

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7233  
**COMPANY NAME** : DUFU TECHNOLOGY CORP. BERHAD  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board has full control of and is responsible to the Group's strategic aims, ensure the necessary resources are in place for the Group to meet its objectives and review management performance. The Board has set the Group's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.</p> <p>The Group has adopted top-down strategic planning process whereby the Executive Directors will periodically formulate the Group's strategy and communicate it down to the organisation for implementation. During the strategic planning process, the Executive Directors will set the Group's mission and objective. The Executive Directors and/ or Chief Executive Officer will carry out situation analysis, inclusive of allocation of time, human capital and budget with Senior Management before formulating the strategy in achieving the Group's objectives. During the implementation of the strategic plans, relevant policies will be set and communicate to the respective team for implementation and the necessary organisational changes will be put in place. During the implementation stage, Senior Management will continuously monitor the effectiveness of the plan set up by the Executive Directors and/ or Chief Executive Officer.</p> <p>Following the guidelines stated in the MCCG, the Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following core responsibilities in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none"><li>• Set the vision and mission for the Company;</li><li>• Established good corporate governance and culture for the Group;</li><li>• Ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of business. In this regard, the Directors are required to comply with the Company's Code of Conduct and Ethics which</li></ul> |

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|  | <p>amongst others includes the declaration of any personal, professional or business interests, direct or indirect which may conflict with directors' responsibilities as a Board Member and to refrain from voting on such transaction with the Group;</p> <ul style="list-style-type: none"> <li>• Review and adopt strategic plan for the Group taking into consideration long-term value creation which includes strategies on economic, environmental and social consideration underpinning sustainability;</li> <li>• Oversight the conduct of the Group's business and to evaluate whether the business is being properly managed;</li> <li>• Set the goals for the management to meet and monitor their performance by setting relevant Key Performance Indicators ("KPI")</li> <li>• Establish written procedures (such as the Memorandum and Articles of Association of the Company, Terms of Reference of relevant Board Committees, Standard Operating Procedure and other documents) in determining which issues required decision of the full Board and which issues can be delegated to relevant Board Committees or to the Management;</li> <li>• Establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the respective Board Committees and acting on their reports;</li> <li>• Identify principal risks and ensure the implementation of appropriate systems to manage these risks;</li> <li>• Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;</li> <li>• Establish succession planning including appointing, training, fixing the compensation of, and, where appropriate, replacing Senior Management;</li> <li>• Review 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;</li> <li>• Ensure that the financial statements of the Group and the Company are fairly stated and conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;</li> <li>• Develop and implement an appropriate investor relations and communications policy for the Company.</li> </ul> <p>Subject to the applicable laws and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main LR"), the Board reserves full decision-making powers on the following matters:</p> <p>- Corporate strategies and plans;</p> |
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- Conflict of interest issues relating to a substantial shareholder or a Director;
- Material acquisitions and disposition of assets not in the ordinary course of business;
- Material investments in capital projects;
- Risk management and internal control policies;
- Key human resource issues.

The Board has delegated some of its duties and responsibilities to various committees within the Board. Currently the Board has established five (5) Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Investment Committee and Risk Management Committee (“RMC”), 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.

The abovementioned Committees are authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on all matters ultimately lies with the Board as a whole. The Board receives regular reports on the respective Committees proceedings and deliberations. On matters reserved for the Board and where Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board’s deliberation and endorsement.

Other than the Investment Committee (“IVC”), the duties and responsibilities of other Board Committees is elaborated in the respective sections of the relevant segments of the Statement on Corporate Governance. The IVC was set up by the Board to review, deliberate and approve the acquisition or disposal of investments or assets of the Group, 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 the Group’s Net Assets (“NA”) which is based on the latest Quarterly Results announced to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) whichever is lower. Thereafter, the Chairman of IVC shall propose to the Board to either approve or reject the said Transactions; and
- d) To decide on the necessary steps (e.g. open tender procedures, appointing approved professionals, etc) to be taken before deliberation and making its proposal to the Board for approval. Upon deciding on the steps to be taken, the IVC shall instruct the Management namely the Finance Department to take the necessary actions as advised by the IVC.

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|  | The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Additional meetings will be convened when the needs arise. |  |
| <b>Explanation for departure</b>   | :   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | :   |  |
| <b>Timeframe</b>   | :   |  |

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The key responsibilities of the Chairman of the Board have been clearly specified in Paragraph 3.4 of the Board Charter, which is available on the Dufu's website at <a href="http://www.dufutechnology.com">www.dufutechnology.com</a>.</p> <p>Mr. Lee, Hui-Ta, also known as Li Hui Ta was appointed as the Executive Chairman of the Company on 18 June 2015.</p> <p>Being in the executive position Mr. Lee has taken the leading role on joint venture pursuits and relations, dealing with external funding (investors and lenders) and strategic plan guidance for the Group.</p> <p>Mr. Lee continues to promote an open environment for debate and ensures effective contributions from the Non-Executive Directors. He also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At Annual General Meeting, he plays the role in fostering constructive dialogue between shareholders, Board and Management.</p> <p>The Chairman leads the Board by ensuring that Dufu adheres to all the relevant laws and regulations as well as monitors its good corporate and best practices.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Company practices a division of responsibilities between the 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. Mr. Lee, Hui-Ta, also known as Li Hui Ta, the Executive Chairman of the Company is entrusted to lead the Board's effectiveness and conduct, and as well as to promote an open environment for debate and ensures effective contribution from the Non-Executive Directors. The Chairman also exercise control over the quality, quantity and timeliness of information flow between the Board and Management. At Annual General Meeting, the Chairman plays the role in fostering constructive dialogue between shareholders, Board and Management.</p> <p>Mr Yeoh Beng Hooi who was appointed as the Group CEO effective from 27 August 2015 takes the lead on running the Group across its strategic, operational and organisational processes. In doing so, the CEO is in charge of the day-to-day operations of the business, implements the Group's policies and decisions as adopted by the Board, overseeing the operations as well as developing, coordinating and implementing business and corporate strategies.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>Both Company Secretaries of the Company have legal credentials, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretaries include, but not limited to the following:</p> <ul style="list-style-type: none"><li>• manage all the Board and Board Committees meeting logistics, attend and record minutes of the meetings and facilitate Board communications;</li><li>• advise the Board on its roles and responsibilities;</li><li>• facilitate the orientation of new directors and assist in director training and development;</li><li>• advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;</li><li>• ensure that the relevant procedures are followed and rules and regulations are complied with by the Board members;</li><li>• monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;</li><li>• update the Board, from time to time, on changes in the laws, governance and other regulatory requirements;</li><li>• provide the Board with information pertaining to the Company's business affairs to enable the Board to discharge its responsibilities effectively; and</li><li>• manage processes pertaining to the Annual General Meeting of the Company.</li></ul> <p>The Board is satisfied with the service and support rendered by the Company Secretaries in discharging their roles and duties. They have shown and proven to possess adequate knowledge and experience to carry out their functions effectively. On top of that, the Company Secretaries undertake continuous professional development by attending various seminars and trainings held during financial year ended 31 December 2018 ("FY2018") to equip themselves with the latest developments pertaining to governance, listing requirements and legislative amendments.</p> |



