



We Bring Possibilities



Energizing
INNOVATION

ANNUAL
REPORT
2016



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ANNUAL REPORT 2016

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PRODUCT FAMILY

SUPER HIGH PERFORMANCE TEST CONTACTING SOLUTIONS



ZIGMA



ALPHA



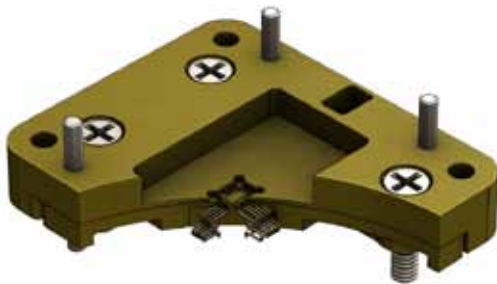
GAMMA

PRODUCT FAMILY

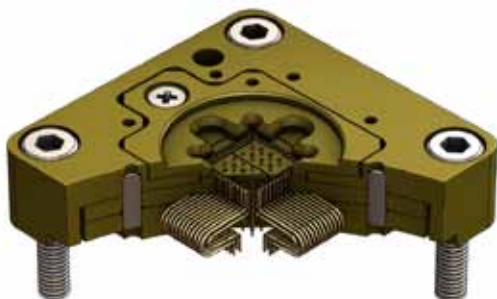
SUPER HIGH PERFORMANCE TEST CONTACTING SOLUTIONS



ETA.5



OSTRICON



OHM

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Foong Wei Kuong
(Chairman cum Managing Director)

Datin Wang Mei Ling
(Executive Director)

Goh Kok Sing
(Executive Director)

Dato' Philip Chan Hon Keong
(Independent Non-Executive Director)

Koay Kah Ee
(Senior Independent Non-Executive Director)

Lew Jin Aun
(Independent Non-Executive Director)

AUDIT COMMITTEE

Koay Kah Ee
(Chairman)

Dato' Philip Chan Hon Keong
Lew Jin Aun

NOMINATION COMMITTEE

Dato' Philip Chan Hon Keong
(Chairman)

Koay Kah Ee
Lew Jin Aun

REMUNERATION COMMITTEE

Koay Kah Ee
(Chairman)

Datin Wang Mei Ling
Dato' Philip Chan Hon Keong
Lew Jin Aun

COMPANY SECRETARIES

Chua Siew Chuan, Chartered Secretary
(MAICSA 0777689)

Chin Mun Yee, Chartered Secretary
(MAICSA 7019243)

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Telephone No.: 03-2084 9000
Facsimile No.: 03-2094 9940/2095 0292

BUSINESS ADDRESS

Lot 6, Jalan Teknologi 3/6
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Telephone No.: 03-6140 8668
Facsimile No.: 03-6140 8998
Email: sales@jftech.com.my
Website: www.jftech.com.my

REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Telephone No.: 03-2084 9000
Facsimile No.: 03-2094 9940/2095 0292
Website: www.sshsb.com.my

AUDITORS

Crowe Horwath
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Wilayah Persekutuan
Telephone No.: 03-2788 9999
Facsimile No.: 03-2788 9998
Website: www.crowehorwath.com.my

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
AmBank (M) Berhad
Public Bank Berhad

