and recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

Notes To The Financial Statements

31 December 2023 (Cont'd)

2. Material accounting policy information (cont'd)

2.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable results and does not give rise to equal taxable and deductible temporary differences.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.23 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 10).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 11).

Notes To The Financial Statements

31 December 2023 (Cont'd)

4. Property, plant and equipment

Group	Buildings RM	Plant and machinery RM	Furniture, fixtures & office equipment RM	Renovation & electrical installation RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Cost							
Balance at 1 January 2022	37,639,416	145,178,218	5,385,001	3,836,443	4,193,439	19,568,139	215,800,656
Additions	0	9,168,247	1,048,506	292,810	0	41,106,077	51,615,640
Disposals/Write-offs	0	(3,171,570)	(66,351)	0	0	0	(3,237,921)
Reclassifications	(112,000)	112,000	0	0	0	0	0
Transfer from investment properties	5,842,573	0	0	73,950	0	0	5,916,523
Transfer from right-of-use assets	0	0	0	0	266,036	0	266,036
Currency translation differences	(103,211)	(1,824,841)	(29,365)	(126,077)	(32,729)	(1,802,976)	(3,919,199)
Balance at 31 December 2022	43,266,778	149,462,054	6,337,791	4,077,126	4,426,746	58,871,240	266,441,735
Additions	6,325,144	3,766,431	495,064	357,366	0	6,805,200	17,749,205
Disposals/Write-offs	0	(283,603)	(20,872)	0	(74,523)	0	(378,998)
Reclassifications	59,752,000	0	0	0	0	(59,752,000)	0
Currency translation differences	420,737	914,943	59,469	83,753	31,514	880,760	2,391,176
Balance at 31 December 2023	109,764,659	153,859,825	6,871,452	4,518,245	4,383,737	6,805,200	286,203,118

Depreciation and impairment losses

Balance at 1 January 2022	24,677,942	103,351,304	3,357,747	2,812,406	2,464,804	0	136,664,203
Accumulated depreciation	0	682,184	0	0	0	0	682,184
Accumulated impairment losses	24,677,942	104,033,488	3,357,747	2,812,406	2,464,804	0	137,346,387
Depreciation	1,535,906	7,273,465	571,172	458,435	519,551	0	10,358,529
Disposals/Write-offs	0	(3,134,621)	(64,282)	0	0	0	(3,198,903)
Reclassification	(2,800)	2,800	0	0	0	0	0
Transfer from investment properties	3,491,262	0	0	56,695	0	0	3,547,957
Transfer from right-of-use assets	0	0	0	0	159,533	0	159,533
Currency translation differences	(67,970)	(1,576,980)	(1,840)	(104,472)	(26,249)	0	(1,777,511)
Balance at 31 December 2022	29,634,340	105,915,968	3,862,797	3,223,064	3,117,639	0	145,753,808
Accumulated depreciation	0	682,184	0	0	0	0	682,184
Accumulated impairment losses	29,634,340	106,598,152	3,862,797	3,223,064	3,117,639	0	146,435,992

Notes To The Financial Statements

31 December 2023 (Cont'd)

4. Property, plant and equipment (cont'd)

	Buildings RM	Plant and machinery RM	Furniture, fixtures & office equipment RM	Renovation & electrical installation RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Depreciation and impairment losses (cont'd)							
Balance at 1 January 2023	29,634,340	105,915,968	3,862,797	3,223,064	3,117,639	0	145,753,808
Accumulated depreciation	0	682,184	0	0	0	0	682,184
Accumulated impairment losses	29,634,340	106,598,152	3,862,797	3,223,064	3,117,639	0	146,435,992
Depreciation	1,053,254	7,632,269	519,642	492,442	449,835	0	10,147,442
Disposals/Write-offs	0	(282,520)	(19,576)	0	(74,523)	0	(376,619)
Currency translation differences	42,520	764,500	37,235	71,826	24,809	0	940,890
Balance at 31 December 2023	30,730,114	114,030,217	4,400,098	3,787,332	3,517,760	0	156,465,521
Accumulated depreciation	0	682,184	0	0	0	0	682,184
Accumulated impairment losses	30,730,114	114,712,401	4,400,098	3,787,332	3,517,760	0	157,147,705
Carrying amount							
Balance at 1 January 2022	12,961,474	41,144,730	2,027,254	1,024,037	1,728,635	19,568,139	78,454,269
Balance at 31 December 2022	13,632,438	42,863,902	2,474,994	854,062	1,309,107	58,871,240	120,005,743
Balance at 31 December 2023	79,034,545	39,147,424	2,471,354	730,913	865,977	6,805,200	129,055,413

Notes To The Financial Statements

31 December 2023 (Cont'd)

4. Property, plant and equipment (cont'd)

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:

	2023 RM	2022 RM
Buildings	66,254,215	285,811
Capital work-in-progress	0	58,779,140
	<u>66,254,215</u>	<u>59,064,951</u>

5. Right-of-use assets

Group

	Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Total RM
Balance at 1 January 2022	13,850,902	1,142,931	630,044	15,623,877
Depreciation	(368,440)	(159,478)	(62,177)	(590,095)
Transfer from investment properties	4,887,053	0	0	4,887,053
Transfer to property, plant and equipment	0	0	(106,503)	(106,503)
Currency translation differences	(236,302)	0	36,290	(200,012)
Balance at 31 December 2022	18,133,213	983,453	497,654	19,614,320
Depreciation	(510,766)	(159,479)	(64,311)	(734,556)
Currency translation differences	145,439	0	20,301	165,740
Balance at 31 December 2023	<u>17,767,886</u>	<u>823,974</u>	<u>453,644</u>	<u>19,045,504</u>

The Group acquired the rights to use the leasehold land as its principal places of business for 38 to 57 years. The rights to use the plant and machinery and motor vehicles were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease term of 5 years.

Certain leasehold land with total carrying amount of RM9,713,048 (2022 : RM9,809,035) has been pledged as security for credit facilities granted to the Group.

6. Investments in subsidiaries

Company

	2023 RM	2022 RM
Unquoted shares - at cost	151,582,241	141,582,241
Contributions under ESOS	11,380,266	10,186,276
Impairment losses	(6,773,692)	(6,773,692)
	<u>156,188,815</u>	<u>144,994,825</u>

Impairment losses have been recognised for investment in a loss-making subsidiary.

Notes To The Financial Statements

31 December 2023 (Cont'd)

6. Investments in subsidiaries (cont'd)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2023	2022	
Dufu Industries Sdn. Bhd.	Malaysia	100%	100%	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts for hard disk drive
Dufusion Sdn. Bhd.	Malaysia	100%	100%	Design, develop, manufacture, fabricate, assembly and trading of precision steel mould, metal products and steel parts, medical industry's chairs and instrument tables and etc
Guangzhou Futron Technology Co., Ltd.*	People's Republic of China	100%	100%	Manufacture and trading of optics, magnetism driver and parts
Guangzhou Futron Precision Industries Co., Ltd.*	People's Republic of China	100%	100%	Engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts and etc
<u>Subsidiary of Dufu Industries Sdn. Bhd.</u>				
Dufu Industries Services Pte. Ltd.*	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components

* Not audited by Crowe Malaysia PLT

7. Investment in associate

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Unquoted shares - at cost	7,593,330	7,593,330	7,593,330	7,593,330
Share of post-acquisition changes in net assets	381,836	965,090	0	0
	7,975,166	8,558,420	7,593,330	7,593,330
Currency translation differences	593,089	208,848	0	0
	<u>8,568,255</u>	<u>8,767,268</u>	<u>7,593,330</u>	<u>7,593,330</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

7. Investment in associate (cont'd)

The details of the associate are as follows:

Name of associate	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2023	2022	
Superior Plating Technology (Thailand) Co., Ltd.	Thailand	17.94%	17.94%	Plating and polishing computer disk-drive related components

The Management has considered Superior Plating Technology (Thailand) Co., Ltd. as its associate company of the Group despite its shareholding is below 20 per cent of the voting power on the presumption that the Group has significant influence evidenced as follows:

- (a) Representation on the board of directors;
- (b) Participation in major financial, investment and operation decisions of the associate company; and
- (c) Entitlement of certain reserve matters which require specific consent from the Group.

