

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0146
COMPANY NAME : JF TECHNOLOGY BERHAD
FINANCIAL YEAR : June 30, 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board takes full responsibility for the overall performance of the Group by setting the strategic directions and objectives, formulating the policies and executing the key strategic action plans. The Board regularly review the Group's business operations and maintains full and effective control over the management of the Group.</p> <p>The duties and responsibilities of the Board include determining the Company's overall strategic plans, performing periodic reviews of businesses and financial performance, as well as adopting practical risk management and internal controls to implement a strong framework of internal controls of the Company.</p> <p>The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provided guidance and input to Management. To ensure the effective discharge of its functions and duties, the principal responsibilities of the Board include the following:</p> <ul style="list-style-type: none">• review and adopt strategic business continuity plan for the Company and the Group;• oversee and monitor the conduct of the Group's businesses and financial performance;• review and adopt budgets and financial results of the Company and the Group, monitor compliance with applicable accounting standards and the integrity and adequacy of financial information disclosures;• identify principal risks and ensure the implementation of appropriate systems to manage these risks; and• review the adequacy and integrity of the Company's and the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.• Ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative,

	<p>technology, new products and the development of its new business market.</p> <p>The Board has also adopted a schedule of matters specifically reserved for its approval, which include, amongst others, reviewing and approving the following:</p> <ul style="list-style-type: none"> • calls for capital contributions from the shareholders; • any exercise of the Company's lien or forfeiture rights in respect of any share under the Company's Memorandum and Articles of Association; • annual business plan, annual budget and mid-term and long-term business plan; • annual report to be submitted to the general meeting; • any transaction outside the ordinary course of business of the Company; • long-term agreements covering a period of more than one (1) year; • the incurring of borrowings or the creation of any charge, mortgage or other security interest or encumbrance over the assets of the Company; • any change in the accounting policies of the Company other than as required by law or applicable accounting standards in Malaysia; • commencement or defence or settlement of any litigation or arbitration; • dividend policy of the Company and any changes to be made to such policy and declaration and payment of any interim dividend; • recommendation to the general meeting of any dividend payment or other distribution or capitalisation of any profit or reserve of the Company; • change of Board members, Chairman, Chief Executive Officer, Chief Financial Officer or Chief Operating Officer including the renewal and extension of the term of appointment; • the sale or disposal of any asset of the Company which is not in the ordinary course of its business; and • the issue of any guarantee or indemnity other than those required in the ordinary course of business of the Company. <p>The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing Committees of the Board comprise the following:</p> <ul style="list-style-type: none"> • Audit Committee; • Nomination Committee ("NC"); and • Remuneration Committee. <p>The Board receives reports at its meetings from the Chairman of each Committee on current activities and it is the general policy of the Company that all major decisions be considered by the Board as a whole.</p> <p>The terms of reference of the Board Committees are available on the Company's website at www.jftech.com.my.</p>
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Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Datuk Phang Ah Tong is the Independent Non-Executive Chairman of the Company and is primarily responsible for the orderly conduct and function of the Board and providing a balance to the influence of the Managing Director of the Company.</p> <p>The key roles and responsibilities of the Chairman are set out in the Board Charter of the Company as follows:</p> <ul style="list-style-type: none">• Leading the Board in setting the values and standards of the Company and the Group;• Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;• Ensuring the provision of accurate, timely and clear information to the Directors;• Ensuring the integrity and effectiveness of the governance process of the Board;• Ensuring effective communication with shareholders and relevant stakeholders;• Arranging regular evaluation of the performance of the Board, the Board Committees and individual Director;• Facilitating the effective contribution of the Directors; and• Setting the agenda for Board meetings and ensuring that all relevant issues are on the agenda, in consultation with the Managing Director and the Company Secretaries. <p>A copy of the Board Charter of the Company is available in the Company's website at www.jftech.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of the Chairman and the Managing Director of the Company are held by two (2) different individuals namely, Datuk Phang Ah Tong and Dato' Foong Wei Kuong, respectively.</p> <p>Both the responsibilities of the Chairman and the Managing Director are segregated and clearly defined to ensure there is an appropriate balance of power and authority with no one having the unfettered power of decision making.</p> <p>The roles and responsibilities of the Chairman and Managing Director are defined in the Board Charter of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is supported by two (2) Company Secretaries namely, Ms. Chua Siew Chuan and Ms. Chin Mun Yee who are experienced and qualified to act as Company Secretaries pursuant to Section 235 of the Companies Act 2016.