SOLICITORS

Advanz Fidelis Sdn. Bhd.
Nixon Peabody LLP

LISTING

ACE Market of Bursa Malaysia Securities Berhad

STOCK NAME

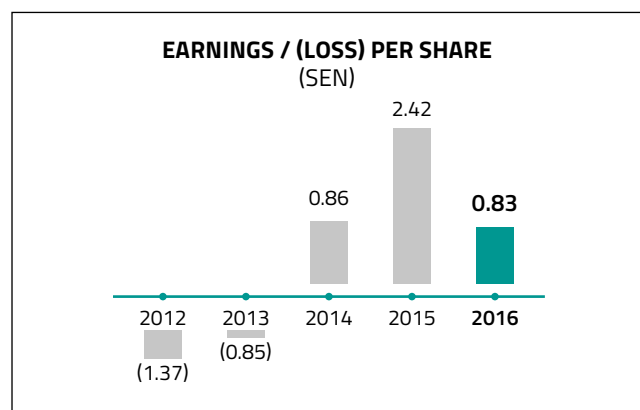
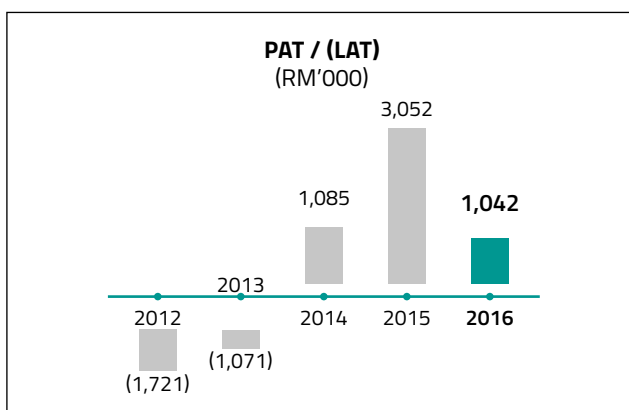
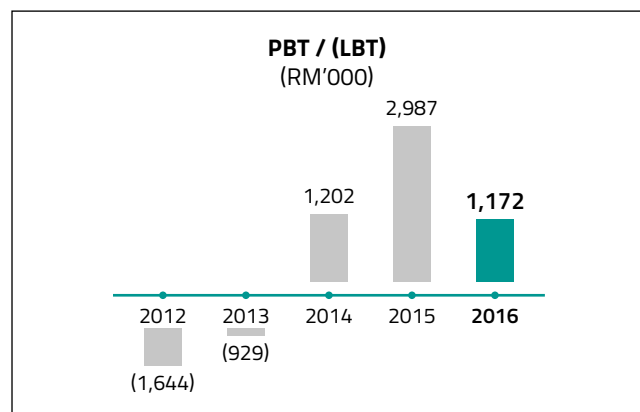
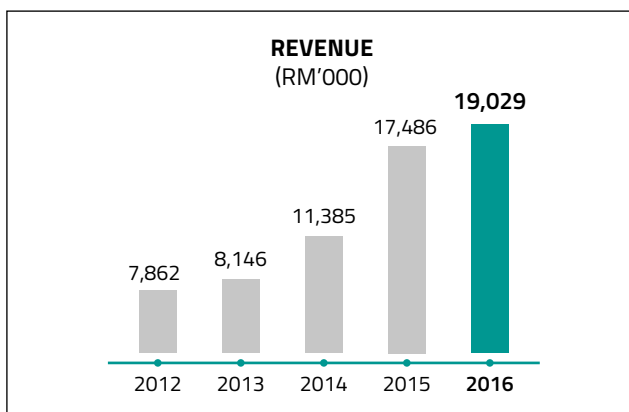
JFTECH

STOCK CODE

0146

GROUP FINANCIAL HIGHLIGHTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	7,862	8,146	11,385	17,486	19,029
Profit/(Loss) before taxation ("PBT/(LBT)")	(1,644)	(929)	1,202	2,987	1,172
Profit/(Loss) after taxation ("PAT/(LAT)")	(1,721)	(1,071)	1,085	3,052	1,042
STATEMENTS OF FINANCIAL POSITIONS					
Share Capital	12,600	12,600	12,600	12,600	12,600
Total assets	31,282	29,405	30,653	33,067	33,048
Total liabilities	8,684	7,878	8,041	8,663	8,862
OTHERS					
Earnings/(loss) per share (sen)	(1.37)	(0.85)	0.86	2.42	0.83
Net assets per share (sen)	17.93	17.08	17.95	19.37	19.20



CHAIRMAN'S STATEMENT



Dato' Foong Wei Kuong
Chairman

REVENUE



PROFIT BEFORE TAX



OVERVIEW

Financial year 2016 has been a challenging year for JF Technology Berhad ("JF Tech or Company") and its subsidiaries ("Group") due to high litigation cost lawsuit in the United States besides the slowing down of sales of the disputed product line i.e. Zigma. This lawsuit has now crossed twenty-four (24) months. Our efforts in branding and product promotion are affected by this lawsuit not just in the United States but also outside of the United States.

To mitigate against this lawsuit, the Group has adopted new strategy focusing on strengthening the business opportunities in the Automotive IC devices segment. Our Alpha and Gamma product lines continued to perform satisfactory to offset the drop in sales of our disputed product line, Zigma. During the year, the Group continued to invest in Product Development, Production Capacity and Sales and Marketing activities to promote our brands and products. The Group also recruited additional engineers to support newly introduced products and worked on many new product developments.