The summarised financial information of the associate is as follows:

	2023 RM	2022 RM
Non-current assets	43,867,704	42,270,776
Current assets	17,058,983	23,155,487
Current liabilities	(11,215,821)	(11,690,421)
Non-current liabilities	(1,950,250)	(4,865,899)
Net assets	<u>47,760,616</u>	<u>48,869,943</u>
Revenue	22,022,497	42,128,637
(Loss)/Profit from continuing operations	<u>(2,251,034)</u>	<u>5,891,956</u>

The reconciliation of the above summarised financial information to the carrying amount of the investment in associate is as follows:

	Group	
	2023 RM	2022 RM
Net assets	47,760,616	48,869,943
Effective ownership interest	17.94%	17.94%
Carrying amount	<u>8,568,255</u>	<u>8,767,268</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

8. Investments in club memberships

Group

	RM
Cost	
Balance at 1 January 2022	125,190
Currency translation differences	(2,058)
Balance at 31 December 2022	123,132
Currency translation differences	1,274
Balance at 31 December 2023	<u>124,406</u>
Amortisation and impairment losses	
Balance at 1 January 2022	
Accumulated amortisation	62,050
Accumulated impairment losses	19,000
	81,050
Amortisation	2,132
Currency translation differences	(2,051)
Balance at 31 December 2022	
Accumulated amortisation	62,131
Accumulated impairment losses	19,000
	81,131
Currency translation differences	1,274
Balance at 31 December 2023	
Accumulated amortisation	63,405
Accumulated impairment losses	19,000
	<u>82,405</u>
Carrying amount	
Balance at 1 January 2022	<u>44,140</u>
Balance at 31 December 2022	<u>42,001</u>
Balance at 31 December 2023	<u>42,001</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

9. Deferred tax assets and deferred tax liabilities

Group

	2023 RM	2022 RM
Balance at 1 January	(684,672)	(494,506)
Deferred tax expense relating to origination and reversal of temporary differences	(1,276,893)	(237,394)
Deferred tax liabilities overprovided in prior year	255,000	73,000
Currency translation differences	14,897	(25,772)
Balance at 31 December	<u>(1,691,668)</u>	<u>(684,672)</u>
Disclosed as:		
- Deferred tax assets	764,490	1,026,647
- Deferred tax liabilities	<u>(2,456,158)</u>	<u>(1,711,319)</u>
	<u>(1,691,668)</u>	<u>(684,672)</u>
In respect of (taxable)/deductible temporary differences of:		
- Property, plant and equipment	(4,099,145)	(4,420,099)
- Inventories	1,623,752	2,736,354
- Financial instruments	783,725	999,073
	<u>(1,691,668)</u>	<u>(684,672)</u>

Save as disclosed above, as at 31 December 2023, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of RM256,000 (2022 : RM342,000). No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unused capital allowances and tax losses over taxable temporary differences:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Deductible temporary differences of:				
- Inventories	1,100,000	706,000	0	0
- Financial instruments	982,000	998,000	0	0
- Lease liabilities	55,000	372,000	0	0
Unused capital allowances	819,000	0	0	0
Unused tax losses with:				
- Expiry date in 2028	6,116,000	6,116,000	1,164,000	1,164,000
- Expiry date in 2030	540,000	540,000	0	0
- Expiry date in 2033	534,000	0	0	0
Taxable temporary differences of:				
- Property, plant and equipment	(870,000)	(1,029,000)	0	0
- Right-of-use assets	<u>(195,000)</u>	<u>(394,000)</u>	0	0
	<u>9,081,000</u>	<u>7,309,000</u>	<u>1,164,000</u>	<u>1,164,000</u>

The deductible temporary differences and unused capital allowances have no expiry date.

Notes To The Financial Statements

31 December 2023 (Cont'd)

10. Inventories

Group

	2023 RM	2022 RM
Raw materials	18,982,960	33,162,235
Work-in-progress	7,596,409	3,943,660
Finished goods	40,796,553	55,783,197
Consumable tools	1,054,574	2,301,754
	<u>68,430,496</u>	<u>95,190,846</u>

11. Receivables

Group

	2023 RM	2022 RM
Trade receivables	78,314,516	53,570,207
Loss allowance	(680,000)	(560,000)
	<u>77,634,516</u>	<u>53,010,207</u>
Other receivables	1,879,902	5,859,851
	<u>79,514,418</u>	<u>58,870,058</u>

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2023, there was 1 (2022 : 2) major group of customers that individually accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major group amounted to RM50,833,546 (2022 : RM31,006,182). The credit risk concentration profile by geographical areas of trade receivables is as follows:

	2023 RM	2022 RM
Malaysia	5,104,051	7,571,063
China	13,859,948	6,957,582
Thailand	47,424,918	27,697,405
United Kingdom	3,740,997	6,506,463
Others	8,184,602	4,837,694
	<u>78,314,516</u>	<u>53,570,207</u>

The credit terms of trade receivables range from 30 to 120 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:

	2023 RM	2022 RM
Not past due	46,093,083	43,195,074
1 to 30 days past due	9,625,193	4,622,147
31 to 60 days past due	17,367,809	4,448,346
61 to 90 days past due	4,870,614	262,792
More than 90 days past due	357,817	1,041,848
	<u>78,314,516</u>	<u>53,570,207</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

11. Receivables (cont'd)

Trade receivables (cont'd)

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

	Not past due RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	More than 90 days past due RM	Total RM
2023						
Gross carrying amount	46,093,083	9,625,193	17,367,809	4,870,614	357,817	78,314,516
Average credit loss rate	0.54%	0.76%	0.77%	2.40%	30.05%	0.87%
Loss allowance	248,588	73,541	133,266	117,065	107,540	680,000
2022						
Gross carrying amount	43,195,074	4,622,147	4,448,346	262,792	1,041,848	53,570,207
Average credit loss rate	0.22%	1.40%	1.95%	24.04%	24.06%	1.05%
Loss allowance	94,452	64,868	86,835	63,178	250,667	560,000

The average credit loss rates were based on the payment profile of revenue over a period of 36 (2022 : 36) months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The changes in the loss allowance are as follows:

	2023 RM	2022 RM
Balance at 1 January	560,000	392,767
Impairment losses	120,000	161,925
Currency translation differences	0	5,308
Balance at 31 December	680,000	560,000

Notes To The Financial Statements

31 December 2023 (Cont'd)

12. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash and bank balances	52,002,404	50,124,239	325,937	240,884
Term deposits	46,851,702	55,118,000	0	0
Short-term funds - at fair value	4,347,010	2,663,108	4,347,010	2,663,108
	<u>103,201,116</u>	<u>107,905,347</u>	<u>4,672,947</u>	<u>2,903,992</u>

Cash and bank balances and term deposits are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

As at 31 December 2022, a bank balance of the Group amounting to RM158,500 had been pledged as security for credit facilities granted to the Group. Accordingly, this bank balance was not freely available for use.

The effective interest rates of term deposits as at 31 December 2023 ranged from 2.80% to 5.10% (2022 : 2.50% to 3.75%) per annum.

Short-term funds represent highly liquid investments in money market funds managed by financial institutions that invest in low-risk instruments, and are readily redeemable with insignificant risk of changes in value. Their fair values were directly measured using the unadjusted market values quoted by the financial institutions (i.e. Level 1).

For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged bank balance as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash and cash equivalents	103,201,116	107,905,347	4,672,947	2,903,992
Bank balance pledged as security	0	(158,500)	0	0
	<u>103,201,116</u>	<u>107,746,847</u>	<u>4,672,947</u>	<u>2,903,992</u>

13. Payables

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Trade payables	14,699,838	7,989,678	0	0
Other payables	11,049,037	11,416,855	170,500	376,230
	<u>25,748,875</u>	<u>19,406,533</u>	<u>170,500</u>	<u>376,230</u>

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of trade and other payables range from 30 to 90 days.

Notes To The Financial Statements

31 December 2023 (Cont'd)

14. Loans and borrowings

Group

	2023 RM	2022 RM
Secured		
Term loans	47,050,726	48,534,563
Unsecured		
Revolving credits	0	7,938,000
	<u>47,050,726</u>	<u>56,472,563</u>
Disclosed as:		
- Current liabilities	5,040,426	9,541,970
- Non-current liabilities	42,010,300	46,930,593
	<u>47,050,726</u>	<u>56,472,563</u>

Term loans are secured against certain property, plant and equipment (Note 4) and right-of-use assets (Note 5).

The effective interest rates of loans and borrowings as at 31 December 2023 ranged from 4.72% to 5.15% (2022 : 4.47% to 5.70%) per annum.

