

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012” or “the Code”).

1. CLEAR ROLES AND RESPONSIBILITIES

1.1 Functions of the Board

To ensure the effective discharge of its function and responsibilities, the Board established an internal governance model for delegating of specific powers of the Board to the relevant Board Committees, the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the Senior Management of the Company.

The Board had also formed its Executive Committee (“Exco”) to assist the CEO to manage the Group’s day-to-day operations. The Exco has been suspended since 22 June 2015 and officially abolished on 24 February 2016. Subsequent thereto, the power/ authority to review, deliberate and approve the acquisition or disposal of investments or assets of the Group has been assumed by the Investment Committee (IVC) of the Company, subject to the terms and conditions as set out in the Group’s Standard Operating Procedures, amongst others:-

- a) All Non-Operating Transactions;
- b) All Operating Transactions that exceed RM2 million or more;
- c) To review, deliberate all Transactions that exceed RM5 million or more or a minimum of 5% of Dufu NTA (based on the latest Quarterly Results announced to Bursa) whichever is lower. Thereafter, the Chairman of IVC shall propose to the Board of Directors (BOD) to either reject or approve the said Transactions;
- d) To decide on the necessary steps (eg. Open tender procedures, appointing approved professionals, etc) to be taken before deliberation and making its proposal to the Board for decision. Upon deciding on the steps to be taken, the IVC shall instruct the Finance Department to take the necessary actions as advised by the IVC;

The membership of the IVC is as follows:

Chairman: Ang Siak Keng (Independent Non-Executive Director)
 Members: Joyce Wong Ai May (Independent Non-Executive Director)
 Lee, Hui-Ta a.k.a Li Hui Ta (Executive Chairman/ Chief Financial Officer)

Key matters reserved for the Board’s approval including but not limited to the Group’s annual forecast, business continuity plan, issuance of new securities, business restructuring, and acquisitions/disposals of material assets. All Board’s decisions are recorded in the minutes, including the deliberation for each decision, along with actions to be taken and the individuals responsible for implementation. Relevant Board decisions are communicated to the Senior Management for implementation within a reasonable timeframe.

The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group’s business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Group’s annual forecast will be tabled for the Audit Committee and Board’s approval. The Management will also report on the Group’s capital expenditure to the Audit Committee (“AC”) and Board on quarterly basis.

Periodic briefings on the Group’s prospects and performance are also conducted for the Directors to ensure that the Board is well informed on the Group’s operational, financial and corporate issues.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1. CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.1 Functions of the Board (cont'd)

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("ToR"). At each Board meeting, the Chairman of the relevant Board Committees will report to the Board on key issues deliberated by the Board Committees at their respective meetings.

1.2 Roles and responsibilities of the Board

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's stakeholders and is ultimately responsible for the performance of the Group. The Board assumes the following core responsibilities:-

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- Developing and implementing an investor relation programme or shareholder communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.3 Ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

As a measure to govern the conduct of its employees, the Company has in place its Whistleblower Policy and Procedures ("WPP") and Employees Hand Book.

The Code of Ethics for employees promotes integrity and ethical conduct in all aspects of the Group's operations, including but not limited to privacy and confidentiality of information. It also sets out prohibited activities or misconduct such as accepting gifts, bribes and dishonest behaviour.

The WPP seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in Dufu Group may be exposed. The Board has overall responsibility to oversee the implementation of the WPP and all whistle-blowing reports are to be addressed to the respective personnel as assigned pursuant to Dufu Groups' WPP. This mechanism will allow the stakeholders of DUFU to report concerns about alleged unethical behaviour, actual or suspected fraud within Dufu Group, or improper business conduct affecting Dufu Group and about business improvement opportunities.

The WPP of DUFU is available at its corporate website.

1.4 Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout Dufu Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating DUFU's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1. CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretaries also keep the Board updated on changes in the Listing Requirements and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

1.7 Board Charter

The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of DUFU.

The Board reviewed its charter on 24 February 2016 and 18 April 2016. The Board will continue the practice to review its charter regularly at least once a year, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee ("NC")

DUFU established its NC to assist the Board in recommending appointment of new Directors and assessing the effectiveness of the Board.