</p> <p>The Board has unrestricted access to the advice and services of the Company Secretaries who are competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities. The Company Secretaries ensure that the Board's proceedings are followed and also provide guidance to the Board on the Directors' obligations arising from the rules and regulations including the Malaysian Code on Corporate Governance ("MCCG") and Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements ("ACE LR").</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>Members of the Board and Board Committees are provided with proper notices of meetings together with the agenda, and the relevant meeting papers by Management at least (5) days prior to each meeting, to allow reasonable time for the Board and Board Committees' members to review the meeting papers and enable full deliberation on the issues to be considered at the respective meeting.</p> <p>The deliberations, decisions and resolutions of meetings are reflected and accurately documented in the minutes by the Company Secretaries, including matters where Directors abstained from voting and deliberation. The minutes of meetings are then circulated to the Board and respective Board Committee members for review and thereafter for confirmation at the next meetings of the Board or Board Committees. The signed minutes of meetings are properly filed and kept in the statutory minutes book at the registered office of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has formalised and adopted a Board Charter, which sets out the roles, functions, composition, operations and processes of the Board. The Board Charter provides guidance to the Board in relation to the Board’s roles, duties, responsibilities and authorities which are in line with the principles of good corporate governance. The Board Charter acts as a source of reference for Board members and senior management, and the same is accessible to the public on the Company’s website at www.jftech.com.my.</p> <p>The Board will review the Board Charter from time to time and make any necessary amendment to ensure they remain consistent with the Board’s objectives, current laws and practices.</p> <p>The Board also adopted a schedule of matters specifically reserved for the Board’s approval.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is aware of the need to establish a corporate culture that would foster common goal of achieving business profitability, whilst cultivating ethical business conducts. The Board has adopted the Code of Ethics and Conduct which is in line and consistent to its stand under Corporate Vision, Mission, Core Pillars and Core Values.</p> <p>A copy of the Code of Ethics and Conduct is published in the Company's website at www.jftech.com.my.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>A Whistle Blowing Policy has been established to further enhance the Group’s commitment in upholding and achieving integrity, transparency and accountability in conducting its business. The Whistle Blowing Policy serves the purpose of providing an avenue to all the employees and members of public to raise concerns, report or disclose any of improper behaviour and conduct, miscarriage of justice, damage to the environment or any act and actions that could materially affects the reputation of the Group as well as the interests of the stakeholders.</p> <p>The Whistle Blowing Policy is available in the Company’s website at www.jftech.com.my.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board consists of seven (7) members, comprising one (1) Managing Director, two (2) Executive Directors, one (1) Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The Company complied with Rule 15.02(1) of Bursa Securities ACE LR which states that at least two (2) Directors or one-third (1/3) of the Board of Directors of a listed corporation, are Independent Directors.</p> <p>Pursuant to the definition of independence under Bursa Securities ACE LR, all of the four (4) Independent Directors have satisfied their independence in the yearly assessment of the Independent Directors during the financial year ended 30 June 2018.</p> <p>The Board comprises a majority of Independent Directors which represents 57.14% of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>Annual shareholders' approval was obtained at the 2017 Annual General Meeting ("AGM") held on 7 December 2017 to retain the Independent Non-Executive Directors namely, Dato' Philip Chan Hon Keong and Mr. Koay Kah Ee who have served for more than nine (9) years.</p> <p>At the time of writing this Corporate Governance Report, the tenure of the Independent Non-Executive Directors namely, Dato' Philip Chan Hon Keong, Mr. Koay Kah Ee and Mr. Lew Jin Aun have exceeded a cumulative term of nine (9) years at the forthcoming 2018 AGM.</p> <p>Both the NC and the Board have assessed the independence of Dato' Philip Chan Hon Keong, Mr. Koay Kah Ee and Mr. Lew Jin Aun and were satisfied with the skills, contribution and independent judgement they bring to the Board in facilitating decision making processes of the Company. The Board is of the view that there are significant advantages to be gained from long-serving Directors who not only possess tremendous insight but also in-depth knowledge of the Company's businesses and affairs. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Directors of the Company which are tabled for shareholders' approval at the forthcoming AGM of the Company.</p> <p>Key justifications for retaining them as Independent Non-Executive Directors are as follows:</p> <ul style="list-style-type: none">(i) Dato' Philip Chan Hon Keong, Mr. Koay Kah Ee and Mr. Lew Jin Aun have met the independence guidelines as set out in Section 1.01 of Bursa Securities ACE LR;(ii) They did not have any conflict of interest with the Company and have not been entering nor is expected to enter into contract(s), especially material contract(s) with the Company and/or its subsidiary companies; and