Except for term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Term loans are repayable over 10 to 15 years. The repayment analysis is as follows:

	2023 RM	2022 RM
Gross loan instalments:		
- Within 1 year	7,229,454	4,016,134
- 1 to 5 years	29,140,578	27,769,113
- After 5 years	20,409,157	28,793,498
Total contractual undiscounted cash flows	56,779,189	60,578,745
Future finance charges	(9,728,463)	(12,044,182)
Present value of term loans	<u>47,050,726</u>	<u>48,534,563</u>

The fair values of term loans were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

Notes To The Financial Statements

31 December 2023 (Cont'd)

15. Lease liabilities

Group

	2023 RM	2022 RM
Gross lease liabilities:		
- Within 1 year	132,672	407,716
- 1 to 5 years	159,129	277,543
Total contractual undiscounted cash flows	291,801	685,259
Future finance charges	(390)	(13,397)
Present value of lease liabilities	<u>291,411</u>	<u>671,862</u>
Disclosed as:		
- Current liabilities	132,282	394,709
- Non-current liabilities	159,129	277,153
	<u>291,411</u>	<u>671,862</u>

The incremental borrowing rates applied to lease liabilities as at 31 December 2023 ranged from 3.91% to 5.70% (2022 : 3.91% to 5.70%) per annum.

16. Contract liabilities

Group

	2023 RM	2022 RM
Balance at 1 January	1,789,717	404,521
Revenue recognised from opening contract liabilities	(1,093,530)	(404,521)
Excess of consideration over revenue recognised	348,495	1,789,717
Balance at 31 December	<u>1,044,682</u>	<u>1,789,717</u>

As disclosed in Note 2.17, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

As a practical expedient, information about remaining performance obligations for contracts with original duration of one year or less has not been disclosed.

17. Share capital

	Number of ordinary shares with no par value	RM
Issued and fully paid		
Balance at 1 January 2022	542,511,734	105,256,293
Issue of shares pursuant to ESOS	1,300,000	1,414,660
Balance at 31 December 2022	543,811,734	106,670,953
Issue of shares pursuant to ESOS	314,000	341,695
Balance at 31 December 2023	<u>544,125,734</u>	<u>107,012,648</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

17. Share capital (cont'd)

Treasury shares

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 24 February 2016, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:

	2023		2022	
	Number of ordinary shares	Cost RM	Number of ordinary shares	Cost RM
Balance at 1 January / 31 December	13,792,488	3,452,490	13,792,488	3,452,490

The number of outstanding shares in issue after excluding the treasury shares is as follows:

	2023	2022
	Number of ordinary shares	Number of ordinary shares
Balance at 1 January	530,019,246	528,719,246
Shares issued	314,000	1,300,000
Balance at 31 December	530,333,246	530,019,246

Employees' Share Option Scheme ("ESOS")

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 12 June 2019, approved the Company's ESOS. The ESOS became effective on 17 June 2019.

The principal features of the ESOS are as follows:

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued share in the capital of the Company (excluding treasury shares, if any) during the duration of the ESOS.
- (ii) Eligible employee (including executive directors) of the Group shall participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed at least 24 months of service within the Group on a full time basis.
- (iii) The ESOS shall be in force for a period of 5 years from the effective date. The Company may, if the Board deems fit and upon the recommendation of the ESOS Committee, extend the Scheme for another period of up to a maximum of 5 years in aggregate, commencing from the day after the date of expiration of the original 5 years period.
- (iv) The exercise price shall be determined based on the volume weighted average price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%.
- (v) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vi) The new shares to be issued and/or transferred upon exercise of any options granted under the scheme will rank pari passu in all respects with the existing shares in the Company, save and except that the new shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, where the entitlement date precedes the date of issuance and/or transfer of the options.

Notes To The Financial Statements

31 December 2023 (Cont'd)

17. Share capital (cont'd)

Employees' Share Option Scheme ("ESOS") (cont'd)

The movements in the number of share options during the financial year are as follows:

	Number of options over ordinary shares	Weighted average exercise price RM	Weighted average share price RM	Range of exercise prices RM	Weighted average remaining contractual life
Outstanding at 1 January 2022	2,962,500	1.944			
Granted	2,100,000	2.570			
Exercised	(1,300,000)	0.695	2.887		
Forfeited	(91,000)	3.394			
Outstanding at 31 December 2022	<u>3,671,500</u>	2.708		0.695 - 3.780	1.5 years
Exercisable at 31 December 2022	<u>3,671,500</u>	2.708			
Outstanding at 1 January 2023	3,671,500	2.708			
Granted	3,700,000	1.640			
Exercised	(314,000)	0.695	2.170		
Forfeited	(523,500)	3.057			
Outstanding at 31 December 2023	<u>6,534,000</u>	2.172		0.695 - 3.780	0.5 year
Exercisable at 31 December 2023	<u>6,534,000</u>	2.172			

The fair value of share options granted since the effective date of the ESOS was measured using the Trinomial Option Pricing Model with the following inputs:

	Option 1	Option 2	Option 3	Option 4
Grant date	1.7.2019	6.10.2021	1.3.2022	19.12.2023
Fair value at grant date	<u>RM0.7864</u>	<u>RM1.3933</u>	<u>RM0.7906</u>	<u>RM0.3227</u>
Weighted average share price	RM1.5374	RM4.1955	RM2.8504	RM1.8171
Exercise price	RM1.3900	RM3.7800	RM2.5700	RM1.6400
Expected volatility	57.348%	46.007%	40.727%	43.418%
Option life	5 years	3 years	2 years	0.5 year
Expected dividends	1.02%	1.36%	2.67%	4.48%
Risk-free interest rate	<u>3.43%</u>	<u>2.43%</u>	<u>2.68%</u>	<u>3.16%</u>

The expected volatility reflects the assumption that historical volatility is indicative of future trends but may not necessarily be the actual outcome. No other features of the share options granted were incorporated into the measurement of fair value.

Notes To The Financial Statements

31 December 2023 (Cont'd)

18. Revenue

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contracts with customers:				
- Sale of goods	227,811,409	304,028,887	0	0
Other source of revenue:				
- Dividend income	0	0	41,759,382	43,670,098
	<u>227,811,409</u>	<u>304,028,887</u>	<u>41,759,382</u>	<u>43,670,098</u>

Disaggregation of revenue from contracts with customers

	Group	
	2023 RM	2022 RM
Major products:		
- Precision components for:		
- Hard disk drive	163,792,342	231,049,697
- Control and sensor	36,365,816	34,784,595
- Others	27,653,251	38,194,595
	<u>227,811,409</u>	<u>304,028,887</u>
Geographical areas:		
- Malaysia	18,255,372	27,769,231
- China	38,283,328	37,771,744
- Thailand	129,740,578	191,687,056
- Others	41,532,131	46,800,856
	<u>227,811,409</u>	<u>304,028,887</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

19. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors of the Company:				
- Fees	276,000	276,000	276,000	276,000
- Other short-term employee benefits	1,661,817	2,924,427	40,000	40,000
- Defined contribution plans	139,632	221,840	0	0
- Share-based payments	80,675	134,402	0	0
	2,158,124	3,556,669	316,000	316,000
Directors of subsidiaries:				
- Short-term employee benefits	1,471,674	2,360,434	0	0
- Defined contribution plans	135,200	290,063	0	0
- Share-based payments	93,487	167,607	0	0
	1,700,361	2,818,104	0	0
Other employees:				
- Short-term employee benefits	51,266,560	54,378,079	0	0
- Defined contribution plans	4,078,069	4,490,644	0	0
- Share-based payments	1,019,828	1,339,277	0	0
	56,364,457	60,208,000	0	0
	<u>60,222,942</u>	<u>66,582,773</u>	<u>316,000</u>	<u>316,000</u>

The estimated money value of benefits received or receivable by certain directors otherwise than in cash is as follows:

Group	2023 RM	2022 RM
Directors of the Company	15,500	28,000
Directors of subsidiaries	20,175	19,050
	<u>35,675</u>	<u>47,050</u>

20. Impairment losses on financial assets

Group	2023 RM	2022 RM
Trade receivables from contracts with customers	<u>120,000</u>	<u>161,925</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