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| <b>Explanation for departure</b> :   |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>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 meeting in the year 2018 was circulated on 27 November 2017.</p> <p>The Management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the Company Secretaries, assesses the type of information required to be provided to the Board. If the information is insufficient, the Board can make further enquiries of which Management shall address the issue soonest possible until the Board is fully satisfied with the feedback received from Management.</p> <p>Generally, the Notice of Meeting for the Board of Directors' Meeting and/or respective Committee Meeting are circulated at least seven (7) days prior to the Meetings.</p> <p>The Meeting Papers will be prepared and distribute to the Board and respective Board Committees via e-mail. This is to ensure the Board and Committee members are able to access the information timely especially for the overseas Board members. This has proven to be efficient in improving the performance and overall effectiveness of the Board's decision making.</p> <p>Amongst others, the permanent agenda of the Board papers include the following:-</p> <ul style="list-style-type: none"><li>• Confirmation of Minutes of the previous meeting</li><li>• To discuss and approve the Quarterly Interim Financial Report</li><li>• To note Directors' and Principal Officers' dealing in securities of the Company</li><li>• Confirm and Ratify the Directors' Circular Resolution passed</li><li>• To note the Announcements made through Bursa Link within the period under review</li><li>• Internal Audit Report</li><li>• Risk Management Committee Reporting,</li><li>• Sustainability Reporting; and</li></ul> |

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|   | <ul style="list-style-type: none"> <li>• Review of Recurrent Related Party Transactions</li> </ul> <p>In promoting productive discussion during the respective Meetings, 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, independent professional advice may be obtained at the Company's expense on specific issues to enable the Board 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.</p> |  |
| <b>Explanation for departure</b>  |   |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  |   |  |
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### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>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.</p> <p>The Board Charter clearly sets out:-</p> <ul style="list-style-type: none"><li>• the respective roles and responsibilities of the Board, Board Committees, individual directors and management;</li><li>• issues and decisions reserved for the Board;</li><li>• Board composition and balances; and</li><li>• processes and procedures for convening their meetings.</li></ul> <p>The authorities and functions of Board committees are properly set out in their respective Terms of Reference available on the Company's website, <a href="http://www.dufutechnology.com">www.dufutechnology.com</a>.</p> <p>The Board reviews the Board Charter regularly, 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.</p> <p>A copy of the Board Charter, last reviewed by the Board on 27 November 2017 is available at the Company's website, <a href="http://www.dufutechnology.com">www.dufutechnology.com</a>.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
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### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>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 CCE, which is subject to periodic review, forms part of the Board's responsibility 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.</p> <p>The Directors and employees ("Dufucian") are required to comply with the highest standards in conducting their daily businesses and ensure full compliance with the law of the country.</p> <p>Dufucian are encouraged to uphold the following: -</p> <ul style="list-style-type: none"><li>a) Conduct all business with honesty, integrity and with high ethical standards;</li><li>b) Fully comply with Dufu's standards on doing business with integrity;</li><li>c) Comply with the country's laws, rules and regulations;</li><li>d) Promote ethical behaviour among peers, subordinates, suppliers and customers;</li><li>e) Promote responsible use of and control over Dufu's resources; and</li><li>f) Promptly report any violation of the above, violation of law, fraud, or any transaction or relationship that reasonably could give rise to a conflict of interest to the Chief Executive Officer ("CEO") or the Director of Human Resources Department or Investigating Officers, depending on the severity of the violation.</li></ul> <p>The policies of the CCE covers areas in managing conflicts of interest, preventing abuse of power, business gifts, insider trading and money laundering.</p> |

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|  | A copy of the CCE Policy was last reviewed on 27 November 2017 is available at the Company's website, <a href="http://www.dufutechnology.com">www.dufutechnology.com</a> . |  |
| <b>Explanation for departure</b>   | :  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has established, reviewed and implemented the policies and procedures on whistleblowing.</p> <p>The objective of the Whistle-Blowing Policy is to facilitate the stakeholders of the Group to report genuine concerns or allegations to a senior or independent member of the management of the Group about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. The policy is designed to provide protection to those who makes the allegation or reports the misconduct.</p> <p>The Group did not receive any such report in FY2018.</p> <p>The Whistle-Blowing Policy of Dufu Group has detailed the procedures in making a report. A copy of the Whistle-Blowing Policy, last reviewed on 27 November 2017 is available at the Company's website, <a href="http://www.dufutechnology.com">www.dufutechnology.com</a>.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board of Dufu, comprises six (6) Directors i.e. four (4) Independent Non-Executive Directors (“INEDs”) and two (2) Executive Directors, inclusive of the Executive Chairman. All the four (4) INEDs satisfy the independence test under the Main LR. They constitute 66% of the Board.</p> <p>The INEDs upon their appointment, gave a letter of confirmation as an Independent Director to the Company as defined under Paragraph 1.01 of the Main LR.</p> <p>In addition, the assessment of independence of the INEDs are conducted on an annual basis via the Forms of declaration of independence, to facilitate the process of determining the Director’s independence on an annual basis by each INED. The Nominating Committee (NC) also reviews the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company, any significant transaction with the Group (if any).</p> <p>In view of the fact that independent and objective judgement could be compromised by amongst others, familiarity or close relationship with other Board members, the Board recognised the importance to focus beyond the INEDs’ background, economic and family relationships, and consider whether the INEDs could continue to bring independent and objective judgement to Board deliberations.</p> <p>Among the criteria considered for independency includes: ability to exercise independent comments, judgment, and constructive contribution at all times required from an effective Board member. The relationship between the Independent Directors with substantial shareholders, Executive Directors, persons related to the Executive Director/Major Shareholder, business transactions with the Group and their tenure of office will also be reviewed.</p> |
| <b>Explanation for departure</b>                  | : |  |
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> : |  |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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| <b>Application</b>   | : | Not applicable - No independent director(s) serving beyond 9 years |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

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| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