	(iii) They are familiar with the Group's activities and corporate history and have been providing invaluable contributions to the Board in their roles as Independent Non-Executive Directors.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In order to comply with good practice for the appointment of new Directors through a formal and transparent procedure, the NC, which comprises exclusively of Non-Executive Directors, is responsible for making recommendation relating to any new appointment to the Board. Any new nomination received is put to the full Board for assessment and approval.</p> <p>For appointment of new Directors, the NC assesses the suitability of candidates, taking into consideration of the following:</p> <ul style="list-style-type: none">• Required mixed of skills, knowledge, expertise and experience;• Professionalism;• Integrity;• Competencies;• Time commitment; and• In the case of candidates for the position of Independent Non-Executive Directors, the NC should evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. <p>The proposed re-election of existing Directors who are seeking for re-election at the AGM are first considered and evaluated by the NC. Upon its evaluation, the NC will make recommendation on the proposal to the Board for approval. The Board makes the final decision on the proposed re-election to be presented to the shareholders for approval.</p> <p>The Board is entitled to the services of the Company Secretaries who ensure that all appointments are properly made, that all necessary information are obtained from Directors, both for the internal records and for the purposes of meeting statutory obligations, as well as obligations arising from Bursa Securities ACE LR or other regulatory requirements.</p> <p>The appointment of C-Suites who are the senior management of the Company is based on character, experience, integrity, competency and time to discharge their role.</p> <p>The Board pursues diversity in both the Board level and senior management. The Board recognises a diverse Board in the Company</p>

	could offer greater depth and breadth compared to non-diverse Board whilst the diversity at senior management will lead to better decisions.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has not set gender diversity target as of the reporting period.</p> <p>The Board is aware of the importance of gender diversity as one (1) of the criteria to effective functioning of the Board. At the time of writing this Corporate Governance Report, there is one (1) female Director out of seven (7) of the Board members sitting at the Board of the Company.</p> <p>While it is important to promote such diversity, the normal selection criteria of a Director based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on effectiveness in carrying out the Board's functions and duties. Hence, the Board is committed in ensuring that its composition not only reflects the diversity as recommended by the MCCG, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Company's goal and mission.</p> <p>The Board will endeavour to ensure that gender, ethnicity and age diversity will be considered in nominating and selecting new directors to be appointed on the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>A formal and transparent procedure is conducted by the NC where new appointment or suitable candidate will be recommended to the Board for assessment and approval.</p> <p>During the assessment for appointment of new Director, the NC would consider the following for consideration:</p> <ul style="list-style-type: none"> • Required mixed of skills, knowledge, expertise and experience; • Professionalism; • Integrity; • Competencies; • Time commitment; and • In the case of candidates for the position of Independent Non-Executive Directors, the NC should evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. <p>The Company is not solely relied on the recommendations from the existing Board members or Management but also has adopted the approach to utilise the independent sources throughout the recruitment process.</p> <p>During the financial year, Datuk Phang Ah Tong was appointed as the Independent Non-Executive Chairman for the Company on 1 January 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The NC of the Company is currently chaired by an Independent Non-Executive Director, Dato’ Philip Chan Hon Keong.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, individual Director and Board Committees are assessed by the NC through the following annual assessments once every year:</p> <ul style="list-style-type: none">(a) Effectiveness of the Board as a whole and the Committees of the Board;(b) Contribution and performance of each individual Director;(c) Contribution and performance of the Audit Committee and each individual Audit Committee member; and(d) Independence of Independent Non-Executive Directors. <p>The annual assessments are conducted in yearly basis and each of the Directors are given the chance to provide feedbacks on the effectiveness of the Board as a whole and their individual performance and contribution to the Board. In addition, the NC members also assessed the contribution and performance of the Board Committees and each individual AC member. The results of all the assessments are then collated by the Company Secretaries and tabled to the NC for deliberation.</p> <p>The NC is satisfied with the effectiveness demonstrated based on the annual assessments conducted for the financial year ended 30 June 2018. The review supported the Board's decision to endorse all retiring Directors standing for re-election. The assessment report was deliberated and circulated to the NC in August 2018. The results affirmed that the Board and each of its Board Committees continue to operate effectively.</p> <p>In order to ensure continuing education for the Board to enhance their knowledge and skills for better Board participation during the meetings, the Board members had attended training programmes during the financial year, details of which were disclosed in the Corporate Governance Overview Statement in the Annual Report 2018.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a Remuneration Policy for Directors and senior management which sets out the criteria applied in recommending their remuneration packages.</p> <p>The Remuneration Policy is available on the Company's website at www.jftech.com.my.</p> <p>The Remuneration Committee is responsible to review, assess and recommend the remuneration packages of the Executive Directors after taking into consideration the individual performance, seniority, experience and scope of responsibility that is sufficient to attract and retain the Directors needed to run the Company successfully.</p> <p>The Executive Directors' remuneration is designed to link rewards to the Group's and individual's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. Additionally, in ensuring that the Directors' remuneration is in line with the market expectation and competition to retain and attract talents in the Group, reference is made to the Directors' remuneration offered by other public listed companies.</p> <p>The Executive Directors concerned play no part in the decision on their own remuneration. Likewise, the remuneration of the Independent Non-Executive Directors is a matter for the Board as a whole, with individual Director abstaining from discussion of their own remuneration.</p>
Explanation for departure	:	
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Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Remuneration Committee was established to review and recommend the appropriate level of remuneration packages for the Executive Directors.</p> <p>The main activity carried out by the Remuneration Committee during the financial year ended 30 June 2018 was to review the remuneration package for the Managing Director and Executive Directors.</p> <p>The Remuneration Committee has written terms of reference that deal with its duties and responsibilities and the terms of reference of the Remuneration Committee is available on the Company's website at www.jftech.com.my.</p> <p>The Remuneration Committee did not review the remuneration package for the senior management as the remuneration package of the senior management is determined based on the criteria set under the Remuneration Policy and approved by the Managing Director with the consultation of the Head of Human Resources.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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.