21. Profit before tax

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax is arrived at after charging:				
Amortisation of investments in club memberships	0	2,132	0	0
Auditors' remuneration:				
- Current year	370,857	385,826	135,000	130,000
- Prior year	8,000	21,000	5,000	8,000
Depreciation of investment properties	0	475,338	0	0
Depreciation of property, plant and equipment	10,147,442	10,358,529	0	0
Depreciation of right-of-use assets	734,556	590,095	0	0
Direct operating expenditure on investment properties generating rental income	0	79,881	0	0
Fee expense for financial instruments not measured at fair value through profit or loss	93,514	109,004	489	368
Interest expense for financial liabilities not measured at fair value through profit or loss	231,873	190,357	0	0
Interest expense for lease liabilities	23,432	43,675	0	0
Inventories written down	894,049	3,768,222	0	0
Lease expense relating to:				
- Short-term leases	594,207	768,498	7,040	4,550
- Leases of low value assets (other than short-term leases)	33,588	31,028	0	0
Loss on dissolution of subsidiary	0	0	0	20,342
Property, plant and equipment written off	2,272	6,298	0	0
Unrealised loss on foreign exchange	1,509,755	2,097,845	0	0
and crediting:				
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	71,395	155,567	71,395	155,567
Gain on disposal of property, plant and equipment	105,661	117,355	0	0
Grants related to income	44,155	1,181,679	0	0
Interest income for financial assets measured at amortised cost	2,117,288	679,400	13,217	419
Operating lease income from investment properties	0	620,000	0	0
Realised gain on foreign exchange	6,373,290	12,430,241	0	0
Reversal of inventories written down	2,589,612	0	0	0

Notes To The Financial Statements

31 December 2023 (Cont'd)

22. Tax expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Tax based on results for the year:				
- Current tax	7,862,868	18,097,783	25,938	17,010
- Deferred tax	1,276,893	237,394	0	0
	<u>9,139,761</u>	<u>18,335,177</u>	<u>25,938</u>	<u>17,010</u>
Tax under/(over) provided in prior year:				
- Current tax	320,756	(729,431)	5,468	0
- Deferred tax	(255,000)	(73,000)	0	0
	<u>9,205,517</u>	<u>17,532,746</u>	<u>31,406</u>	<u>17,010</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	5.42	1.13	0.55	0.48
Non-taxable income	(1.74)	(1.00)	(24.40)	(24.39)
Tax incentives claimed	(1.10)	(0.54)	0.00	0.00
Effect of differential tax rates	(0.61)	(1.29)	(0.09)	(0.05)
Increase/(Decrease) in unrecognised deferred tax assets	1.27	(0.61)	0.00	0.00
Average effective tax rate	<u>27.24</u>	<u>21.69</u>	<u>0.06</u>	<u>0.04</u>

23. Earnings per share

Group

The earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2023	2022
Profit for the financial year (RM)	<u>24,348,327</u>	<u>67,013,344</u>
Number of shares in issue as at 1 January	530,019,246	528,719,246
Effect of shares issued pursuant to ESOS	236,575	774,452
Weighted average number of shares for computing basic earnings per share	530,255,821	529,493,698
Number of shares under ESOS deemed to have been issued for no consideration	192,108	804,012
Weighted average number of shares for computing diluted earnings per share	<u>530,447,929</u>	<u>530,297,710</u>
Basic earnings per share (sen)	<u>4.59</u>	<u>12.66</u>
Diluted earnings per share (sen)	<u>4.59</u>	<u>12.64</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

24. Dividends

Group and Company

	2023 RM	2022 RM
In respect of the financial year ended 31 December 2021:		
- Final single tier dividend of 5.00 sen per share	0	26,458,212
In respect of the financial year ended 31 December 2022:		
- Interim single tier dividend of 2.50 sen per share	0	13,247,856
- Final single tier dividend of 4.00 sen per share	21,213,330	0
In respect of the financial year ended 31 December 2023:		
- Interim single tier dividend of 1.50 sen per share	7,954,999	0
	<u>29,168,329</u>	<u>39,706,068</u>

A final single tier dividend of 2.00 sen per share in respect of the financial year ended 31 December 2023 will be proposed for shareholders' approval at the forthcoming annual general meeting.

25. Notes to statements of cash flows

Term loans

	Group	
	2023 RM	2022 RM
Balance at 1 January	48,534,563	9,829,017
Drawdowns	0	41,762,145
Repayments	(2,327,914)	(1,836,402)
Currency translation differences	844,077	(1,220,197)
Balance at 31 December (Note 14)	<u>47,050,726</u>	<u>48,534,563</u>

Short-term loans and borrowings

	Group	
	2023 RM	2022 RM
Balance at 1 January	7,938,000	7,203,014
Net cash flow changes	(7,938,000)	905,986
Currency translation differences	0	(171,000)
Balance at 31 December (Note 14)	<u>0</u>	<u>7,938,000</u>

Lease liabilities

	Group	
	2023 RM	2022 RM
Balance at 1 January	671,862	1,019,529
Payments	(392,386)	(367,658)
Currency translation differences	11,935	19,991
Balance at 31 December (Note 15)	<u>291,411</u>	<u>671,862</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

25. Notes to statements of cash flows (cont'd)

Lease liabilities (cont'd)

The total cash outflow for leases is as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Operating activities				
Lease expense recognised in profit or loss (Note 21)	627,795	799,526	7,040	4,550
Financing activities				
Interest portion of lease liabilities (Note 21)	23,432	43,675	0	0
Principal portion of lease liabilities	392,386	367,658	0	0
	<u>1,043,613</u>	<u>1,210,859</u>	<u>7,040</u>	<u>4,550</u>

26. Related party disclosures

Transactions with related parties during the financial year are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Key management personnel compensation:				
- Short-term employee benefits	4,509,138	7,639,490	316,000	316,000
- Defined contribution plans	399,945	731,231	0	0
- Share-based payments	287,106	469,617	0	0
	5,196,189	8,840,338	316,000	316,000
Capital distribution from subsidiary	0	0	0	348,233
Contributions to subsidiaries under ESOS	0	0	1,193,990	1,641,286
Dividend declared from associate	259,382	170,098	259,382	170,098
Dividends declared from subsidiaries	0	0	41,500,000	43,500,000
Subscription for shares in subsidiaries	0	0	10,000,000	10,000,000

27. Segment reporting

Group

Operating segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture of industrial products and trading of high quality computer disk-drive related components.

Notes To The Financial Statements

31 December 2023 (Cont'd)

27. Segment reporting (cont'd)

Geographical information

In presenting the information about geographical areas, segment revenue is based on the geographical location of customers, whereas segment assets are based on the geographical location of assets:

	External revenue		Non-current assets	
	2023	2022	2023	2022
	RM	RM	RM	RM
Malaysia	18,255,372	27,769,231	62,475,290	59,718,213
China	38,283,328	37,771,744	85,051,149	79,261,150
Singapore	6,091,036	10,348,486	574,478	640,700
Thailand	129,740,578	191,687,056	0	0
Others	35,441,095	36,452,370	0	0
	<u>227,811,409</u>	<u>304,028,887</u>	<u>148,100,917</u>	<u>139,620,063</u>

Major customers

The major groups of customers that contributed 10% or more of the Group's total revenue are as follows:

	External revenue	
	2023	2022
	RM	RM
Group of customers I*	116,570,378	152,228,764
Group of customers II*	<u>40,173,170</u>	<u>67,505,788</u>

* The identity of the major groups of customers has not been disclosed as permitted by MFRS 8 Operating Segments.