With the strong leadership of our fellow Board members together with the commitment of our Management team, the Group is on a stronger footing to meet its future challenges.

FINANCIAL PERFORMANCE

For the financial year ended 30 June 2016, despite the ongoing lawsuit which has crossed twenty-four (24) months and coming close to a conclusion expected in the second quarter of the financial year ending 2017 ("FYE 2017"), the Group had recorded an increase in revenue to RM19.0 million and a reduction of profit before taxation ("PBT") to RM1.17 million as compared to the preceding year with a revenue of RM17.5 million and a PBT of RM2.99 million. There was an increase of 9% in revenue and a decrease in PBT of 61%. These were mainly due to high legal fees paid during the financial year under review which amounted to RM3.75 million.

DIVIDEND

In view of the Group's financial performance and position in the financial year 2016, the Board did not recommend any final dividend for the financial year ended 30 June 2016 other than the interim dividend of 5% (0.5 sen) per ordinary share which was paid on 25 March 2016. The Board believes that it is of the best interest of the Group to conserve funds for further market development activities.

ACHIEVEMENTS AND SIGNIFICANT EVENTS for financial year ended 30 June 2016

1. LEGAL CASE

Twenty-four (24) months had passed and we are coming close to a conclusion in this infringement case from a major competitor in the United States. This case involved our Zigma product line and applicable to the United States only. We had appointed litigation lawyers to address this case. Business will proceed as usual during the litigation process. JF Tech had paid a total of RM3.75 million in legal fees during the financial year ended 30 June 2016.

2. SALES AND MARKETING ACTIVITIES

In order to build the brand and market share, JF Tech continues with its momentum by participating in four (4) major exhibitions, resulting in the Group securing eleven (11) new customers from China, Belgium, Korea and Japan.

3. PATENT GRANTED AND FILED

As innovation is the bedrock of the Company, JF Tech had filed another ten (10) patents for various new innovations and in various countries during the financial year 2016, taking our patent pending to twenty-eight (28). To-date, the Company has been granted six (6) patents whereby three (3) patents are for our key product i.e. Zigma which were granted in the United States and Singapore with a tenure of twenty (20) years.

4. QUALITY MANAGEMENT SYSTEM

JF Tech takes quality very seriously. With this in mind, JF Tech had been granted the latest certification of ISO9001:2015 quality management system. In order to enhance the quality with speed and accuracy, JF Tech had invested in high precision measuring instruments to carry out these processes.

5. PRECISION MACHINING

JF Tech stays ahead of competition by continuously improving its machining precision. With this in mind, JF Tech had invested in the next level of high precision CNC machining centers, Wire EDM, upgrading of CAM and simulation software which are operational today. This help to improve 1st Pass Yield and cycle time.

OUTLOOK GOING FORWARD

The Group will continue to focus and expand on our core businesses in the design, development and manufacturing of test probes and test sockets for the global market. While staying focus on our core businesses, the Company will keep an eyes open for any other potential business opportunities to explore should it fits our portfolio.

JF Tech had launched several new products during the financial year 2016 i.e. OHM, Ostricon, D-One, Gamma 2, Gamma USWS and Phantom. We target to introduce by mid-2017 our product, Unicon for the WLCSP market in line with the growing IOT device and our New Kelvin Short Wipe as demands for short pad probing. Our Gamma USWS is ready to hit the automotive market segment soon. RF, ultra-thin and small size packages test solution to be designed with Beta.5 which will target a bandwidth of 70GHz.

With our constant launches of new products for the smartphone, automotive and IOT IC Devices testing that set new performance benchmark and with the adoption of these products by many major semiconductor players, we expect to grow at a faster pace in FYE 2017 as we had earned the trust of our customers. Our products are now preferred and specified by major semiconductor companies to facilitate test and screen for defective microchips for major companies. This further recognises JF Tech as an important world player in the High Performance Test Socket category and not just a regional player and a supplier of choice.

In view of the continued uncertain economic scenario, the high numbers of mergers and acquisitions consolidation in the semiconductor industry in the last twelve (12) months and the pending legal case, the Group will continue to implement stringent cost control in our internal control measures through lean programs. A strong commitment in containing costs and eliminating waste will ensure our Company to have sufficient resources for product innovation and market expansion, not for immediate future, but to build ourselves into a stronger Company.