The membership of the Nominating Committee is as follows:

Chairman:	Ang Siak Keng (Independent Non-Executive Director)
Members:	Sung, Cheng-Hsi (Independent Non-Executive Director)
	Joyce Wong Ai May (Independent Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (cont'd)

2.1 Nominating Committee ("NC") (cont'd)

The NC of DUFU assumes the following core responsibilities:-

- formulating the Nominating, selection and succession policies for members of the Board;
- review 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;
- consider the election criteria and develop procedures for the sourcing and election of candidates to stand for election by DUFU's shareholders ("Shareholders") or to fill casual vacancies of Directors;
- identify and nominate candidates to the Board for it to recommend to Shareholders for election as Directors;
- undertake an assessment of its Independent Directors annually;
- review the training needs for the Directors regularly; and
- establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole.

Details of the ToR for NC of DUFU are available at its corporate website.

The activities carried out by the NC during the financial year ended 31 December 2015 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 for the Directors;
- undertaken review of independency of Independent Directors;
- reviewed and assessed the necessity of the Services Agreement on engagement of consultant;
- reviewed and deliberated on the proposed restructuring of composition of Board of Directors after retirement and resignation of former Directors; and
- reviewed the profile of the new candidates and recommended the appointment as new member of the Board.

2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors

The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidate.

The NC will also be reviewing the composition of respective board committee of the Company to ensure its effectiveness in functioning.

The NC has also established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.

In accordance with the Company's Articles of Association ("AA"), all Directors are subject to re-election by shareholders at the Annual General Meeting ("AGM") following their appointment. At least one-third (1/3) of the remaining Directors shall retire from office at each AGM at least once in every three (3) years, but shall be eligible for re-election.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (cont'd)

2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors (cont'd)

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy. However, the Board shares the view and believes in promoting economic empowerment of women for business and sustainable development. Therefore, the Board is pleased to appoint Ms. Joyce Wong Ai May as one of our Independent Non-Executive Director on 3 March 2016. Moving forward, the Board will continue to tap talent from human capital market from time to time with the aim to increase the number of female director in its Board.

2.3 Remuneration policies

The Remuneration Committee (RC) is responsible for, inter-alia, recommending to the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of Executive Directors and Non-Executive Directors and to review changes to the policy and methodology as necessary; review the existing level of remuneration of Executive Directors and to recommend their remuneration to the Board based on the Company's and their individual performance to ensure they commensurate with the scope of responsibilities held. The Committee also ensures the level of remuneration for Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The membership of the RC is as follows:

Chairman:	Ang Siak Keng (Independent Non-Executive Director)
Members:	Joyce Wong Ai May (Independent Non-Executive Director)
	Lee, Hui-Ta a.k.a Li Hui Ta (Executive Chairman/ Chief Financial Officer)

The policy practiced on Directors' remuneration by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

The current remuneration policy of the Group is summarized as follows:-

- a) The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
- b) Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- c) Meeting Allowance – All the Directors' are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- d) Benefits-in-kind – only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group.
- e) The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (cont'd)

2.3 Remuneration policies (cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2015 were as follows:

I. Aggregate remuneration of the Directors categorized into appropriate components:

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive Directors - Company [^]	114,000	0	0	37,500	151,500
- Subsidiaries ^{^^}		979,430	60,000	142,680	1,182,110
Non-Executive Directors - Company	225,000	0	0	59,000	284,000
Total	339,000	979,430	60,000	239,180	1,617,610

* Subject to shareholders' approval at the forthcoming Annual General Meeting.

II. The number of Directors whose total remuneration fall within the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM1 to RM50,000	0	1
RM50,001 to RM100,000	0	2
RM100,001 to RM150,000	0	1
RM250,001 to RM300,000	2	0
RM400,001 to RM450,000	2	0

[^] Inclusive of Directors' Remuneration paid to Executive Directors who retired or resigned during the financial year.

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The NC played an important role to assist the Board in assessing the independence of Non-Executive Directors of the Company on annual basis. Based on the assessment conducted by the NC, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors of the Company and their ability to act in the best interest of the Company.

The NC develops the criteria to assess independence of Independent Director, include but not limited to directors' background, family relationships, interest of shareholdings in the Company and related party transactions with the Group (if any).