28. Contractual commitments

Group

	2023	2022
	RM	RM
Acquisition of property, plant and equipment	<u>47,933,000</u>	<u>51,183,000</u>

29. Financial guarantee contracts

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM102,082,000 (2022 : RM100,765,000). The total utilisation of these credit facilities as at 31 December 2023 amounted to RM6,220,000 (2022 : RM16,513,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.13. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

Notes To The Financial Statements

31 December 2023 (Cont'd)

30. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 29.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 11. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM"), Renminbi ("RMB") and US Dollar ("USD"), whereas the major foreign currencies transacted are USD and Singapore Dollar ("SGD"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:

	Group	
	Denominated in USD RM	Denominated in SGD RM
2023		
Receivables	16,446,635	225,012
Cash and cash equivalents	62,648,418	4,000,668
Payables	(1,102,357)	(5,588,399)
Lease liabilities	0	(236,681)
	<u>77,992,696</u>	<u>(1,599,400)</u>
2022		
Receivables	14,876,773	247,165
Cash and cash equivalents	74,615,162	844,912
Payables	(214,534)	(3,067,251)
Loans and borrowings	(7,938,000)	0
Lease liabilities	0	(299,359)
	<u>81,339,401</u>	<u>(2,274,533)</u>

Notes To The Financial Statements

31 December 2023 (Cont'd)

30. Financial risk management (cont'd)

Currency risk (cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss and equity to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	Group			
	Profit/(Loss)		Equity	
	2023 RM	2022 RM	2023 RM	2022 RM
Appreciation of USD against RM by 3% (2022 : 4%)	2,346,098	2,548,191	4,728,592	3,610,632
Depreciation of USD against RM by 3% (2022 : 4%)	(2,346,098)	(2,548,191)	(4,728,592)	(3,610,632)
Appreciation of SGD against RM by 2% (2022 : 2%)	(1,362)	(4,491)	(1,362)	(4,491)
Depreciation of SGD against RM by 2% (2022 : 2%)	1,362	4,491	1,362	4,491
Appreciation of USD against RMB by 3% (2022 : 5%)	665,972	1,017,584	665,972	1,017,584
Depreciation of USD against RMB by 3% (2022 : 5%)	(665,972)	(1,017,584)	(665,972)	(1,017,584)
Appreciation of SGD against USD by 1% (2022 : 2%)	(12,435)	(32,852)	(12,435)	(32,852)
Depreciation of SGD against USD by 1% (2022 : 2%)	12,435	32,852	12,435	32,852

Interest rate risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:

	Group	
	2023	2022
	RM	RM
Fixed rate instruments		
Financial assets	46,851,702	55,118,000
Financial liabilities	291,411	8,609,862
Floating rate instruments		
Financial liabilities	47,050,726	48,534,563

Notes To The Financial Statements

31 December 2023 (Cont'd)

30. Financial risk management (cont'd)

Interest rate risk (cont'd)

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss and equity. For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss and equity to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	Group	
	Profit/(Loss) and equity	
	2023	2022
	RM	RM
Increase in interest rates by 10 (2022 : 40) basis points	(45,593)	(166,516)
Decrease in interest rates by 10 (2022 : 40) basis points	<u>45,593</u>	<u>166,516</u>

31. Capital management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:

	Group	
	2023	2022
	RM	RM
Loans and borrowings	47,050,726	56,472,563
Lease liabilities	<u>291,411</u>	<u>671,862</u>
Total interest-bearing debts	47,342,137	57,144,425
Total equity	<u>340,423,737</u>	<u>340,697,338</u>
Total capital	<u>387,765,874</u>	<u>397,841,763</u>
Debt-to-equity ratio (times)	<u>0.14</u>	<u>0.17</u>

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

List Of Properties Held

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2023 (RM)	Year of last revaluation	Year of acquisition
Registered Owner: Dufu Industries Sdn. Bhd						
Land						
P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang	60 years leasehold expiring on 26.12.2051	Industrial land	177,691 sq. feet	2,590,334	1997	-
No. H.S.(D) 42631, Lot No. 320, Mukim 13, Daerah Seberang Perai Tengah, Penang	60 years leasehold expiring on 01.3.2059	Industrial Land	87,123 sq. feet	3,370,208	-	Year 2019
Building						
Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		Industrial complex				
		- 1 single-storey office-cum-production building (26 years)	18,209 sq. feet	317,420	-	Year 1997 – 2023
		- 1 double-storey office-cum-production building (19 years)	33,793 sq. feet			
		- 1 three-storey production building (17 years)	65,811 sq. feet			
		- 1 three-storey office cum production building (16 years)	32,816 sq. feet			

List Of Properties Held (Cont'd)

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2023 (RM)	Year of last revaluation	Year of acquisition
Block 1-5-7, Block 3-3-1, Block 3-13-3, Block 5-7-1, Block 5-14-2, Block 5-16-5, Block 11-2-2, Block 11-6-2, Block 15-5-6, Block 15-8-3, Block 15-9-6, Block 15-21-3, Block 17-10-1, Block 17-17-5, Block 19-8-4, Block 19-10-2 Taman Terubong Indah, Tingkat Paya Terubong 5, 11060 Penang		16 units of hostel (freehold)	11,200 sq. feet	753,333	-	Year 2015
No 691, Lorong Perindustrian Bukit Minyak 11, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang		A unit of single storey factory and a double storey office building (5 years)	70,684 sq. feet	9,064,068	-	Year 2019
Registered Owner: Guangzhou Futron Technology Co. Ltd.						
Building						
No. 1, Gao Tian Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (20 years)	41,383 sq. feet	920,103	-	Year 2003 – 2018
		- 1 steel production workshop (10 years)	8,092 sq. feet			
		- 1 warehouse (6 years)	7,089 sq. feet			
		- 1 five-storey hostel (20 years)	21,348 sq. feet	145,939	-	Year 2003

List Of Properties Held (Cont'd)

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2023 (RM)	Year of last revaluation	Year of acquisition
Registered Owner: Guangzhou Futron Precision Industries Co., Ltd.						
Land						
Plot 18411320180005 at South Side of Longxing Siheng Road, Longxing District, Conghua Industrial Park, Conghua District, Guangzhou, People's Republic of China	50 years leasehold expiring on 25.11.2068	Industrial land	216,385 sq. feet	7,122,714	-	Year 2018
Building						
No.123 XingYe Road, AoTou Town, Conghua District, Guangzhou City		- 4 four-storey production buildings	347,890 sq. feet	65,936,795	-	Year 2023
		- 1 admin office & others	26,823 sq. feet			
		- 1 six-storey hostel	23,530 sq. feet			
Registered Owner: Dufusion Sdn Bhd						
Land						
Lot No. 8478 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring on 22.5.2050	Industrial land	51,451 sq. feet	4,684,630	-	Year 2012
Lot No. 9232 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring on 10.12.2050	Industrial land	66,349 sq. feet			
Building						
Plot No. 160 & 163, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas Penang		Industrial complex - 1 single-storey office-cum-production building (12 years)	61,587 sq. feet	1,896,887	-	Year 2012
			TOTAL	96,802,431		

Share Buy-Back Statement

1. Disclaimer Statement

This Statement is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Share Buy-Back Statement in relation to the Proposed Share Buy-Back (as defined herein) prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

2. Rationale for the Proposed Renewal of Authority to Dufu Technology Corp. Berhad ("DUFU" or the "Company") to Purchase Its Own Ordinary Shares ("Shares") of up to 10% of its total number of issued shares at any point in time ("Proposed Renewal of Share Buy-Back Mandate")

The Proposed Renewal of Share Buy-Back Mandate, if implemented, will enable the Company to utilize its financial resources not immediately required for use, to purchase its own Shares. The Proposed Renewal of Share Buy-Back Mandate may enhance the EPS which may have a positive impact on the market price of DUFU Shares. Other potential benefits of the Proposed Renewal of Share Buy-Back Mandate to the Company and its shareholder are as follows:-

- a) To allow the Company to take preventive measures against speculation particularly when DUFU Shares are undervalued which would in turn stabilize the market price of DUFU Shares and hence, enhance investors' confidence;
- b) To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity;
- c) The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s); and
- d) The treasury shares may also be transferred for the purpose of rewarding employees under an employees' share scheme, or such other purposes as allowed under the Companies Act 2016.

3. Retained Profits

Based on the Audited Financial Statements of the Company as at 31 December 2023, the retained profits of the Company stood at RM60,821,659.

4. Source of Funding

The Proposed Renewal of Share Buy-Back Mandate will be financed from both internally generated funds and/or external borrowings as long as the amount of fund for the Share Buy-Back has not exceeded the amount of retained earnings. The Company has sufficient resource to undertake the Proposed Renewal of Share Buy-Back Mandate in view that the Company has net cash and cash equivalent balance of approximately RM4,672,947 based on the Audited Financial Statements of DUFU as at 31 December 2023.

In the event borrowings are used for the purchase of DUFU Shares, the Board of Directors of DUFU ("the Board") will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company's cash flow.

Any funds utilized by DUFU for the Proposed Renewal of Share Buy-Back Mandate will consequentially reduce the resources available to DUFU for its operations by a corresponding amount for shares bought back.

5. Interests of Directors' and Substantial Shareholders' and Persons Connected with Them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Renewal of Share Buy-back Mandate, none of the Directors and Substantial Shareholders of DUFU nor persons connected with them has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Mandate and, if any, the resale of the treasury shares.