We foresee that FYE 2017 will be a very challenging year as well as a breakthrough year for us depending on the outcome of the lawsuit. We are well positioned to capitalise on the next phase of growth through innovation and business excellence.

APPRECIATION

My sincere appreciation to our valued customers, suppliers, business associates, bankers, authorities and most importantly our esteemed shareholders for their unwavering support and confidence to the Group.

Last, but not least, I wish to thank my fellow colleagues on the Board for their counsel, support and commitment this far as well as our employees for their invaluable commitment to the Group.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Company has been conscious and intentional in our CSR. Below are some of the CSR activities carried out during the financial year:-

- 1) The Company has offered technical and industrial trainings to interns from local universities and vocational institutions for which their focus of study is related to our industry. Of which two (2) of the interns had subsequently join us as permanent employees after their graduations.
- 2) The Company continues to emphasise on the development of the human capital by sending different individuals from various departments in regards to leadership skills, technical skills, competency skills and over-learning programme.
- 3) The Company constantly encourages every employee to cultivate the habit of reading books for self-education and self-development. In this regard, the Chief Executive Officer has set a unique example by organising a special workshop for the Management team entitled, "From Good to Great". This workshop was conducted by him personally from this leadership book which has inspired him greatly.
- 4) Visit to SEMOA care centre. This is a Non-Government Organisation (NGO) known as Semenanjung Orang Asli. Their mission is to help the Orang Asli in Peninsula Malaysia, the minority and marginalised people group in our society. They received the young school children age group from the inner remote jungle who are being denied of education. They house them at the SEMOA centre which is located at Raub, Pahang Darul Makmur. The centre is mainly managed by volunteers and retirees who have passion and love for them. The centre nurtures these children and registers them to local government schools until they reach the tertiary level and become independent and gainfully employed.

We had contributed several commercial electrical equipment such as chiller, freezer and rice cooker, which they have expressed their urgency and pressing need to feed their 85 children and staff. In order to understand their need, our Management team had visited them at their centre on 14 October 2015.



BOARD OF DIRECTORS' PROFILE

Dato' Foong Wei Kuong
(Executive Chairman cum
Managing Director)

Dato' Foong Wei Kuong, male, aged 56, a Malaysian, was appointed as the Chairman and Managing Director of JF Technology Berhad ("**JF Tech**") on 18 January 2008.

Dato' Foong Wei Kuong is the co-founder of JF Tech Group. He started his career in 1980 as a Sales Representative when he joined Preston Corporation Sdn. Bhd. Subsequently, he joined National Starch and Chemical Sdn. Bhd. as a Sales Executive in 1984. He was promoted to Area Sales Manager in 1992 overseeing the sales team for Northern Peninsular Malaysia. He was subsequently attached to PT Danako Mitra Adhesive, Indonesia ("**PT Danako**") as a Business Development Manager in 1994. Later in 1996, he was promoted to a Business Development Director of PT Danako where he remained for two (2) years. In 1997, he was General Manager of PT National Starch and Chemical Indonesia ("**PT National**") overseeing the whole business unit of National Starch and Chemical USA. He left PT National to join Merichem Sdn. Bhd. as an Executive Director in 1997. Then he left Merichem Sdn. Bhd. in 1999 and incorporated J Foong Technologies Sdn. Bhd. ("**J Foong**") in 1999 and JF Microtechnology Sdn. Bhd. ("**JFM**") in 2005. He is currently responsible for the overall visions and operational directions of JF Tech Group, and hence he also identifies overall strategies for JF Tech Group.

Dato' Foong Wei Kuong is not a Director of any other public company.

Datin Wang Mei Ling
(Executive Director)

Datin Wang Mei Ling, female, aged 59, a Malaysian, was appointed as an Executive Director of JF Tech on 18 January 2008.

Datin Wang Mei Ling obtained her LCCI Higher Accounting in 1984. In 1976, she started her career with Loh Piang Wong & Co as an auditor. She subsequently joined Times Educational Corporation Sdn. Bhd. as an Accounts Assistant in 1979. In 1981, she joined Syarikat Pembinaan Raya Sdn. Bhd. as an Accounts Supervisor. She left Syarikat Pembinaan Raya Sdn. Bhd. to join Pati Ho Hup Sdn. Bhd. as an Accounts Executive in 1990 until 1994. In 1999, she founded J Foong together with Dato' Foong Wei Kuong and is instrumental in the day-to-day operations of J Foong as an Administration and Finance Manager. She subsequently founded JFM together with Dato' Foong Wei Kuong in 2005 and is also active in the operations of JFM as a Finance Director. She presently also oversees the human resources and general administrative activities of JF Tech Group.