Application	:	Applied																																																																						
Explanation on application of the practice	:	<p>The details of remuneration of Directors of the Company comprising remuneration received/receivable from the Company and its subsidiaries during the financial year ended 30 June 2018 are as follows:</p> <p>(a) Company</p> <table><tr><th>Name of Directors</th><th>Fees</th><th>Salaries and other emoluments</th><th>Bonuses</th><th>Benefit-in-kind</th><th>EPF and SOCSO</th><th>Total</th></tr><tr><td></td><td>(RM)</td><td>(RM)</td><td>(RM)</td><td>(RM)</td><td>(RM)</td><td>(RM)</td></tr><tr><td colspan="7"><u>Non-Executive Directors</u></td></tr><tr><td>Datuk Phang Ah Tong</td><td>18,000</td><td>2,000</td><td>-</td><td>-</td><td>-</td><td>20,000</td></tr><tr><td>Dato’ Philip Chan Hon Keong</td><td>27,600</td><td>6,000</td><td>-</td><td>-</td><td>-</td><td>33,600</td></tr><tr><td>Koay Kah Ee</td><td>33,600</td><td>6,000</td><td>-</td><td>-</td><td>-</td><td>39,600</td></tr><tr><td>Lew Jin Aun</td><td>27,600</td><td>6,000</td><td>-</td><td>-</td><td>-</td><td>33,600</td></tr><tr><td colspan="7"><u>Executive Directors</u></td></tr><tr><td>Dato’ Foong Wei Kuong</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Datin Wang Mei Ling</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr></table>	Name of Directors	Fees	Salaries and other emoluments	Bonuses	Benefit-in-kind	EPF and SOCSO	Total		(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	<u>Non-Executive Directors</u>							Datuk Phang Ah Tong	18,000	2,000	-	-	-	20,000	Dato’ Philip Chan Hon Keong	27,600	6,000	-	-	-	33,600	Koay Kah Ee	33,600	6,000	-	-	-	39,600	Lew Jin Aun	27,600	6,000	-	-	-	33,600	<u>Executive Directors</u>							Dato’ Foong Wei Kuong	-	-	-	-	-	-	Datin Wang Mei Ling	-	-	-	-	-	-
Name of Directors	Fees	Salaries and other emoluments	Bonuses	Benefit-in-kind	EPF and SOCSO	Total																																																																		
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)																																																																		
<u>Non-Executive Directors</u>																																																																								
Datuk Phang Ah Tong	18,000	2,000	-	-	-	20,000																																																																		
Dato’ Philip Chan Hon Keong	27,600	6,000	-	-	-	33,600																																																																		
Koay Kah Ee	33,600	6,000	-	-	-	39,600																																																																		
Lew Jin Aun	27,600	6,000	-	-	-	33,600																																																																		
<u>Executive Directors</u>																																																																								
Dato’ Foong Wei Kuong	-	-	-	-	-	-																																																																		
Datin Wang Mei Ling	-	-	-	-	-	-																																																																		