Share Buy-Back Statement (Cont'd)

5. Interests of Directors' and Substantial Shareholders' and Persons Connected with Them (cont'd)

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of DUFU as at 29 February 2024 and assuming that DUFU implements the Proposed Renewal of Share Buy-back Mandate in full, the effects of the Proposed Renewal of Share Buy-back Mandate on the shareholdings of the Directors and Substantial Shareholders of DUFU are as follows:-

Directors	Before the Proposed Renewal of Share Buy-Back Mandate				After the Proposed Renewal of Share Buy-Back Mandate							
	As at the LPD				Minimum Scenario				Maximum Scenario			
	Direct	Indirect	No. of Shares	% ^(a)	Direct	Indirect	No. of Shares	% ^(b)	Direct	Indirect	No. of Shares	% ^(c)
Dato' Lee, Hui-Ta also known as Li Hui Ta ⁽¹⁾	49,635,698	9.36	56,410,000 ⁽⁵⁾	10.63	49,635,698	10.13	56,410,000 ⁽⁵⁾	11.51	49,635,698	10.02	56,410,000 ⁽⁵⁾	11.38
Wu, Mao-Yuan ⁽²⁾	14,519,000	2.74	-	-	14,519,000	2.96	-	-	15,037,500	3.03	-	-
Sung, Cheng-Hsi	110,000	0.02	-	-	110,000	0.02	-	-	110,000	0.02	-	-
Joyce Wong Ai May	-	-	-	-	-	-	-	-	-	-	-	-
Yin, Chih-Chu also known as Laurence Yin	-	-	-	-	-	-	-	-	-	-	-	-
Lee Yoke Khay	-	-	-	-	-	-	-	-	-	-	-	-
Substantial Shareholder												
PCSB	51,737,000	9.75	-	-	51,737,000	10.56	-	-	51,737,000	10.44	-	-
PFYSB	56,410,000	10.63	-	-	56,410,000	11.51	-	-	56,410,000	11.38	-	-
Lee, Wen-Jung	65,000	0.01	51,737,000 ⁽⁶⁾	9.75	65,000	0.01	51,737,000 ⁽⁶⁾	10.56	65,000	0.01	51,737,000 ⁽⁶⁾	10.44
Lee, Su Hui-Fen	0	0	51,737,000 ⁽⁶⁾	9.75	0	0	51,737,000 ⁽⁶⁾	10.56	0	0	51,737,000 ⁽⁶⁾	10.44
Wang, Kuei-Hua ⁽³⁾	10,112,130	1.91	56,410,000 ⁽⁵⁾	10.63	10,112,130	2.06	56,410,000 ⁽⁵⁾	11.51	10,112,130	2.04	56,410,000 ⁽⁵⁾	11.38

Share Buy-Back Statement (Cont'd)

5. Interests of Directors' and Substantial Shareholders' and Persons Connected with Them (cont'd)

Directors	Before the Proposed Renewal of Share Buy-Back Mandate				After the Proposed Renewal of Share Buy-Back Mandate					
	As at the LPD		Minimum Scenario		Maximum Scenario		Indirect			
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
No. of Shares	% ^(a)	No. of Shares	% ^(a)	No. of Shares	% ^(b)	No. of Shares	% ^(b)	No. of Shares	% ^(c)	
Person Connected with Director and Substantial Shareholder										
Wu, Ming-Hsiu ^{(2),(4)}	5,105,000	0.96	-	-	5,105,000	1.04	-	-	5,176,300	1.04
Hsu, Sung-Hsiang ^{(2),(4)}	210,000	0.04	-	-	210,000	0.04	-	-	210,000	0.04

Note:

Minimum Scenario - Assuming none of the 6,325,000 ESOS Options are exercised and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.
Maximum Scenario - Assuming full exercise of the 6,325,000 ESOS Options and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.

(a) Based on the total number of issued shares of 530,542,246 Shares, exclusive of 13,792,488 shares held as treasury shares
 (b) Based on the total number of issued shares of 489,901,261 Shares without exercising the ESOS Options and the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares

(c) Based on the total number of issued shares of 495,593,761 Shares after full exercise of the 6,325,000 ESOS Options with the assumption that the Directors / Substantial Shareholders and Persons Connected with them (whom also an eligible person to the Company's ESOS) fully exercised their ESOS Options:-

- Wu, Mao-Yuan – 518,500 ESOS Options
- Wu, Ming-Hsiu – 71,300 ESOS Options

(1) Also Substantial Shareholder of the Company.

(2) Also an eligible person to the Company's ESOS

(3) Spouse of Dato' Lee, Hui-Ta also known as Li Hui Ta

(4) Person Connected to Wu, Mao-Yuan

(5) Indirect Interest by virtue of his/her substantial interest in Perfect Full Yen Sdn Bhd ("PFYSB").

(6) Indirect Interest by virtue of his/her substantial interest in Perfect Commerce Sdn Bhd ("PCSB").

Share Buy-Back Statement (Cont'd)

6. Potential Advantages and Disadvantages of the Proposed Renewal of Share Buy-Back Mandate

6.1 Potential advantages of the Proposed Renewal of Share Buy-Back Mandate

The potential advantages of the Proposed Renewal of Share Buy-Back Mandate are set out in section 2 of the Statement.

6.2 Potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

- a) The Proposed Renewal of Share Buy-Back Mandate if implemented, will reduce the financial resources of DUFU and may result in DUFU foregoing interest income and/or better investment opportunities that may emerge in the future; and
- b) It would also result in the reduction of financial resources available for distribution in the form of cash dividends to shareholders of DUFU in the immediate future.

Nevertheless, the Board is of the view that the Proposed Renewal of Share Buy-Back Mandate is not expected to have any potential material disadvantages to the Company and its shareholders as it will be implemented only after careful consideration of the financial resources of DUFU and the resultant impact on the shareholders of the Company.

7. Material Financial Effect of the Proposed Renewal of Share Buy-Back Mandate

The material financial effect of the Proposed Renewal of Share Buy-Back Mandate on the share capital, consolidated Net Tangible Assets ("NTA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in DUFU are set out below:

7.1 Share Capital

The effects of the Proposed Renewal of Share Buy-Back Mandate on the total number of issued shares of DUFU are as follows:-

Minimum Scenario - Assuming none of the 6,325,000 ESOS Options are exercised and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full

Maximum Scenario - Assuming full exercise of the 6,325,000 ESOS Options and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.

	Minimum Scenario	Maximum Scenario
	No. of Shares	No. of Shares
As at 29 February 2024	544,334,734	544,334,734
Shares to be issued pursuant to the ESOS	0	6,325,000
	544,334,734	550,659,734
Proposed Renewal of Share Buy-Back Mandate (assuming all Purchased Shares are held as treasury shares)	54,433,473	55,065,973
Total number of issued share after the Proposed Renewal of Share Buy-Back Mandate	489,901,261	495,593,761

The Proposed Renewal of Share Buy-Back Mandate will not have any effect on the issued and paid-up share capital of the Company as the Shares purchased are to be retained as treasury shares. However, the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

Share Buy-Back Statement (Cont'd)

7. Material Financial Effect of the Proposed Renewal of Share Buy-Back Mandate (cont'd)

7.2 NTA

The effects of the Proposed Renewal of Share Buy-Back Mandate on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to DUFU to finance the Purchased Shares or any loss in interest income to DUFU.

The Proposed Renewal of Share Buy-Back Mandate will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling price of the Purchased Shares and the number of Purchased Shares resold.

7.3 Working Capital

The Proposed Renewal of Share Buy-Back Mandate is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

7.4 Earnings

The effects of the Proposed Renewal of Share Buy-Back Mandate on the EPS of the DUFU Group will depend on the purchase price of the DUFU Shares, the number of DUFU Shares purchased and the effective funding cost to DUFU to finance the Purchase Shares or any loss in interest income to the Group.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Renewal of Share Buy-Back Mandate will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Renewal of Share Buy-Back Mandate may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

7.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining total number of issued Shares of DUFU (excluding the Shares already purchased). The Proposed Renewal of Share Buy-Back Mandate may have an impact on the Company's dividend policy for the financial year ending 31 December 2024 as it would reduce the cash available which may otherwise be used for dividend payments. Nevertheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by DUFU in the future would depend on, *inter-alia*, the profitability and cash flow position of the Group.

7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Renewal of Share Buy-Back Mandate that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

Share Buy-Back Statement (Cont'd)

8. Implications of the Proposed Renewal of Share Buy-Back Mandate relating to Rules on Take-Overs, Merger, and Compulsory Acquisitions (The "Rules")

Based on the Company's total number of issued Shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 29 February 2024, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of Proposed Renewal of Share Buy-Back Mandate in full.