| <b>Application</b>                                | :                                    | Applied  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
|---|--------------------------------------|--|--------|--------------------------------------|-------------|-----------|------------|-----|----|-----------|-----|----|------------|-----|----|-----------|------|----|----------------------|-----|----|----------------|-----|----|-------------|-----|--|------------------|--|--|--|-------------|--|-------|---------|--------|--------|-----------|-----------|---------------------|---|---|---|---|---|---|--|-------------------|--|--|--|--------|--|-------|-------|-------|-------|------|--------|---------------------|---|---|---|---|---|---|
| <b>Explanation on application of the practice</b> | :                                    | <p>The Board and the NC take into account the current diversity in the skills, experience, age, race/ethnicity (cultural background) and nationality of the existing Board in seeking potential candidate(s). This helps to ensure an appropriate balance between the experience perspectives of the long service term directors and new perspectives that bring fresh insights to the Board.</p> <p>The NC regularly reviews the composition of the Board and Board Committees.</p> <p>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 enables the Board to discharge its responsibilities effectively and efficiently.</p> <p>The skillsets and diversity in the race/ethnicity (cultural background), nationality, age and gender of the existing Board are as follows:-</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Industry and Background Experience ^</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Technology</td> <td>50%</td> </tr> <tr> <td>2.</td> <td>Marketing</td> <td>83%</td> </tr> <tr> <td>3.</td> <td>Industrial</td> <td>66%</td> </tr> <tr> <td>4.</td> <td>Corporate</td> <td>100%</td> </tr> <tr> <td>5.</td> <td>Accounting / Finance</td> <td>83%</td> </tr> <tr> <td>6.</td> <td>Internal Audit</td> <td>16%</td> </tr> <tr> <td>7.</td> <td>Law / legal</td> <td>16%</td> </tr> </tbody> </table> <p>^ Individual Directors may fall into one or more categories</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Race / Ethnicity</th> <th colspan="2">Nationality</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Others</th> <th>Malaysian</th> <th>Foreigner</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>-</td> <td>2</td> <td>-</td> <td>4</td> <td>2</td> <td>4</td> </tr> </tbody> </table><br><table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Age Group (years)</th> <th colspan="2">Gender</th> </tr> <tr> <th>30-39</th> <th>40-49</th> <th>50-59</th> <th>60-70</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>-</td> <td>2</td> <td>1</td> <td>3</td> <td>5</td> <td>1</td> </tr> </tbody> </table> | No.    | Industry and Background Experience ^ | Percentage  | 1.        | Technology | 50% | 2. | Marketing | 83% | 3. | Industrial | 66% | 4. | Corporate | 100% | 5. | Accounting / Finance | 83% | 6. | Internal Audit | 16% | 7. | Law / legal | 16% |  | Race / Ethnicity |  |  |  | Nationality |  | Malay | Chinese | Indian | Others | Malaysian | Foreigner | Number of Directors | - | 2 | - | 4 | 2 | 4 |  | Age Group (years) |  |  |  | Gender |  | 30-39 | 40-49 | 50-59 | 60-70 | Male | Female | Number of Directors | - | 2 | 1 | 3 | 5 | 1 |
| No.   | Industry and Background Experience ^ | Percentage   |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 1.  | Technology                           | 50%  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 2.  | Marketing                            | 83%  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 3.  | Industrial                           | 66%  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 4.  | Corporate                            | 100%   |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 5.  | Accounting / Finance                 | 83%  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 6.  | Internal Audit                       | 16%  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| 7.  | Law / legal                          | 16%  |        |                                      |             |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
|   | Race / Ethnicity                     |  |        |                                      | Nationality |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
|   | Malay                                | Chinese  | Indian | Others                               | Malaysian   | Foreigner |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| Number of Directors                               | -                                    | 2  | -      | 4                                    | 2           | 4         |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
|   | Age Group (years)                    |  |        |                                      | Gender      |           |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
|   | 30-39                                | 40-49  | 50-59  | 60-70                                | Male        | Female    |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |
| Number of Directors                               | -                                    | 2  | 1      | 3                                    | 5           | 1         |            |     |    |           |     |    |            |     |    |           |      |    |                      |     |    |                |     |    |             |     |  |                  |  |  |  |             |  |       |         |        |        |           |           |                     |   |   |   |   |   |   |  |                   |  |  |  |        |  |       |       |       |       |      |        |                     |   |   |   |   |   |   |

|   | <p>The appointment of key senior management was also made with due regard for diversity in skills, experience, age, cultural background and gender, diversity in the following perspectives as set out in the table:</p> <table border="1" data-bbox="536 331 1412 472"> <thead> <tr> <th colspan="4">Race / Ethnicity</th> <th colspan="2">Gender</th> <th colspan="4">Age Group (years)</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Other</th> <th>Male</th> <th>Female</th> <th>30-39</th> <th>40-49</th> <th>50-59</th> <th>60-70</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>4</td> <td>-</td> <td>1</td> <td>6</td> <td>-</td> <td>-</td> <td>2</td> <td>2</td> <td>2</td> </tr> </tbody> </table> | Race / Ethnicity |       |        |        | Gender            |       | Age Group (years) |       |  |  | Malay | Chinese | Indian | Other | Male | Female | 30-39 | 40-49 | 50-59 | 60-70 | 1 | 4 | - | 1 | 6 | - | - | 2 | 2 | 2 |
|---|--|------------------|-------|--------|--------|-------------------|-------|-------------------|-------|--|--|-------|---------|--------|-------|------|--------|-------|-------|-------|-------|---|---|---|---|---|---|---|---|---|---|
| Race / Ethnicity  |  |                  |       | Gender |        | Age Group (years) |       |                   |       |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |
| Malay   | Chinese  | Indian           | Other | Male   | Female | 30-39             | 40-49 | 50-59             | 60-70 |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |
| 1   | 4  | -                | 1     | 6      | -      | -                 | 2     | 2                 | 2     |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |
| <p><b>Explanation for departure</b> :</p>   |  |                  |       |        |        |                   |       |                   |       |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |                  |       |        |        |                   |       |                   |       |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |
| <p><b>Measure</b> :</p>   |  |                  |       |        |        |                   |       |                   |       |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |
| <p><b>Timeframe</b> :</p>   |  |                  |       |        |        |                   |       |                   |       |  |  |       |         |        |       |      |        |       |       |       |       |   |   |   |   |   |   |   |   |   |   |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>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.</p> <p>As of the reporting period, one (1) out of six (6) of the Company's directors are female director.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : |   |
| <b>Explanation for departure</b>   | : | <p>The Board is responsible for the appointment of new Directors, the NC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. NC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.</p> <p>The NC is empowered to bring to the Board, recommendations as to the appointment of any new director or to fill board vacancies as and when they arise. In making its recommendation, the NC will consider the required mix of skills, knowledge, education, qualities, expertise and experience, professionalism, integrity, time commitment, contribution and other factors including core competencies which Directors of the Company should bring to the Board.</p> <p>There was no new appointment of Board members during FY 2018.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice.  |
| <b>Timeframe</b>   | : | Choose an item.   |



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

|   |  |
|---|--|
| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The present composition of the NC consists of four (4) members of the Board, all of whom are Independent Non-Executive Directors.</p> <p>The NC is chaired by Mr. Lee Yoke Khay, an INED of the Company.</p> <p>The NC of DUFU assumes the following core responsibilities:-</p> <ul style="list-style-type: none"><li>• formulating the nomination, selection and succession policies for members of the Board and CEO;</li><li>• 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;</li><li>• 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;</li><li>• identify and nominate candidates to the Board for recommendation to Shareholders for election as Directors;</li><li>• undertake an assessment of its Independent Directors annually;</li><li>• review the training needs for the Directors regularly; and</li><li>• establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and review the performance of the Board as a whole.</li></ul> <p>The activities carried out by the NC during FY2018 in discharging its functions are as follows:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• reviewed the training needs for the Directors;</li><li>• undertaken review of independency of Independent Directors;</li></ul> <p>The Terms of Reference of the NC can be viewed on the Company's website at <a href="http://www.dufutechnology.com">www.dufutechnology.com</a>.</p> <p>Apart from assisting the Board in carrying out annual review on the mix of skills and experience, contributions and other qualities, including</p> |

|   |   |          |
|---|---|----------|
|   | <p>core competencies, which the Non-Executive Directors bring to the Board, the NC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and other Directors, including Independent Non-Executive Directors, as well as the Executive Directors of the Company and identifies areas for improvement and change. The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.</p> <p>The NC held one (1) meeting during the FY2018.</p> |          |
| <p><b>Explanation for departure</b></p>   | <p>:</p>  |          |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |          |
| <p><b>Measure</b></p>   | <p>:</p>  |          |
| <p><b>Timeframe</b></p>   | <p>:</p>  | <p>:</p> |

