

Questions and concerns raised during the Twenty-Fourth General Meeting of the Company held at Jadeite Room, Level 4, Amari SPICE, No. 2 Persiaran Mahsuri, 11900 Penang, Malaysia on Thursday, 7 May 2026 at 10:00 a.m.

1. What is current orders visibility from Key Customers, namely *Western Digital* and *Seagate*?  
*How was it compared to previous?*

**Our Response**

*Orders are visible based on a rolling 52-week forecast, which is updated on a weekly basis.*

2. Current key customers are facing pricing increase due to higher demand. Will Dufu able to pass down the cost to client for upcoming contract?

**Our Response**

*Management recognises the pricing pressure faced by the industry. For the time being, Dufu is absorbing the increased costs, as the impact is not significant to the Group.*

3. What is the forecasted growth of the Group for the current financial year?

**Our Response**

*Management remains cautiously optimistic that the Group will be able to achieve modest growth, subject to prevailing market conditions and business developments.*

4. It was noted from the Annual Report 2024 that the construction of the Guang Zhou Plant was completed last year. However, the Group had yet to relocate its operations to the new premises due to softer market demand. Could Management provide an update on the current status the plant after a year?

**Our response**

*Despite the improved revenue, the China operations remain at the existing plant, which has approximately 7 years remaining on its lease. Given this, it is more cost-effective to continue operating from a single premises rather than operating two facilities concurrently.*

*The Management had rented 3 out of 4 building blocks in Guang Zhou Plant. The rental income generated is sufficient to cover the interest and administrative expenses of the Plant, excluding amortisation and depreciation of approximately RM400,000 per quarter. As a result, the Group's net cost exposure is approximately RM1.6 million per year.*

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5. What is the rationale for the Group having incurred significant capital expenditure on the Guang Zhou Plant while leasing out most of the facility without using it for its own operations? What is Management's long-term plan for the utilisation and strategic direction of the Plant?

**Our response**

*The lease of the existing China plant will expire in approximately 7 years. Despite the remaining lease term, the landlord had previously taken legal action in 2018 to repossess the premises. This exposes the Group to potential operational disruption in China without a contingency plan.*

*In addition, the China Authority impose a requirement for the purchased land to be developed within 4–5 years. The Management had therefore decided to complete the development of all 4 buildings in a single phase, rather than in phases, taking into consideration the higher enhancement costs that would be incurred for subsequent expansion. Furthermore, environmental regulations in China continue to evolve, which may result in higher compliance costs over time. At the time of planning, the expected rental income was also considered attractive and supportive of the development decision.*

6. The Group's profit margin had declined significantly over the years despite the revenue recovery. What is normalize margin of the business going forward? What specific conditions required for the Group to regain its historical profit margin?

**Our response**

*Back in 2022, the USD/RM exchange rate was around RM4.50–RM4.70, while now is RM3.90. The Group's gross profit margin was in the range of 25–37%, with administrative expenses of approximately RM8 million per quarter and other income of approximately RM5–8 million, including scrap sales and rental income.*

*In stronger periods, the Group recorded gross profit margins of around 34%. However, margins have since declined, partly due to scale effects.*

*The Group has a significant natural currency exposure, as approximately 90% of sales are denominated in USD while about 40% of costs are USD-denominated, resulting in a net exposure of approximately 50–60%. As a result, fluctuations in USD/RM exchange rates materially impact reported revenue and margins.*

*The Group's profitability was also affected by rising labour costs. In addition, funds were retained to support infrastructure upgrades and capacity enhancement. Nevertheless, the Group has continued to maintain a reasonable dividend yield.*

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- 7 What are the top 2-3 factors to enable the Company from doubling earnings over the next 5 years ?

**Our response**

*The factors are:-*

- a) Increase of orders from customers, the booming in HDD industry had indirectly contribute to the revenue of the Group;*
- b) Gaining additional allocation stake from customers;*
- c) Dufu is the only manufacturer supply to all 3 main HDD makers.*

*For illustration purposes, allocations from one of the Group's key customers increased following the Group's investment in a plating facility. The customer's order subsequently transitioned to titanium-based hammer components, resulting in a significant increase in raw material content. While this led to an increase in raw material costs of approximately RM80 million, it also translated into additional revenue of approximately RM350 million for the Group.*