As it is not intended for the Proposed Renewal of Share Buy-Back Mandate to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Renewal of Share Buy-Back Mandate would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Renewal of Share Buy-Back Mandate.

9. Purchases, Resold, Transfer and Cancellation made by the Company of its own Shares in the preceding twelve (12) months

The company had not purchased, resold, transferred or cancelled any shares in the preceding twelve (12) months.

10. Proposed intention of the Directors to Deal with the Shares so Purchased

The proposed Renewal of Share Buy-Back Mandate, if exercised, the Shares shall be dealt with in the following manner:-

- to cancel the Shares so purchased; or
- to retain the Shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- to retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- to retain the Shares so purchased in treasury for distribution to eligible employee(s) pursuant to an employees' share scheme, or such other purposes as allowed under Companies Act 2016.

11. Historical Share Prices

The monthly highest and lowest market prices of DUFU Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:-

	Highest RM	Lowest RM
2023		
March	2.24	2.05
April	2.33	2.07
May	2.03	1.80
June	2.02	1.86
July	2.13	1.89
August	1.90	1.83
September	1.89	1.70
October	1.81	1.69
November	1.85	1.71
December	1.91	1.77
2024		
January	1.96	1.82
February	1.87	1.71

Last transacted market price as at 20 March 2024 (being the latest practical date prior to the printing of this Statement) was RM1.76

(Source: Bloomberg)

Share Buy-Back Statement (Cont'd)

12. Public Shareholding Spread

As at 29 February 2024, the public shareholding spread of the Company was approximately 58.16%. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of DUFU shall not fall below 25% of the total number of issued Shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Renewal of Share Buy-back Mandate, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

13. Director's Statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Renewal of Share Buy-Back Mandate described above is in the best interest of the Company.

14. Director's Recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming 22nd Annual General Meeting to give effect to the Proposed Renewal of Share Buy-Back Mandate.

15. Responsibility Statement

This statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. Documents Available For Inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except on public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

- (i) Constitution of DUFU; and
- (ii) The audited consolidated financial statements of DUFU for the past two (2) financial years ended 31 December 2022 and 2023.

17. Further Information

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

Analysis of Shareholdings

AS AT 29 FEBRUARY 2024

SHARE CAPITAL

Total Number of Issued Shares	:	530,542,246+
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	9,744

* Excluding a total of 13,792,488 shares purchased and retained as treasury shares.

DISTRIBUTION OF SHAREHOLDERS

Holdings	No. of Holders	Total Holdings	%
1 – 99	481	14,357	0.00
100 – 1,000	2,493	1,525,792	0.29
1,001 – 10,000	4,851	21,513,599	4.05
10,001 – 100,000	1,655	47,086,924	8.88
100,001 – 26,527,111	261	302,618,876	57.04
26,527,112 and above	3	157,782,698	29.74
Total	9,744	530,542,246	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

	Name	Shareholdings	%
1.	Perfect Full Yen Sdn Bhd	56,410,000	10.63
2.	Perfect Commerce Sdn Bhd	51,737,000	9.75
3.	Lee, Hui-Ta @ Li Hui Ta	49,635,698	9.36
4.	Wong Ser Yian	26,473,786	4.99
5.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd Qualifier: CGS International Futures Malaysia Sdn Bhd (MY)	15,078,800	2.84
6.	Wu, Mao-Yuan	14,519,000	2.74
7.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)	14,263,254	2.69
8.	Citigroup Nominees (Asing) Sdn Bhd Qualifier: CBNY for Norges Bank (FI 17)	11,416,200	2.15
9.	Wang, Kuei-Hua	10,112,130	1.91
10.	Amanahraya Trustees Berhad Qualifier: Public Islamic Opportunities Fund	9,896,300	1.87
11.	Amanahraya Trustees Berhad Qualifier: Public Smallcap Fund	9,543,400	1.80
12.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund	7,465,600	1.41
13.	CIMB Islamic Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	7,261,600	1.37
14.	Perfect Hua Ta Sdn. Bhd.	7,094,000	1.34
15.	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ooi Keng Thye	6,442,800	1.21
16.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01)	5,862,460	1.10
17.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ooi Keng Thye	5,133,800	0.97
18.	Wu Ming-Hsiu	5,105,000	0.96
19.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Lim Ka Kian (PB)	4,549,600	0.86
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad for Hong Leong Dana Makmur	4,532,200	0.85

Analysis of Shareholdings

AS AT 29 FEBRUARY 2024 (Cont'd)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

	Name	Shareholdings	%
21.	Cartaban Nominees (Tempatan) Sdn Bhd Qualifier: PAMB For Participating Fund	4,340,800	0.82
22.	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	3,510,500	0.66
23.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: National Trust Fund (IFM Kenanga) (410196)	3,394,400	0.64
24.	UOBM Nominees (Tempatan) Sdn Bhd Qualifier: UOB Islamic Asset Management Sdn Bhd For Lembaga Tabung Haji	2,961,800	0.56
25.	Pacific Trustees Berhad Qualifier: Exempt An For ET Smart Wealth Sdn Bhd (Clients' Account)	2,860,500	0.54
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund	2,700,000	0.51
27.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Maybank Trustees Berhad for Kenanga Syariahextra Fund (N14011960240)	2,620,500	0.49
28.	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Employees Provident Fund Board (ARIM)	2,537,000	0.48
29.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: Exempt An For Petroliam Nasional Berhad (KIB)	2,269,400	0.43
30.	Amanahraya Trustees Berhad Qualifier: Public Islamic Mixed Asset Fund	2,263,100	0.43

SUBSTANTIAL SHAREHOLDERS

	Name	Direct		Indirect	
		No. of shares held	%	No. of shares held	%
1.	Perfect Full Yen Sdn Bhd (PFYSB)	56,410,000	10.63	-	-
2.	Perfect Commerce Sdn Bhd (PCSB)	51,737,000	9.75	-	-
3.	Dato' Lee, Hui-Ta also known as Li Hui Ta	49,635,698	9.36	56,410,000#	10.63#
4.	Wang, Kuei-Hua	10,112,130	1.91	56,410,000#	10.63#
5.	Lee, Su Hui-Fen	0	0.00	51,737,000^	9.75^
6.	Lee, Wen-Jung	65,000	0.01	51,737,000^	9.75^

Indirect Interest by virtue of his/her substantial interest in PFYSB.

^ Indirect Interest by virtue of his/her substantial interest in PCSB.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

	Name	Direct		Indirect	
		No. of shares held	%	No. of shares held	%
1.	Dato' Lee, Hui-Ta also known as Li Hui Ta	49,635,698	9.36	56,410,000#	10.63#
2.	Wu, Mao-Yuan	14,519,000	2.74	-	-
3.	Sung, Cheng-Hsi	110,000	0.02	-	-
4.	Joyce Wong Ai May	-	-	-	-
5.	Yin, Chih-Chu also known as Laurence Yin	-	-	-	-
6.	Lee Yoke Khay	-	-	-	-
7.	Teoh Chiew Hong *	-	-	-	-

Indirect Interest by virtue of his substantial interest in PFYSB.

* Chief Executive Officer of the Group.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting (“22nd AGM”) of the Company will be held at Jadeite Room, Level 5 at Amari SPICE, No. 2 Persiaran Mahsuri, 11900, Penang, Malaysia on Wednesday, 8 May 2024 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2023 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note 1)*
2. To declare a Single Tier Final Dividend of 2 sen per share for the year ended 31 December 2023. (Resolution 1)
3. To approve the Directors’ Fee of up to RM299,000/- for the period from 1 June 2024 until the next Annual General Meeting of the Company and payment of such fee to the Directors. *(Please refer to Note 2)*
(Resolution 2)
4. To approve the payment of other benefits (excluding Directors’ Fee) of up to RM50,000/- for the period from 1 June 2024 until the next Annual General Meeting of the Company. (Resolution 3)
5. To re-elect the following Directors retiring under Paragraph 102(1) of the Company’s Constitution and who, being eligible offer themselves for re-election:- *(Please refer to Note 3)*
 - a) Dato’Lee Hui-Ta also known as Li Hui Ta; and (Resolution 4)
 - b) Joyce Wong Ai May (Resolution 5)
6. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolutions: -

Ordinary Resolutions

a) Authority to Issue Shares

“That pursuant to Companies Act 2016 (“the Act”) and approvals from the Bursa Malaysia Securities Berhad (“Bursa Securities”) and other relevant governmental/ regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities.”