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

| <b>Application</b> :                                | Applied  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
|---|--|-----------------|---------------------------------|--|-----|---------------------|-----|------------------------|-----|--------------------------|-----|--|-----|----------------------|-----|
| <b>Explanation on application of the practice</b> : | <p>The NC has established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and to review the performance of the Board as a whole. The criteria for assessment of Directors includes attendance record, intensity of participation at meetings, quality of interventions and special contributions.</p> <p>On 28 February 2018, the NC has carried out evaluation on the performance of each member of the Board, each Board Committee and to review the performance of the Board as a whole.</p> <p>The effectiveness of the Board is assessed in the areas of the Board's role and responsibilities and composition, time commitment, attendance record, intensity of participation at meetings, quality of interventions and special contributions. Besides, the effectiveness of the Board Committees is assessed in terms of structure and processes, accountability and responsibility as well as the effectiveness of the Chairman of the respective Board Committees.</p> <p>The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The attendance record of the Directors for the FY2018 was satisfactory. The number of Board meetings attended by the respective Directors are as follows:-</p> <table border="1"><thead><tr><th><b>Director</b></th><th><b>No. of meetings attended</b></th></tr></thead><tbody><tr><td><i>Lee, Hui-Ta also known as Li Hui Ta</i></td><td>5/5</td></tr><tr><td><i>Wu, Mao-Yuan</i></td><td>5/5</td></tr><tr><td><i>Sung, Cheng Hsi</i></td><td>5/5</td></tr><tr><td><i>Joyce Wong Ai May</i></td><td>5/5</td></tr><tr><td><i>Yin Chih-Chu also known as Laurence Yin</i></td><td>4/5</td></tr><tr><td><i>Lee Yoke Khay</i></td><td>5/5</td></tr></tbody></table> <p>All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meeting as stipulated in the Main LR. In the interval between Board Meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then noted at the next Board Meeting.</p> | <b>Director</b> | <b>No. of meetings attended</b> | <i>Lee, Hui-Ta also known as Li Hui Ta</i> | 5/5 | <i>Wu, Mao-Yuan</i> | 5/5 | <i>Sung, Cheng Hsi</i> | 5/5 | <i>Joyce Wong Ai May</i> | 5/5 | <i>Yin Chih-Chu also known as Laurence Yin</i> | 4/5 | <i>Lee Yoke Khay</i> | 5/5 |
| <b>Director</b>                                     | <b>No. of meetings attended</b>  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
| <i>Lee, Hui-Ta also known as Li Hui Ta</i>          | 5/5  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
| <i>Wu, Mao-Yuan</i>                                 | 5/5  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
| <i>Sung, Cheng Hsi</i>                              | 5/5  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
| <i>Joyce Wong Ai May</i>                            | 5/5  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
| <i>Yin Chih-Chu also known as Laurence Yin</i>      | 4/5  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |
| <i>Lee Yoke Khay</i>                                | 5/5  |                 |                                 |  |     |                     |     |                        |     |                          |     |  |     |                      |     |

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Main LR, 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 to monitor the number of directorships held and to notify the Companies Commission of Malaysia accordingly.

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.

During the FY2018, the training programmes and seminars attended by the Directors are as follows:-

| Director                            | Date            | Description   |
|-------------------------------------|-----------------|---|
| Lee, Hui-Ta also known as Li Hui Ta | 23 August 2018  | DSC Consulting Sdn Bhd – Sales & Service Tax (“SST”)  |
|                                     | 2 October 2018  | Penang Taipei Investors’ Association In Malaysia - Industry 4.0   |
|                                     | 5 December 2018 | MIA – Budget 2019 Key Update and Changes for Corporate Accountants.   |
| Wu, Mao-Yuan                        | 9 March 2018    | Taiwan Financial Research Institute - Analysis of the latest trends of Privacy and Capital Protection in International Law  |
|                                     | 25 April 2018   | International Finance Centre in Guangzhou - 2018 Executives Seminar<br>1) the New Tax Policy;<br>2) Investment and Financial Management and Personal CRS;<br>3) Sino-US Trade Wars Affecting RMB Exchange Rate;<br>4) Statistical Analysis of Return on Financial Products in Mainland 2017 |
| Sung, Cheng-Hsi                     | 10 August 2018  | Taiwan Corporate Governance Association – Company Management Rights & Competitive Code of Conduct and Practical Case Explanation  |
| Joyce Wong Ai May                   | 9 March 2018    | Practical Assignment of the New and Revised GST Tax Codes   |
|                                     | 6 April 2018    | Practical Preparation for Tax Audits & Investigations   |
|                                     | 11 May 2018     | MPERS Financial Reporting for Finance Professionals with Case Studies   |

|  |   |                   |  |
|--|---|-------------------|--|
|  |   | 28 June 2018      | GST Transition from 6% to 0% - Preparation and Addressing Critical Issues              |
|  |   | 10 August 2018    | Comprehensive Tax Computation for Companies  |
|  |   | 13 September 2018 | Sales & Service Tax Act 2018 and Transitional Issues                                   |
|  |   | 22 November 2018  | CoSpec Management Services Sdn Bhd - The New Constitution Under the Companies Act 2016 |
|  |   | 5 December 2018   | Post Budget 2019   |
|  | Yin Chih Chu<br>also known as<br>Laurence Yin | 7 November 2018   | Baker Tilly Malaysia – 2019 Post Budget Tax Seminar                                    |
|  | Lee Yoke Khay                                 | 11 January 2018   | Tax & Business update seminar 2018   |
|  |   | 27 August 2018    | Penang Customs Senior Officials Association (Perkasa) - SST & GPB Seminar              |
|  |   |                   |  |
| <b>Explanation for departure</b> :   |   |                   |  |
|  |   |                   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |                   |  |
| <b>Measure</b> :   |   |                   |  |
| <b>Timeframe</b> :   |   |                   |  |

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

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 policies and procedures are periodically reviewed and made available on the company's website.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>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.</p> <p>The current remuneration policy of the Group is summarized as follows:-</p> <ul style="list-style-type: none"><li>a) The salary for Executive Directors and Senior Management are set at a competitive level benchmarking against market trends and industry norm. Other key considerations also include their annual performance, skills and experience as well as responsibilities assumed.</li><li>b) Directors' Fees are based on a standard fixed fee and are subject for approval by its shareholders at the AGM.</li><li>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.</li><li>d) Benefits-in-kind – only Executive Directors and Senior Management of the Group are entitled to benefits-in-kind provided by the Group.</li><li>e) The RC may obtain independent professional advice in formulating the remuneration package of the Directors and Senior Management if necessary.</li></ul> <p>The 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 remuneration policy and methodology when 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</p> |

|   |  |  |
|---|--|--|
|   | <p>individual performance to ensure their remuneration package commensurate with the scope of responsibilities held. The RC 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.</p> <p>The RC is responsible to develop the Company's remuneration framework to ensure they remain competitive and consistent with the Company's business strategy and long-term objectives. The policy on Directors' remuneration practiced by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the Group's business 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 discussion or voting on their own remuneration.</p> |  |
| <b>Explanation for departure</b>  |  |  |
|   |  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |  |
| <b>Measure</b>  |  |  |
| <b>Timeframe</b>  |  |  |