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3. REINFORCE INDEPENDENCE (cont'd)

3.2 Tenure of Independent Directors

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- NC conducts an annual assessment of Independent Directors in respect of inter alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the NC also reviews the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

3.3 Shareholders' approval to retain an Independent Director who has served for more than 9 years

Currently, all the Independent Directors of the Company served less than tenure of nine (9) years in the Company.

3.4 Separation of roles of Chairman and Chief Executive Officer (CEO)

The Company practises a division of responsibilities between the Executive Chairman and the CEO. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for Independent decision-making. The Chairman is mainly responsible for the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The CEO is in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.

Our Acting CEO Mr BH Yeoh is not a member of the Board and not involved in the corporate matter of the Company. This would enable him to concentrate in taking up the new task as an acting CEO.

3.5 Composition of the Board

The Board currently has six (6) members comprising an Executive Chairman, two (2) Executive Directors, and three (3) Independent Non-Executive Directors. This composition complies with Para 15.02 of the Bursa Securities Main Market Listing Requirements ("Main LR") whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

In the event of any vacancy in the Board resulting in the non-compliance with the above, the Company must fill the vacancy within three (3) months. The Board is of the opinion that the interests of shareholders of the Company are fairly represented by the current Board composition and its size constitutes an effective Board of the Company.

The presence of the three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3. REINFORCE INDEPENDENCE (cont'd)

3.5 Composition of the Board (cont'd)

Currently, the Chairman of the Company is not an independent director. However, the Board is of the opinion that the vast experience of Mr. Lee, Hui-Ta a.k.a. Li Hui Ta would enable him to be well equipped to interact with global leaders of the industry and build relationships with stakeholders. He has also exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company and provided objectivity in decision-making and ensured effective conduct of the Board of Directors' Meeting. Nevertheless, the Board is mindful to the recommendation that the board must comprise a majority of independent directors where the Chairman is not an Independent Director. The NC and Board is currently assessing the pros and cons of options available, i.e. Re-designation of existing Independent Director to become the chairman or Appointment of an additional Independent Director into the current Board structure. The Board is determined to conclude the decision latest by end of December 2016.

The position of Senior Independent Director of the Company is vacant for the time being subsequent to the re-designation of Mr. Khoo Lay Tatt as Executive Director of the Company on 2 January 2016.

As the Board recognize the importance of the roles played by Senior Independent Director, the Board is currently assessing and identifying the rightful candidate among the Independent Directors to be appointed to the said position.

Any concern regarding the Group may be conveyed by shareholders, investors or any other stakeholders to the Independent Non-Executive Director at the following address and such concerns will be reviewed and addressed accordingly:-

Mr. Ang Siak Keng
Dufu Technology Corp. Berhad
57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang

[corporateaffairs@dufu.com.my]

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of DUFU. This is evidenced by the attendance record of the Directors at Board meetings.

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met nine (9) times during the year under review. The attendance record for each Director at Directors' meeting for the financial year ended 31 December 2015 is as follows:

Director	No. of meetings attended
Lee, Hui-Ta a.k.a Li Hui Ta	9/9
Wu, Mao-Yuan	9/9
Khoo Lay Tatt	9/9
Ang Siak Keng	9/9
Sung, Cheng-Hsi (<i>Appointed w.e.f. 09 Oct 2015</i>)	1/1
Joyce Wong Ai May (<i>Appointed w.e.f. 03 Mar 2016</i>)	-
Hsu, Chin-Shui (<i>Retired on 18 Jun 2015</i>)	5/5
Yong Poh Yow (<i>Resigned w.e.f. 27 Aug 2015</i>)	5/7
Ong Choon Heng (<i>Resigned w.e.f. 03 Mar 2016</i>)	9/9

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4. FOSTER COMMITMENT (cont'd)

4.1 Time Commitment (cont'd)

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Listing Requirements, a Director of DUFU must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to DUFU.

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of DUFU and for notification to Companies Commission of Malaysia accordingly.

Moving forward, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year to facilitate the Directors' time planning.