	Goh Kok Sing	-	-	-	-	-	-
	Total	106,800	20,000	-	-	-	126,800
(b) Group							
	Name of Directors	Fees	Salaries and other emoluments	Bonuses	Benefit-in-kind	EPF and SOCSO	Total
		(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
<u>Non-Executive Directors</u>							
	Datuk Phang Ah Tong	18,000	2,000	-	-	-	20,000
	Dato' Philip Chan Hon Keong	27,600	6,000	-	-	-	33,600
	Koay Kah Ee	33,600	6,000	-	-	-	39,600
	Lew Jin Aun	27,600	6,000	-	-	-	33,600
<u>Executive Directors</u>							
	Dato' Foong Wei Kuong	-	640,180	77,470	32,986	138,169	888,805
	Datin Wang Mei Ling	-	413,020	49,975	23,950	89,776	576,721
	Goh Kok Sing	-	109,180	12,805	8,800	16,563	147,348
	Total	106,800	1,182,380	140,250	65,736	244,508	1,739,674
:							

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

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.

Application	:	Departure													
Explanation on application of the practice	:														
Explanation for departure	:	<p>The Company had disclosed the top five (5) senior management's remuneration component in bands width of RM50,000.00 but not on named basis as the Board considered the information is sensitive and proprietary, besides the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties.</p> <p>The top five (5) senior management's remuneration component including salary, bonus, benefit-in-kind and other emoluments in bands of RM50,000.00 is shown as below:</p> <table><tr><th>Remuneration Bands (RM)*</th><th>No. of Senior Management</th></tr><tr><td>150,001 to 200,000</td><td>2</td></tr><tr><td>200,001 to 250,000</td><td>-</td></tr><tr><td>250,001 to 300,000</td><td>1</td></tr><tr><td>300,001 to 350,000</td><td>1</td></tr><tr><td>350,001 to 400,000</td><td>1</td></tr></table> <p><i>*Successive bands of RM50,00 and below, RM50,001 to RM100,000 and RM100,001 to RM150,000 are not shown entirely as they are not represented.</i></p>		Remuneration Bands (RM)*	No. of Senior Management	150,001 to 200,000	2	200,001 to 250,000	-	250,001 to 300,000	1	300,001 to 350,000	1	350,001 to 400,000	1
Remuneration Bands (RM)*	No. of Senior Management														
150,001 to 200,000	2														
200,001 to 250,000	-														
250,001 to 300,000	1														
300,001 to 350,000	1														
350,001 to 400,000	1														
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.															
Measure	:														
Timeframe	:														

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee is not the Chairman of the Board to ensure the overall effectiveness and independence of the Audit Committee.</p> <p>The Chairman of the Audit Committee is Mr. Koay Kah Ee, whereas the Chairman of the Board is Datuk Phang Ah Tong.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>None of the Audit Committee members was a former key audit partner of the Company and notwithstanding the above provision and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of Board.</p> <p>The Company has its terms of reference of the Audit Committee revised and updated to set out the requirement that a member of the Audit Committee shall observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board vide the Audit Committee will conduct annual assessment of the suitability and independence of External Auditors, Messrs. Crowe Malaysia.</p> <p>Based on the annual assessment conducted for the financial year ended 30 June 2018, the Audit Committee was satisfied with Messrs. Crowe Malaysia's technical competency and audit independence during the financial year under review.</p> <p>The Audit Committee has also received assurance from Messrs. Crowe Malaysia, confirming that the firm, its engagement partner and the audit team's independence, integrity and objectivity complied with the relevant ethical, professional and regulatory requirements.</p> <p>Having considered all the above matters, the Board of Directors had upon recommendation by the Audit Committee, approved the recommendation for the re-appointment of Messrs. Crowe Malaysia as External Auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Audit Committee of the Company comprise solely of the following Independent Non-Executive Directors:-</p> <ol style="list-style-type: none">1) Koay Kah Ee2) Datuk Phang Ah Tong3) Dato' Philip Chan Hon Keong4) Lew Jin Aun