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>Following the introduction of MCCG, the RC should only consist of Non-Executive Directors and a majority of them must be Independent Directors. The current composition of the RC conforms to MCCG requirement and its four (4) members are INEDs.</p> <p>The Terms of Reference of RC which deals with its authorities and duties are disclosed and is available at the Company's website, <a href="http://www.dufutechnology.com">www.dufutechnology.com</a>.</p> <p>The RC meets at least once a year or at any other times as the Chairman or any member of the RC decides. During FY2018, the RC met once on 28 February 2018 to review the remuneration packages for the Executive Directors and CEO of Dufu Group.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |



## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| <b>Application</b>                                | : Applied   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
|---|---|-------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|----------------------------|--|--|--|--|--|-------------------------------------|--|--|--|--|--|-----------|--------|---|---|-------|--------|----------------|---|---------|---------|---|-----------|--|---------------|----------------|----------------|--------------|------------------|-------------|--|--|--|--|--|-----------|--------|---|---|-------|--------|----------------|---|---------|-----------|---|-----------|--|---------------|----------------|------------------|--------------|------------------|----------------------------------|--|--|--|--|--|-----------|--------|---|---|--------|--------|----------------|---|-----------|-----------|---|-----------|--|---------------|------------------|------------------|---------------|------------------|--------------------------------|--|--|--|--|--|-----------|--|--|--|--|--|------------------|--------|---|---|-------|--------|-------------------|--------|---|---|--------|--------|--|--------|---|---|-------|--------|---------------|--------|---|---|-------|--------|--|----------------|----------|----------|---------------|----------------|--------------|--|--|--|--|--|-----------|---------|---|---|--------|---------|----------------|---|-----------|-----------|---|-----------|--|----------------|------------------|------------------|---------------|------------------|
| <b>Explanation on application of the practice</b> | <p>Details of Directors' remuneration for the FY2018 are as follows:</p> <p>I. Aggregate remuneration of the Directors categorized into appropriate components:</p> <table border="1"> <thead> <tr> <th>Category</th> <th><u>Fee</u><br/>(RM)</th> <th><u>Salaries</u><br/>(RM)</th> <th><u>Bonus</u><br/>(RM)</th> <th><u>Allowances</u><br/>(RM)</th> <th><u>Total</u><br/>(RM)</th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Executive Directors</b></td> </tr> <tr> <td colspan="6">Lee, Hui-Ta also known as Li Hui Ta</td> </tr> <tr> <td>- Company</td> <td>36,000</td> <td>-</td> <td>-</td> <td>7,500</td> <td>43,500</td> </tr> <tr> <td>- Subsidiaries</td> <td>-</td> <td>626,976</td> <td>661,307</td> <td>-</td> <td>1,288,283</td> </tr> <tr> <td></td> <td><u>36,000</u></td> <td><u>626,976</u></td> <td><u>661,307</u></td> <td><u>7,500</u></td> <td><u>1,331,783</u></td> </tr> <tr> <td colspan="6">Wu Mao Yuan</td> </tr> <tr> <td>- Company</td> <td>36,000</td> <td>-</td> <td>-</td> <td>6,000</td> <td>42,000</td> </tr> <tr> <td>- Subsidiaries</td> <td>-</td> <td>420,566</td> <td>1,356,927</td> <td>-</td> <td>1,777,493</td> </tr> <tr> <td></td> <td><u>36,000</u></td> <td><u>420,566</u></td> <td><u>1,356,927</u></td> <td><u>6,000</u></td> <td><u>1,819,493</u></td> </tr> <tr> <td colspan="6"><b>Total Executive Directors</b></td> </tr> <tr> <td>- Company</td> <td>72,000</td> <td>-</td> <td>-</td> <td>13,500</td> <td>85,500</td> </tr> <tr> <td>- Subsidiaries</td> <td>-</td> <td>1,047,542</td> <td>2,018,234</td> <td>-</td> <td>3,065,776</td> </tr> <tr> <td></td> <td><u>72,000</u></td> <td><u>1,047,542</u></td> <td><u>2,018,234</u></td> <td><u>13,500</u></td> <td><u>3,151,276</u></td> </tr> <tr> <td colspan="6"><b>Non-Executive Directors</b></td> </tr> <tr> <td colspan="6">- Company</td> </tr> <tr> <td>Sung, Cheng- Hsi</td> <td>36,000</td> <td>-</td> <td>-</td> <td>6,000</td> <td>42,000</td> </tr> <tr> <td>Joyce Wong Ai May</td> <td>60,000</td> <td>-</td> <td>-</td> <td>12,500</td> <td>72,500</td> </tr> <tr> <td>Yin, Chih-Chu also known as Laurence Yin</td> <td>24,000</td> <td>-</td> <td>-</td> <td>3,000</td> <td>27,000</td> </tr> <tr> <td>Lee Yoke Khay</td> <td>24,000</td> <td>-</td> <td>-</td> <td>7,500</td> <td>31,500</td> </tr> <tr> <td></td> <td><u>144,000</u></td> <td><u>-</u></td> <td><u>-</u></td> <td><u>29,000</u></td> <td><u>173,000</u></td> </tr> <tr> <td colspan="6"><b>Total</b></td> </tr> <tr> <td>- Company</td> <td>216,000</td> <td>-</td> <td>-</td> <td>42,500</td> <td>258,500</td> </tr> <tr> <td>- Subsidiaries</td> <td>-</td> <td>1,047,542</td> <td>2,018,234</td> <td>-</td> <td>3,065,776</td> </tr> <tr> <td></td> <td><u>216,000</u></td> <td><u>1,047,542</u></td> <td><u>2,018,234</u></td> <td><u>42,500</u></td> <td><u>3,324,276</u></td> </tr> </tbody> </table> | Category                | <u>Fee</u><br>(RM)   | <u>Salaries</u><br>(RM)   | <u>Bonus</u><br>(RM) | <u>Allowances</u><br>(RM) | <u>Total</u><br>(RM) | <b>Executive Directors</b> |  |  |  |  |  | Lee, Hui-Ta also known as Li Hui Ta |  |  |  |  |  | - Company | 36,000 | - | - | 7,500 | 43,500 | - Subsidiaries | - | 626,976 | 661,307 | - | 1,288,283 |  | <u>36,000</u> | <u>626,976</u> | <u>661,307</u> | <u>7,500</u> | <u>1,331,783</u> | Wu Mao Yuan |  |  |  |  |  | - Company | 36,000 | - | - | 6,000 | 42,000 | - Subsidiaries | - | 420,566 | 1,356,927 | - | 1,777,493 |  | <u>36,000</u> | <u>420,566</u> | <u>1,356,927</u> | <u>6,000</u> | <u>1,819,493</u> | <b>Total Executive Directors</b> |  |  |  |  |  | - Company | 72,000 | - | - | 13,500 | 85,500 | - Subsidiaries | - | 1,047,542 | 2,018,234 | - | 3,065,776 |  | <u>72,000</u> | <u>1,047,542</u> | <u>2,018,234</u> | <u>13,500</u> | <u>3,151,276</u> | <b>Non-Executive Directors</b> |  |  |  |  |  | - Company |  |  |  |  |  | Sung, Cheng- Hsi | 36,000 | - | - | 6,000 | 42,000 | Joyce Wong Ai May | 60,000 | - | - | 12,500 | 72,500 | Yin, Chih-Chu also known as Laurence Yin | 24,000 | - | - | 3,000 | 27,000 | Lee Yoke Khay | 24,000 | - | - | 7,500 | 31,500 |  | <u>144,000</u> | <u>-</u> | <u>-</u> | <u>29,000</u> | <u>173,000</u> | <b>Total</b> |  |  |  |  |  | - Company | 216,000 | - | - | 42,500 | 258,500 | - Subsidiaries | - | 1,047,542 | 2,018,234 | - | 3,065,776 |  | <u>216,000</u> | <u>1,047,542</u> | <u>2,018,234</u> | <u>42,500</u> | <u>3,324,276</u> |
| Category  | <u>Fee</u><br>(RM)  | <u>Salaries</u><br>(RM) | <u>Bonus</u><br>(RM) | <u>Allowances</u><br>(RM) | <u>Total</u><br>(RM) |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| <b>Executive Directors</b>                        |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| Lee, Hui-Ta also known as Li Hui Ta               |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Company   | 36,000  | -                       | -                    | 7,500                     | 43,500               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Subsidiaries                                    | -   | 626,976                 | 661,307              | -                         | 1,288,283            |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
|   | <u>36,000</u>   | <u>626,976</u>          | <u>661,307</u>       | <u>7,500</u>              | <u>1,331,783</u>     |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| Wu Mao Yuan                                       |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Company   | 36,000  | -                       | -                    | 6,000                     | 42,000               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Subsidiaries                                    | -   | 420,566                 | 1,356,927            | -                         | 1,777,493            |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
|   | <u>36,000</u>   | <u>420,566</u>          | <u>1,356,927</u>     | <u>6,000</u>              | <u>1,819,493</u>     |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| <b>Total Executive Directors</b>                  |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Company   | 72,000  | -                       | -                    | 13,500                    | 85,500               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Subsidiaries                                    | -   | 1,047,542               | 2,018,234            | -                         | 3,065,776            |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
|   | <u>72,000</u>   | <u>1,047,542</u>        | <u>2,018,234</u>     | <u>13,500</u>             | <u>3,151,276</u>     |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| <b>Non-Executive Directors</b>                    |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Company   |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| Sung, Cheng- Hsi                                  | 36,000  | -                       | -                    | 6,000                     | 42,000               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| Joyce Wong Ai May                                 | 60,000  | -                       | -                    | 12,500                    | 72,500               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| Yin, Chih-Chu also known as Laurence Yin          | 24,000  | -                       | -                    | 3,000                     | 27,000               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| Lee Yoke Khay                                     | 24,000  | -                       | -                    | 7,500                     | 31,500               |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
|   | <u>144,000</u>  | <u>-</u>                | <u>-</u>             | <u>29,000</u>             | <u>173,000</u>       |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| <b>Total</b>                                      |   |                         |                      |                           |                      |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Company   | 216,000   | -                       | -                    | 42,500                    | 258,500              |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
| - Subsidiaries                                    | -   | 1,047,542               | 2,018,234            | -                         | 3,065,776            |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |
|   | <u>216,000</u>  | <u>1,047,542</u>        | <u>2,018,234</u>     | <u>42,500</u>             | <u>3,324,276</u>     |                           |                      |                            |  |  |  |  |  |                                     |  |  |  |  |  |           |        |   |   |       |        |                |   |         |         |   |           |  |               |                |                |              |                  |             |  |  |  |  |  |           |        |   |   |       |        |                |   |         |           |   |           |  |               |                |                  |              |                  |                                  |  |  |  |  |  |           |        |   |   |        |        |                |   |           |           |   |           |  |               |                  |                  |               |                  |                                |  |  |  |  |  |           |  |  |  |  |  |                  |        |   |   |       |        |                   |        |   |   |        |        |  |        |   |   |       |        |               |        |   |   |       |        |  |                |          |          |               |                |              |  |  |  |  |  |           |         |   |   |        |         |                |   |           |           |   |           |  |                |                  |                  |               |                  |