4.2 Continuing Training Programme

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

Save for Ms Wong whom was appointed on 3 March 2016, the details of trainings attended by the Directors are as follows:-

Director	Date	Description
Lee, Hui-Ta a.k.a Li Hui Ta	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
Khoo Lay Tatt	1 July 2015	CIMB Bond & Legacy Roundtable Talk – Conducted by CIMB Bank Berhad
	21 September 2015	Half-Day Bursa Malaysia CG Breakfast Series with Directors with the theme “Future of Auditor Reporting-The Game Changer for Boardroom”– Conducted by Bursa Malaysia Berhad in collaboration with The Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA)
	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
	26 November 2015	CIMB Private Lunch for Private Wealth Clients: “Finding Opportunity in Adversity: Market Outlook and Strategy 2016” – Conducted by CIMB Bank Berhad
Ang Siak Keng	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
Sung, Cheng-Hsi	4 & 5 November 2015	Mandatory Accreditation Programme for Directors of Public Listed Companies – Conducted by Bursatra Sdn. Bhd.
Wu, Mao-Yuan	3 March 2015	Practical Cases Of Insider Trading And Legal Responsibility – Conducted by Accounting Research And Development Foundation
Ong Choon Heng (Resigned w.e.f. 3 Mar 2016)	12 & 13 January 2015	Goods & Services Tax (GST) for Accounting Treatment and Effective Implementation Process – Conducted by Malaysian Institute of Accountants
	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
	26 November 2015	CIMB Private Lunch for Private Wealth Clients: “Finding Opportunity in Adversity: Market Outlook and Strategy 2016” – Conducted by CIMB Bank Berhad

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement in the annual report.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 38 of this Annual Report 2015.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.

5.2 Assessment of suitability and independence of external auditors

The AC had obtain written assurance from its external auditors, Messrs. Crowe Horwath, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

After having satisfied with the performance of Messrs. Crowe Horwath and its audit independence, the AC recommended the re-appointment of Messrs. Crowe Horwath to the Board for approval by its shareholders at the forthcoming 14th AGM.

6. RECOGNISE AND MANAGE RISK

6.1 Sound framework to manage risk

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. The Board has continuously placed emphasis on the need for maintaining a sound system of internal control. The internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

With the assistance of its outsourced Internal Auditors ("IA"), the AC oversees the Risk Management framework of the Group and reviews the risk management framework formulated by the Management.

The Company had also formed its Risk Management Committee ("RMC") to closely monitor the Group's risk profile. The RMC will review and recommend to the Board the type and level of business risks of the Group and the appropriate framework and policies for managing such risks.

6.2 Internal Audit Function

The Group has engaged the services of an independent professional firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the Audit Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

In the first quarter of 2016, the Group has successfully set up its own Internal Audit Department ("Internal IA") to work hand in glove with the Outsourced IA to enhance the effectiveness and thoroughness of its field work audit. The Board believes that the Internal IA will strengthen the effectiveness of the Group's system of internal controls. Nevertheless, the Group will continue to engage the Outsourced IA to train (by way of on-the-job training), guide and advice the Internal IA until they are ready to fully take up the important task of Internal Control.

The Statement on Internal Control set out on pages 33 to 34 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining a proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Board exercise close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the company's website.

7.2 Leverage on information technology for effective dissemination of information

In line with the recommendation by the Main LR and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be accessed through Bursa Securities website at www.bursamalaysia.com, include:

- Quarterly announcements
- Annual reports
- Circular to shareholders
- Other important announcements

The Group also maintains a website at www.dufutechnology.com which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

DUFU dispatches its notice of AGM to shareholders at-least 21-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 Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. The Company has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

8.2 Encourage poll voting

At the 13th AGM of the Company held on 18 June 2015, all resolutions had put forth for poll voting.

An announcement of the detailed results of the poll voting had been made to the public accordingly.

Moving forward, the Company intends to carry out poll voting for all resolutions put forth for voting at its forthcoming general meeting.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (cont'd)

8.3 Effective Communication and proactive engagement

During the General Meetings of the Company, the Chairman of Meeting will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

In addition to the above, the Company will look into allocation of time during AGM for dialogue with shareholders to address the issues concerning the Group and to make arrangement for Officers of the Company to present and handle other face-to-face enquiries from shareholders.

This statement was made in accordance with a resolution of the Board dated 18 April 2016.