(Please refer to Note 4)
(Resolution 7)

Notice of Annual General Meeting (Cont'd)

7. To consider and if thought fit, to pass the following resolutions: - (cont'd)

b) Renewal of Authority to Purchase its own Shares

(Please refer to
Note 5)
(Resolution 8)

"That subject to the Act, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 December 2023 the audited retained profits of the Company is RM60,821,659;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - to cancel the shares so purchased; or
 - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - to retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - to retain the shares so purchased in treasury for distribution to eligible employee(s) pursuant to the Employees' Share Scheme of the Company (if applicable).

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Act, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

8. To transact any other business of which due notice shall have been given in accordance with the Act.

By Order of the Board

HOW WEE LING (MAICSA 7033850) / SSM PC NO. 202008000869

OOI EAN HOON (MAICSA 7057078) / SSM PC NO. 202008000734

Secretaries

Penang

26 March 2024

Proxy

- a) For the purpose of determining a member who shall be entitled to attend and vote at this 22nd Annual General Meeting, the Company shall be requesting the Record of Depositors as at 29 April 2024. Only a depositor whose name appears on the Record of Depositors as at 29 April 2024 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- b) A member (except an exempt authorised nominee) may appoint up to two (2) proxies in relation to the general meeting provided that he specifies the proportion of his shareholdings to be represented by each proxy.

Notice of Annual General Meeting (Cont'd)

Proxy (cont'd)

- c) *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- d) *The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.*
- e) *The instrument appointing a proxy shall be deposited to Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshbs.com.my not less than 48 hours before the time for holding the 22nd AGM or any adjournment thereof i.e. by Monday, 6 May 2024 at 9.00 a.m.*

Explanatory Note on Ordinary and Special Business:

1. This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.
2. The Ordinary Resolution 2 is to facilitate payment of Directors' fees for the period from 1 June 2024 until the next AGM. The total Directors' Fee of up to RM299,000/- was calculated based on 13-month provision for all Directors.
3. The Board through the Nomination Committee had undertaken an annual assessment on the Directors. Ms. Joyce Wong Ai May is an Independent Non-Executive Director of the Company, seeking for re-election pursuant to Paragraph 102 of the Company's Constitution, at the 22nd AGM. Ms. Joyce Wong has also provided her annual declaration/confirmation of independence.

The Board and the Nomination Committee are satisfied with their performance assessment i.e. meeting attendances, participated actively and contributed positively during deliberations or discussions at Board Meetings, competency and capability, understanding of their roles and responsibilities. Thus, the Board recommended that the approval of the shareholders be sought for the re-election of the said Directors at the 22nd AGM. The information of the Directors' standing for re-election is set out in "Profile of Directors" of the Annual Report 2023.

4. The proposed Resolution No. 7 [Item 7(a)], if passed, will grant a renewed general mandate (Mandate 2024) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The Mandate 2024 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the 21st Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

5. The proposed Ordinary Resolution No. 8 [Item 7(b)], if passed, will give the Company the authority to purchase its own ordinary shares of up to ten percent (10%) of the total number of issued shares of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held, whichever occurs first. For further information on the Proposed Renewal of Share Buy-back Mandate, please refer to the Share Buy-back Statement set out in the Annual Report 2023.

NOTES:

- i. *Shareholders may send questions in relation to the agenda items for the 22nd AGM, electronically by email to davidkhoo@dufu.com.my no later than Monday, 6 May 2024 at 9.00 a.m..*
- ii. *To enable the Company to make the necessary arrangement on the 22nd AGM day, attendees who wish to attend the 22nd AGM in person are encouraged to pre-register attendance by providing the following Pre-Registration details by email to info@sshbs.com.my by Monday, 6 May 2024 at 9.00 a.m..*
 - **Company Name: Dufu Technology Corp. Berhad**
 - Full name;
 - NRIC / Passport No.;
 - CDS Account No.;
 - Contact No.;
 - Category of Attendees.: Shareholder / Proxy / Invitee
- iii. *Shareholders are also reminded to monitor the Company's website and announcements from time to time for any changes to the 22nd AGM arrangement.*

Statement Accompanying Notice Of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of individuals who are standing for election as directors (excluding directors standing for a re-election)

No individual is seeking election as a director at the 22nd AGM of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate to issue securities in the Company pursuant to the Companies Act 2016 are set out in Explanatory Note (4) of the Notice of 22nd AGM.

Notice Of Dividend Entitlement And Payment

NOTICE IS HEREBY GIVEN that the Single Tier Final Dividend of 2 sen per share for the year ended 31 December 2023 if approved, will be paid on 14 June 2024 to depositors registered in the Records of Depositors on 30 May 2024:-

A depositor shall qualify for entitlement to the Dividend in respect of:-

- a) shares transferred into the Depositor's Securities Account before 4.30 p.m. on 30 May 2024 in respect of transfers;
- b) shares deposited into the Depositor's Securities Account before 12.30 p.m. in respect of securities exempted from mandatory deposit; and
- c) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board
HOW WEE LING (MAICSA 7033850) / SSM PC NO. 202008000869
OOI EAN HOON (MAICSA 7057078) / SSM PC NO. 202008000734
Secretaries

Penang
26 March 2024

Proxy Form

DUFU TECHNOLOGY CORP. BERHAD
Registration No. 200201013949 (581612-A)
(Incorporated in Malaysia)

No. of ordinary shares held		CDS Account No.	
Contact No.		Email Address	

*I/We, _____ (NRIC No. / Company No. _____) of _____

being a *Member/Members of DUFU TECHNOLOGY CORP. BERHAD hereby appoint:-

The following proxy(ies):-

Name	NRIC / Passport No.	Address	Proportions of my/our holdings to be represented (%)
(1)			
AND * / OR FAILING HIM*,			
(2)			
			Total 100.0%

In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on our behalf.

AND * / OR FAILING HIM*,

Chairman of the Meeting

as *my/our proxy to vote for *me/us and on *my/our behalf at the 22nd Annual General Meeting of the Company to be held at Jadeite Room, Level 5 at Amari SPICE, No. 2 Persiaran Mahsuri, 11900, Penang, Malaysia on Wednesday, 8 May 2024 at 9.00 a.m. and at any adjournment thereof as indicated below:-

Tick (✓) whichever is applicable

* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

Ordinary Resolutions		For	Against
1.	To declare a Single Tier Final Dividend of 2 sen per share for the year ended 31 December 2023.		
2.	To approve the Directors' Fee of up to RM299,000/- for the period from 1 June 2024 until the next Annual General Meeting of the Company and payment of such fee to the Directors.		
3.	To approve the payment of other benefits (excluding Directors' Fee) of up to RM50,000/- for the period from 1 June 2024 until the next Annual General Meeting of the Company.		
	To re-elect the following Directors retiring under Paragraph 102(1) of the Company's Constitution and who, being eligible offer themselves for re-election:-		
4.	Dato' Lee Hui-Ta also known as Li Hui Ta		
5.	Joyce Wong Ai May		
6.	To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
	To pass the following resolution as Special Business :-		
7.	Authority to Issue Shares pursuant to the Companies Act 2016.		
8.	To approve the proposed renewal of authority to purchase up to ten percent (10%) of its own shares in the total number of issued shares of the Company.		

Signed this _____ day of _____ 2024

Signature of Member: _____

Proxy:-

- For the purpose of determining a member who shall be entitled to attend and vote at this 22nd Annual General Meeting, the Company shall be requesting the Record of Depositors as at 29 April 2024. Only a depositor whose name appears on the Record of Depositors as at 29 April 2024 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- A member (except an exempt authorised nominee) may appoint up to two (2) proxies in relation to the general meeting provided that he specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.
- The instrument appointing a proxy shall be deposited to Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshb.com.my not less than 48 hours before the time for holding the 22nd AGM or any adjournment thereof i.e. by Monday, 6 May 2024 at 9.00 a.m.

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AFFIX
STAMP

Share Registrar
DUFU TECHNOLOGY CORP. BERHAD
[Registration No. 200201013949 (581612-A)]
c/o: Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

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Dufu Technology Corp. Berhad
200201013949 (581612-A)

19, Hilir Sungai Keluang 2,
Taman Perindustrian Bayan Lepas,
Fasa IV, 11900 Penang, Malaysia.

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