|  | <p>II. The number of Directors in the office at the end of financial year and their total remuneration from the Group categorized into various bands are as follows:-</p> <table border="1"> <thead> <tr> <th rowspan="2">Range of Remuneration</th> <th colspan="2">Number of Directors -</th> </tr> <tr> <th>Executive</th> <th>Non-Executive</th> </tr> </thead> <tbody> <tr> <td>Up to RM50,000</td> <td>-</td> <td>3</td> </tr> <tr> <td>RM50,001 to RM100,000</td> <td>-</td> <td>1</td> </tr> <tr> <td>RM1,300,001 to RM1,350,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>RM1,800,001 to RM1,850,000</td> <td>1</td> <td>-</td> </tr> </tbody> </table> |               | Range of Remuneration | Number of Directors - |  | Executive | Non-Executive | Up to RM50,000 | - | 3 | RM50,001 to RM100,000 | - | 1 | RM1,300,001 to RM1,350,000 | 1 | - | RM1,800,001 to RM1,850,000 | 1 | - |
|--|--|---------------|-----------------------|-----------------------|--|-----------|---------------|----------------|---|---|-----------------------|---|---|----------------------------|---|---|----------------------------|---|---|
| Range of Remuneration  | Number of Directors -  |               |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
|  | Executive  | Non-Executive |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| Up to RM50,000   | -  | 3             |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| RM50,001 to RM100,000  | -  | 1             |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| RM1,300,001 to RM1,350,000   | 1  | -             |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| RM1,800,001 to RM1,850,000   | 1  | -             |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| <b>Explanation for departure</b> :   |  |               |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
|  |  |               |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |               |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| <b>Measure</b> :   |  |               |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |
| <b>Timeframe</b> :   |  |               |                       |                       |  |           |               |                |   |   |                       |   |   |                            |   |   |                            |   |   |