Datin Wang Mei Ling is not a Director of any other public company.

Datin Wang Mei Ling is a member of the Remuneration Committee

Goh Kok Sing
(Executive Director)

Mr. Goh Kok Sing, male, aged 52, a Malaysian, was appointed as an Executive Director of JF Tech on 18 January 2008.

He started his career in 1983 as a Computer Engineer in NCR (M) Sdn. Bhd. He joined Henkel (M) Sdn. Bhd. (previously known as Multicore Solders (M) Sdn. Bhd.) as a Regional Manager overseeing the technical division for Asia Pacific in 1991. During his twelve (12) years tenure there, he was responsible for providing technical support to multinational customers and other printed circuit board assembly houses and manufacturers. He was also involved in product and manufacturing process development. Following the accumulation of vast experience in the industry, he left Henkel (M) Sdn. Bhd. in 2003 and founded his own business, Amtech Electronics, which was subsequently converted into a private limited company, AMT Electronics Sdn. Bhd. in 2006. The major activities of the said company is in electronic and printed circuit board designs, product development and manufacturing of electronics controllers and sensors for the medical equipment. In July 2006, he was employed as the Chief Technical Officer of J Foong, where he was instrumental in carrying out research and development ("**R&D**") of the products. He currently leads the technical team of JF Tech Group and is responsible for setting overall technology direction and R&D efforts of JF Tech Group in line with the overall strategies of JF Tech Group. He is also responsible for identifying new fields of research for future product development.

Mr. Goh Kok Sing is not a Director of any other public company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

Dato' Philip Chan Hon Keong
(Independent Non-Executive Director)

Dato' Philip Chan Hon Keong, male, aged 51, a Malaysian, was appointed as an Independent Non-Executive Director of JF Tech on 18 January 2008.

Dato' Philip Chan Hon Keong obtained his Bachelor of Economics Degree and Bachelor of Laws Degree from the University of Sydney, Australia in 1989. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1990. He commenced his practice in Messrs. Azalina, Chan & Chia in 1990 and was a partner of the firm until 2000. He joined Messrs. Skrine as a partner in the Corporate Division in January 2001. Currently, he is the co-head of the Banking and Property Unit in Messrs. Skrine. He also sits on the Board of Ekskons Corporation Berhad [a company listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**")].

Dato' Philip Chan Hon Keong is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

Koay Kah Ee
(Senior Independent Non-Executive Director)

Mr. Koay Kah Ee, male, aged 57, a Malaysian, was appointed as an Independent Non-Executive Director of JF Tech on 18 January 2008. He was subsequently re-designated as Senior Independent Non-Executive Director on 21 October 2010.

He graduated with a Master in Business Administration from University of Strathclyde, UK. He is a Fellow of Chartered Institute of Management Accountants (FCMA), UK, Fellow of the Australian Society of Certified Practising Accountants (FCPA), Chartered Accountant (CA) of the Malaysia Institute of Accountants, member of the Employer panel of Industrial Court Malaysia and a CIMA(UK) Global Membership Assessor.

He is currently the Group Finance Director of Prestar Resources Berhad (a company listed on the Main Market of Bursa Securities). He also sits on the Board of Ajinomoto (Malaysia) Berhad (a company listed on the Main Market of Bursa Securities) as a Senior Independent Non-Executive Director.

Mr. Koay Kah Ee is the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee.

Lew Jin Aun
(Independent Non-Executive Director)

Mr. Lew Jin Aun, male, aged 64, a Malaysian, was appointed as an Independent Non-Executive Director of JF Tech on 2 January 2009.

Over a career spanning of more than thirty (30) years in the semiconductor industry, he has held several positions of increasing responsibility in engineering, manufacturing, operations management as well as Managing Director at Motorola Malaysia Sdn. Bhd. and STATSChipPAC Malaysia Sdn. Bhd.

Currently, he serves as Chairman of Selangor Human Resources Development Centre. He received his Bachelor of Mechanical Engineering (Honours) degree from University of Malaya in 1976. He graduated with Distinction in Executive MBA program conducted by the University of Bath, UK in 1990.

