

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 2017. 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 2017 of the Company (“CG Report”) which is available on the Company’s website:

<http://www.dufutechology.com>

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2017.

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.

After the introduction of MCCG in April 2017, the Board has reviewed the gap analysis report on comparison between the current corporate governance practices in the Group and the standards as set out in the MCCG in August 2017. The Board then planned and has progressively raised 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 our Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board govern and set the strategic direction of the Company and exercising oversight on management. The Board will continue playing its role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.

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 continue 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 five (5) Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Investment Committee and Risk Management Committee, the primary functions of which are 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.

On 27 November 2017, the Board reviewed the Board Charter to keep it up to date 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 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 each of the Board Charter, CCE Policy and Whistle Blowing Policy last reviewed by the Board on 27 November 2017 are available at the Company's website, <http://dufutechnology.com>.

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.

II BOARD COMPOSITION

In order to achieve the intended outcome of the Code, the Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights, our Group has met most of the good practices recommended by the Code as follows as detailed in the CG Report 2017.

The Board has through its Nominating Committee ("NC") conduct the annual assessment on its size and composition. Based on the 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.

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	
										30 – 39 years	40 – 49 years	50 – 59 years	60 – 70 years	Bumiputra	Chinese	Male	Female
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				√	√		√				√		√	√	

Notwithstanding the recommendation of the MCCG, the Company does not practice any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment. The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the Code's target. Besides, the Board has also made progress broadening the diversity of the Board and senior management from time to time. Moving forward, this shall be one of the key focus for the Board's Corporate Agenda in 2018.

The activities carried out by the NC during the financial year ended 31 December 2017 ("FY2017") 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 deliberated on the proposed restructuring of Board composition subsequent to the retirement and resignation of former Directors;
- reviewed the profile of proposed candidates;

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year. The time table for the proposed Board meetings in the year 2018 was fixed on 27 November 2017.

III REMUNERATION

The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company 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.

Principle B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

Our 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 our 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 two 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.

Risk Management and Internal Control Framework

9.1 Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through its Risk Management Committee (RMC) in order to manage the overall risk exposure of the Group. The RMC assessed and monitored the efficacy of the risk management controls and measures taken, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to internal audit function for the Group. The Board through the AC reviewed the Group's internal control based on the audit test carried out by the Internal Auditors.

The Group's RMC is responsible to perform a periodic review, assessment and update of the Risk Register during the RMC meetings. The Group continues to enhance its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC consist of the Chief Executive Officer, Senior Financial Controller acting as Secretary and Department.

Further details of the Risk Management and Internal Audit activities are set up in the Statement on Risk Management and Internal Control of 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 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
3. Analyst Briefings and One-to-One Meetings

II. Conduct of General Meetings

Dufu's Annual General meetings are the important and effective platforms 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.

In line with the Practice 12.3 of the MCCG in promoting electronic voting, moving forward the Board will consider adopting electronic voting taking into consideration the following advantages of electronic voting.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 March 2018.