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

| <b>Application</b>   | :                           | Departure  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
|--|-----------------------------|--|------------|-----------------|------------|----------|----------|---------------|------------|-----------------|------------|-------------------|--|--|--|--|--|-----------|---|---|---|---|---|----------------|---|-----------|-----------|--------|-----------|-----------------------|-----------------------------|------------------------|---|------------------------|---|------------------------|---|------------------------|---|--------------------------|---|----------------------------|---|
| <b>Explanation on application of the practice</b>  | :                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| <b>Explanation for departure</b>   | :                           | <p>Details of remuneration for the Senior Management are as follows:</p> <p>I. Aggregate remuneration of the Senior Management categorized into appropriate components:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Fee (RM)</th> <th>Salaries (RM)</th> <th>Bonus (RM)</th> <th>Allowances (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>Senior Management</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- Company</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>- Subsidiaries</td> <td>-</td> <td>2,053,404</td> <td>2,548,455</td> <td>46,770</td> <td>4,648,630</td> </tr> </tbody> </table> <p>II. The aggregate remuneration paid to the Senior Management of the Group during the financial year analysed into bands of RM50,000 are as follows:</p> <table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM400,001 to RM450,000</td> <td>1</td> </tr> <tr> <td>RM450,001 to RM500,000</td> <td>1</td> </tr> <tr> <td>RM550,001 to RM600,000</td> <td>1</td> </tr> <tr> <td>RM600,001 to RM650,000</td> <td>1</td> </tr> <tr> <td>RM950,001 to RM1,000,000</td> <td>1</td> </tr> <tr> <td>RM1,650,001 to RM1,700,000</td> <td>1</td> </tr> </tbody> </table> <p>Details of the remuneration of each Senior Management on a named basis are not disclosed in this report as the Board is of the view that the transparency and accountability aspects of the Code on disclosure of the remuneration of Senior Management are appropriately served by the above remuneration disclosures in bands of RM50,000.</p> |            |                 |            | Category | Fee (RM) | Salaries (RM) | Bonus (RM) | Allowances (RM) | Total (RM) | Senior Management |  |  |  |  |  | - Company | - | - | - | - | - | - Subsidiaries | - | 2,053,404 | 2,548,455 | 46,770 | 4,648,630 | Range of Remuneration | Number of Senior Management | RM400,001 to RM450,000 | 1 | RM450,001 to RM500,000 | 1 | RM550,001 to RM600,000 | 1 | RM600,001 to RM650,000 | 1 | RM950,001 to RM1,000,000 | 1 | RM1,650,001 to RM1,700,000 | 1 |
| Category   | Fee (RM)                    | Salaries (RM)  | Bonus (RM) | Allowances (RM) | Total (RM) |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| Senior Management  |                             |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| - Company  | -                           | -  | -          | -               | -          |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| - Subsidiaries   | -                           | 2,053,404  | 2,548,455  | 46,770          | 4,648,630  |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| Range of Remuneration  | Number of Senior Management |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| RM400,001 to RM450,000   | 1                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| RM450,001 to RM500,000   | 1                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| RM550,001 to RM600,000   | 1                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| RM600,001 to RM650,000   | 1                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| RM950,001 to RM1,000,000   | 1                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| RM1,650,001 to RM1,700,000   | 1                           |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |                             |  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| <b>Measure</b>   | :                           | Please explain the measure(s) the company has taken or intend to take to adopt the practice.   |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |
| <b>Timeframe</b>   | :                           | Choose an item.  |            |                 |            |          |          |               |            |                 |            |                   |  |  |  |  |  |           |   |   |   |   |   |                |   |           |           |        |           |                       |                             |                        |   |                        |   |                        |   |                        |   |                          |   |                            |   |



**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>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 Main LR.</p> <p>Ms. Joyce Wong Ai May is the Chairman of the Audit with effective from 3 April 2017. She is not the Chairman of the Board.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations.  
The company’s financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board recognises that if a former key audit partner joins the Company as a director, an officer, or an employee who is in a position to exert significant influence over the financial statements of Dufu (the subject matter information) before the audited annual financial statements, for which the partner was formerly a member of the engagement team or the individual responsible for the engagement quality control review, has been filed with the registrar or other appropriate authority, the self-interest, familiarity and intimidation threats created would be so significant no safeguard could reduce the threat to an acceptable level.</p> <p>In view of this, 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.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>On 26 February 2019, the AC performed the annual assessment of the External Auditors. The AC recommended the re-appointment of Baker Tilly Monteiro Heng ("BTMH") as the External Auditors of the Group for the ensuing year ending 31 December 2019 after having satisfied with its audit independence and the performance of BTMH throughout its course of audit for FY2018, amongst others:-</p> <ul style="list-style-type: none"><li>• assigned experienced supervisory and professional staff to the audit;</li><li>• able to give adequate technical support when audit issue arise;</li><li>• adequate experience and resources of the Firm and audit engagements.</li></ul> <p>BTMH had via the Audit Review Memorandum dated 26 February 2019 confirmed that:-</p> <ul style="list-style-type: none"><li>• they have complied with the ethical requirements regarding independence with respect to the audit of the Group for FY2018 in accordance with the <i>By-Laws (on Professional Ethics, Conduct and Practice)</i> of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>;</li><li>• they have reviewed the non-audit services provided to the Group during FY2018 and related safeguards have been applied to reduce the threats to an acceptable level.</li></ul> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |



|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | The AC of the Company comprises solely of Independent Directors and hence in line with the Practice 8.4 as recommended by the MCCG. |

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>This composition of our AC meets the requirements of paragraph 15.09(1)(a) and (b) of the Main LR.</p> <p>Ms. Joyce Wong Ai May, the Chairman of the Audit Committee, graduated from the 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 the Certified Practising Accountants, Australia. Thus, this meets 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.</p> <p>Mr. Sung Cheng-Hsi is the Chief Financial Officer ("CFO") of a company listed in Taipei Stock Exchange 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 experiences in both financial and wide industrial knowledge. Mr. Lee Yoke Khay is a practicing advocate &amp; solicitor and is currently a partner of Messrs. Ooi Lee &amp; Co. All members of the AC are financially literate and believed to be able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC. In order to keep abreast with recent developments in accounting standards and auditing standards, practices and rules, the AC members continued their professional development to enhance their skills and knowledge by attending programmes and seminars set out in Section 5.1 of CG Report.</p> <p>The composition of the AC which meets the requirements of paragraph 15.09(1)(a) and (b) of the Main LR, its terms of reference, attendance of meetings by the individual members and the summary of activities are set out in the Audit Committee Report of this Annual Report.</p> |

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| <b>Explanation for departure</b> :   |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>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.</p> <p>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 and project risk. The following outlines the Group's risk management objectives:-</p> <ul style="list-style-type: none"><li>(a) to assess the principle risks faced, or potential risk exposure by DUFU in its business operation and to implement appropriate internal control systems that will mitigate those risks;</li><li>(b) to review adequacy and integrity of internal control in compliance to guideline, laws and regulation, and to response to changes of business environment from time to time;</li><li>(c) to weight 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;</li><li>(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;</li><li>(e) to provide an assurance regarding the extent of Group's compliance with regulatory requirements and the policies and procedures in place.</li></ul> |
| <b>Explanation for departure</b>   | : |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |

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|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Group’s RMC- is responsible to perform a periodic review, assessment and update of the Risk Register during the RMC meetings. The Group’s Enterprise Risk Management (“ERM”) system is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC is led by the Group Chief Executive Officer, Senior Financial Controller acting as Secretary and Department Heads as its members. The RMC 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 fifteen (15) 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, Logistics, General Safety and Security, Intellectual Property, External Environment, Product and Process Development and Quality System. The risks are identified and assessed by employing the following methodologies:</p> <ul style="list-style-type: none"> <li>❖ Identification of risks by the process owners</li> <li>❖ Assessment of the likelihood and impact of the risks identified</li> <li>❖ Evaluating the control strategies in relation to the risks</li> <li>❖ Formulating action plan to address control deficiencies</li> <li>❖ Setting Key Risk Indicators to monitor the risks</li> </ul> <p>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, high to significant depending upon the severity of consequence and the likelihood of its occurrence and financial impact on the Group’s cash flow and profit. The Senior Financial Controller and where applicable the owner of the risk profile shall present the Group’s Risk Report and updates the AC every quarter on the status of the Group’s ERM process, changes in risk profiles and their controls which are in place.</p> <p>The Board through the AC reviewed the Group’s internal control based on the audit test carried out by the Internal Auditors which are</p> |

|  |  |  |
|--|--|--|
|  | outsourced by the Company. The statement on Risk Management and Internal Control is one of the content of the Group's yearly Annual Report that provides an overview on the state of risk management and internal controls within the Group. |  |
| <b>Explanation for departure</b>   | :  |  |
|  |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |



**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>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 FY2018. During the financial year, Eco Asia carried out a total of four (4) audit assignments comprising eight (8) operating cycles on the Group in accordance with the audit plan. The Internal Auditors had updated the principal risk faced, or potentially exposed by the Group in their internal audit reports to the AC on quarterly basis. The Internal Audit Review Report for FY2018 prepared by Eco Asia covered the review of the following areas:</p> <ul style="list-style-type: none"><li>• Sales and Marketing</li><li>• Credit Control</li><li>• Property, Plant and Equipment</li><li>• Conversion and Production</li><li>• Procurement</li><li>• Inventory Management</li></ul> <p>On 28 February 2018, the Internal Audit Plan for year 2018 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;</p> <p>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.</p> <p>Besides, the AC also follow up from time to time the updates and corrective actions by the Management on the weaknesses reported in the prior quarters.</p> <p>Areas for improvement were highlighted and the implementation of recommendations was monitored. None of the internal control weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.</p> |

|  |  |  |
|--|--|--|
|  | Further details of the Internal Audit activities are set up in the Statement on Risk Management and Internal Control of the Annual Report. |  |
| <b>Explanation for departure</b>   | :  |  |
|  |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>As explained in Paragraph 10.1, the Board has decided to outsource the engagement of internal audit function for the Company.</p> <p>Our Internal Audit engagement with Eco Asia is led by its Executive Director, Mr. Wong Soon Fai. He is a Fellow Member of the Association of Chartered Certified Accountants (“FCCA”) and a member of Malaysian Institute of Accountants (“MIA”). He started his career in PricewaterhouseCoopers Malaysia in 2004 and was a former Principal of UHY Advisory (KL) Sdn Bhd from 2010 to 2016 where he was the team leader for various corporate advisory services, internal control reviews and external auditing. Overall, he has over fourteen (14) years of professional experience in providing public offerings advisory, corporate debt restructuring, financial due diligence, valuations and internal controls review, risk management and corporate governance reviews for proposed listing, external audit and reporting accountant services.</p> <p>Mr. Wong is assisted by Kelly Neng, the Associate Director of Eco Asia. She is a member of MIA and the Association of Chartered Certified Accountants (“ACCA”). She was formerly a Senior Manager with UHY Advisory (KL) Sdn Bhd from 2008 to 2016. Overall, she has over ten (10) years of professional experience in providing initial public offerings advisory, corporate debts restructuring, financial due diligence, valuation, internal controls review, risk management and corporate governance review for proposed listing, independent monitoring accountant, liquidation, receivership and external audit.</p> <p>The outsourced Internal Auditors adopt a risk-based approach towards the planning and conduct of audits, which are consistent with the International Professional Practices Framework (“IPPF”) that provides guidance to internal audit services. Neither any of the Internal Auditors has any family relationship with any Directors and/or major shareholders of the Company, nor any conflict of interest with the Group that could impair their objectivity and independence in the course of their audit.</p> |

|   |  |  |
|---|--|--|
|   | <p>In view of the above measures in place in developing the scope of the Internal Audit function, the AC is satisfied that:-</p> <ul style="list-style-type: none"> <li>• the person(s) responsible for the internal audit has relevant experience, sufficient standing and authority to enable them to discharge their functions effectively</li> <li>• internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and</li> </ul> <p>the personnel or firm assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.</p> |  |
| <p><b>Explanation for departure</b></p>   |  |  |
|   |  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |  |
| <p><b>Measure</b></p>   |  |  |
| <p><b>Timeframe</b></p>   |  |  |

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board ensures there is effective, transparent and regular communication with its stakeholders.</p> <p>The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors and to disseminate information on the Company's performance and any significant developments to ensure that they are informed of all material business matters on a timely manner.</p> <p>Presently, the Board and management of Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:</p> <ol style="list-style-type: none"><li>1. Website of Bursa Securities<br/>The Company releases all material information publicly through Bursa Securities and the shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Securities .</li><li>2. Company Website<br/>Our Company's website, <a href="http://www.dufutechnology.com">www.dufutechnology.com</a> incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by both the shareholders and general public. This Investor Relations section is provided to enhance the Investor Relations function by including all the announcements made by the Company.</li><li>3. Analyst Briefings and One-to-One Meetings<br/>Analyst briefings and one-to-one meeting with analysts, media and fund managers are held from time to time upon request and availability to provide updates on the Company's strategy, financial and operational performance.</li></ol> |
| <b>Explanation for departure</b>                  | : |   |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | The Board is mindful on the benefit of Integrated Reporting. Nevertheless, due to the limited resources and considering the size of the Group, the Board has assessed and of the opinion that it is deemed not cost effective that Integrated Reporting is required at this juncture. |  |
|  |   | Alternative Practice: None  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice.  |  |
| <b>Timeframe</b>   | : | Choose an item.   |  |



**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | 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 notice of the AGM where applicable, include details of the resolutions proposed along with background information and reports or recommendations that are relevant. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Board took note that the presence of all directors will provide opportunity for shareholders to effectively engage each director. Besides, having the chair of board subcommittees present facilitates these conversations and allows shareholders to raise questions and concerns directly to those responsible. Accordingly, barring unforeseen circumstances, all Directors as well as the Chairman of respective Board Committee (i.e. Audit Committee, Nominating Committee and Remuneration Committee) will present at the forthcoming AGM of the Company) to enable the shareholders to raise questions and concerns directly to those responsible. |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company allows a member to appoint a proxy who may not 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 Board has not set 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 Articles of Association 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.</p> <p>Practice 12.3 recommended that company with large number of shareholders should have meetings in remote locations and leverage on technology to facilitate voting including voting in absentia and remote shareholders' participation at the General Meeting. In view of this, the Board has assessed and of the opinion that it is not necessary to have meetings in remote locations as it is deemed not cost effective in view of the current numbers and spread of shareholders of the Company.</p> <p>The Board took note the advantages of electronic voting as promoted by the MCGG. However, has no implement the electronic voting at its last AGM held in May 2018 as the Board is of the opinion that electronic voting is deemed not cost effective to the in view of the number of voters at the meeting.</p> |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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