

# AUDIT COMMITTEE REPORT

The Board of Directors of JF Technology Berhad is pleased to present the Audit Committee Report and its activities for the financial year ended 30 June 2018 ("FYE 2018").

## COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

During the FYE 2018, the Audit Committee held a total of five (5) meetings. The present members of the Audit Committee of the Company together with their attendance are set out below:

Name	Designation	Attendance
Koay Kah Ee	Chairman/ Senior Independent Non-Executive Director	5/5
Dato' Philip Chan Hon Keong	Member/ Independent Non-Executive Director	5/5
Lew Jin Aun	Member/ Independent Non-Executive Director	5/5
Datuk Phang Ah Tong (Appointed on 1 September 2018)	Member/ Independent Non-Executive Director	-

All members of the Audit Committee have a working familiarity with finance and accounting practices. Mr. Koay Kah Ee is a member of the Malaysian Institute of Accountants.

## FORMATION

The Audit Committee was formed by the Board of Directors on 18 January 2008.

## TERMS OF REFERENCE

The full terms of reference of the Audit Committee, outlining the Audit Committee's composition, retirement and resignation, proceeding of meetings, authorities, duties and responsibilities, is available on the Company's website at [www.jftech.com.my](http://www.jftech.com.my).

## SUMMARY OF WORKS DURING THE FYE 2018

The works undertaken by the Audit Committee in the discharge of its functions and duties during the FYE 2018 are summarised as follows:

### 1) Financial Reporting

- Reviewed the quarterly financial statements pertaining thereto and made recommendations to the Board for approval of the same as follows:

Date of Meetings	Review of Quarterly Financial Statements
25 August 2017	Fourth quarter results for the financial year ended 30 June 2017 ("FYE 2017")
28 November 2017	First quarter results for the FYE 2018
23 February 2018	Second quarter results for the FYE 2018
25 May 2018	Third quarter results for the FYE 2018

The review was to ensure that the Company's quarterly results were prepared in accordance with:

- Malaysian Financial Reporting Standards;
- International Accounting Standards 34 - Interim Financial Reporting Standards;
- Disclosure provisions of Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("Bursa Securities ACE LR"); and
- Companies Act 2016.

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- b) Reviewed and made recommendations to the Board in respect of the Audited Financial Statements of the Company and the Group for the FYE 2017 at its meeting held on 7 September 2017 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements. In addition, the Audit Committee had reviewed the Audit Completion Report for FYE 2017 prepared by the External Auditors at the meeting held on 25 August 2017.

### 2) External Audit

- a) Reviewed and discussed with the External Auditors at the meetings held on 25 August 2017 and 7 September 2017 on the Audit Completion Report for the FYE 2017, Audit Review Memorandum for the FYE 2017 and Audited Financial Statements for the FYE 2017 respectively. On 25 May 2018, reviewed the Audit Planning Memorandum for the financial year ending 30 June 2018 presented by the External Auditors. Discussed and considered the significant accounting adjustments and auditing issues arising from the final audit with the External Auditors. The Audit Committee also had two (2) private discussions with the External Auditors without the presence of Management and Executive Directors to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.
- b) Messrs. Crowe Malaysia, the External Auditors declared their independence and confirmed that they were not aware of any relationship between Messrs. Crowe Malaysia and the Group that, in their professional judgement, might reasonably be thought to impair their independence.
- c) Evaluated the performance of the External Auditors covering areas such as calibre, quality processes, independence, audit team, audit scope and audit communication as well as the audit fees. Based on the evaluation, the Audit Committee had recommended to the Board for approval, the re-appointment of the External Auditors for the ensuring financial year of 30 June 2018 at its meeting held on 7 September 2017.

### 3) Internal Audit

The Company has outsourced its internal audit function to Axcelasia Columbus Sdn. Bhd., an independent professional services firm, to assist the Audit Committee in discharging its duties and responsibilities more effectively.

For the FYE 2018, the internal audit function has successfully conducted the following audits in accordance with their Internal Audit Plan for FYE 2018 which was approved by the Audit Committee:

Audit Activities	Audit Entity
Assess the adequacy and effectiveness of the system of internal control and compliance with Group's policies and procedures over Sales and Marketing, Credit Control and Collection and Production	J Foong Technologies Sdn. Bhd.
Assess the adequacy and effectiveness of the system of internal control and compliance with Group's policies and procedures over Treasury Management	J Foong Technologies Sdn. Bhd. JF Microtechnology Sdn. Bhd.

The Audit Committee reviewed the significant audit findings and recommendations in the Internal Auditors' Report to improve any weakness or non-compliance, and the respective Management's responses thereto during the meetings held on 28 November 2017 and 25 May 2018.

In addition, the Audit Committee also reviewed and approved the Internal Audit Plan for years 2019 and 2020 during the meeting held on 25 May 2018.

### 4) Risk Management Progress Report

The Audit Committee also 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.

## AUDIT COMMITTEE REPORT (CONT'D)

### 5) Other Activities

- a) Reviewed the related parties and related party transactions to ensure that it follows Bursa Securities ACE LR.
- b) Reviewed and recommended to the Board for approval, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report.

### INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an independent and adequately resourced internal audit function which has been outsourced to a professional services firm. The Audit Committee is aware of the fact that an internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the systems of internal control and this is performed with impartiality, proficiency and due professional care.

During the financial year under review, the internal audit activities have been carried out according to the internal audit plan which has been approved by the Audit Committee. The cost incurred for the internal audit function in respect of the FYE 2018 amounted to RM34,400.00.