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>All the members of the Audit Committee are financially literate and have necessary skills, financial experience and expertise to discharge their duties effectively. The qualification and experience of the individual Audit Committee member are further disclosed in the Directors' Profile of the Annual Report 2018.</p> <p>All members of the Audit Committee had undertaken continuous professional development. Details of the trainings attended by the respective member are disclosed on page 21 of the Annual Report 2018.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal controls to safeguard shareholders’ investment and the Group’s assets. However, the Board recognises that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.</p> <p>The Statement on Risk Management and Internal Control is set out in the Annual Report 2018 providing an overview of the state of the risk management and internal controls within the Group for the financial year under review.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Statement on Risk Management and Internal Control in the Annual Report provides detailed information on the state of the risk management and internal controls within the Group.</p> <p>The Board had via the Audit Committee oversees the risk management and internal control system of the Group. During the financial year under review, the Audit Committee reviewed and discussed on the Risk Management Report for the period from October 2017 to March 2018 and April 2018 to September 2018 which covered the Principal Risks (Strategic, Project and Product Risks) and Non-Principal Risks (Operational, Strategic and Financial Risks) of the Company during the meetings held on 28 November 2017 and 25 May 2018 respectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has outsourced its internal audit function to Axcelasia Columbus Sdn. Bhd. ("Axcelasia"), an independent professional services firm, to assist the Audit Committee in discharging its duties and responsibilities more effectively.</p> <p>Axcelasia assists in obtaining the assurance regarding the effectiveness of the system of internal control and report directly to the Audit Committee on issues and recommendations arising from each review.</p> <p>During the financial year under review, the internal audit function has conducted the audits to assess the adequacy and effectiveness of the system of internal control and compliance with the Group's policies and procedures over Sales and Marketing, Credit Control, Collection and Production and Treasury Management of J Foong Technologies Sdn. Bhd. and JF Microtechnology Sdn. Bhd.</p> <p>The Audit Committee and the Board were satisfied with the performance of Axcelasia, in the provision of outsourced internal audit services to the Group and the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function, which reports directly to the Audit Committee, is outsourced to Axcelasia. The Engagement Director is Mr. Mah Siew Hoong ("Mr. Mah"), who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr. Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).</p> <p>The number of staff deployed for the internal audit reviews is four (4) staff per visit including the Engagement Director. The staff involved in the internal audit reviews possess professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationship or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews are conducted using a risk-based approach and are guided by the International Professional Practice Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied							
Explanation on application of the practice	:	<p>The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations.</p> <p>The Board ensures that the Company announces its quarterly results, annual reports or announcements on material corporate exercises to its stakeholders via Bursa Securities.</p> <p>The Board also ensures that the stakeholders are given the opportunity to speak and seek clarifications during the Company’s AGMs for effective and transparent communications with its stakeholders.</p> <p>In addition, the Company maintains a website at www.jftech.com.my for the stakeholders and general public to access information on, amongst others, the Group’s profile, corporate profile, products, financial performance and announcements made to Bursa Securities.</p> <p>Any further information regarding the Company and the Group may also be obtained by the following ways:-</p> <table><tr><td>Telephone:</td><td>03-61408668</td></tr><tr><td>Facsimile:</td><td>03-61408998</td></tr><tr><td>Email:</td><td>foong.wei.kuong@jftech.com.my</td></tr></table>		Telephone:	03-61408668	Facsimile:	03-61408998	Email:	foong.wei.kuong@jftech.com.my
Telephone:	03-61408668								
Facsimile:	03-61408998								
Email:	foong.wei.kuong@jftech.com.my								
Explanation for departure	:								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
Measure	:								
Timeframe	:								

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable to the Company as the Company is not classified as "Large Company" as defined in MCCG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Annual Report 2018 which contains the Notice of AGM was sent to the shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. In addition, an announcement of the Notice of AGM was made to Bursa Securities as well as advertisement in the major local newspaper.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board ensures that all Directors of the Company including the Chair of other Board Committees attend the General Meetings to address the issues raised by the shareholders unless unforeseen circumstances preclude them from attending the General Meetings.</p> <p>During the AGM held in 2017, all Directors attended the AGM.</p> <p>In addition to the above, the External Auditors of the Company will also attend the AGM to respond to the shareholders’ queries.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>In line with recommendation of the best practice, poll voting was adopted at the AGM held in 2017 for all resolutions proposed and this practice will continue going forward.</p> <p>The Board will consider and explore the suitability and feasibility of adopting electronic voting in coming years to facilitate greater shareholders participation at general meeting, and to ensure accurate and efficient outcomes of the poll voting process.</p>	
		Alternative practice: The shareholders who are unable to attend the General Meetings could appoint a proxy to attend and vote on his behalf provided that the relevant proxy form is lodged at the Company's Share Registrar office at least 48 hours before the General Meetings.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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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