Mr. Lew Jin Aun is not a Director of any other public company.

Mr. Lew Jin Aun is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS

Conflict of Interest

None of the Directors have any conflict of interest with the Company.

Family Relationships with any Director and/or Major Shareholder

Save and except for Dato' Foong Wei Kuong and Datin Wang Mei Ling who are husband and wife, none of the Directors have any family relationship with any other Directors or major shareholders of the Company.

Offences

None of the Directors have committed any offences within the past ten (10) years other than traffic offences, if any.

In addition, none of the Directors have any public sanction or penalty imposed by regulatory bodies during the financial year.

KEY MANAGEMENT PROFILE

Andy Goh Joo Hwa
*(Head of Department
of worldwide sales &
marketing and test &
application)*

Mr. Andy Goh Joo Hwa, male, aged 45, a Malaysian, joined JF Tech as Sales and Marketing Manager in September 2008. He was promoted to Sales Director in January 2012 and is currently the Head of Department of worldwide sales & marketing and test & application.

He graduated with a Master in Business Administration major in International Marketing from University of Sunderland, United Kingdom. He obtained his Bachelor of Engineering (Hons.) Electrical and Electronic Engineering from the same university in 1995.

He started his career in 1996 as Test Engineer in ST Microelectronics Sdn. Bhd. in Muar, Johor Darul Takzim and promoted as Chief Engineer in 1999 in-charge of engineering and maintenance at Automotive Power Department and led a team of approximately 36 technicians and engineers. He later joined Avi-Tech Electronics Ltd., a Singapore company based in Melaka as Sales Manager in 2000 overseeing the Malaysia business. In 2002, he was promoted to Senior Sales Manager responsible for Malaysia, Philippines and Thailand sales of burn-in products and other semiconductor capital test equipment. He was offered to work in Avi-Tech Electronics Ltd. headquarter based in Singapore as Senior Sales Manager in 2004 and in-charge of worldwide sales of burn-in products until 2008.

Mr. Andy Goh Joo Hwa does not hold any directorship in the public companies.

Mr. Andy Goh Joo Hwa does not have any family relationship with any Director and/or major shareholder nor have any conflict of interest with the Company. He has not been convicted of any offence within the last five (5) years other than traffic offences, if any nor any public sanction or penalty imposed by the regulatory bodies during the financial year.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“**the Board**”) of JF Technology Berhad acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“**MCCG 2012**”). The Board is fully committed in maintaining high standards of corporate governance practices throughout the Group to protect and enhance long-term shareholders’ value and all stakeholders’ interest. This statement also serves as a compliance with Rule 15.25 of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) ACE Market Listing Requirements (“**ACE LR**”).

The Board is pleased to provide the following statement, which outlines the main corporate governance that has been in place throughout the financial year.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Board takes full responsibility for the overall performance of the Group by setting the strategic directions and objective, 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.

The duties and responsibilities of the Board include determining the Company’s overall strategic plans, performing periodic reviews of business and financial performance, as well as adopting practical risk management and internal controls to implement a strong framework of internal controls of the Company.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing Committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee. 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.

Clear Roles and Responsibilities

The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provided guidance and input to the Management. To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following:-

- review and adopt strategic business continuity plans 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 disclosure;
- 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.

Code of Conduct

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 in line and consistent to its stand under the Corporate Vision, Mission, Core Pillars and Core Values. A copy of the Code of Ethics and Business Conduct is published in the Company’s website at www.jftech.com.my.

Strategies to Promote Sustainability

The Board views the commitment to sustainability and Environmental, Social and Governance performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

The Group recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals. The Group continues to invest in its staff through continuous training to develop in-house capability and also a united workforce that assists in the Group realising its goals and objectives.

The Company’s activities on corporate social responsibilities for the financial year under review are disclosed in the Chairman’s Statement in the Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Access to Information and Advice

The Board is provided with appropriate information and comprehensive Board papers on a timely basis prior to Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. Management is invited to attend the Board and Committees meetings and to brief and provide explanation to the Directors and Committees members on the operations in the Group.

The Board recognises the importance of reviewing and adopting a strategic plan and overseeing the conduct of the business to ensure that the business is being properly managed. Presently, the performance of the Group is reviewed by the Board in consideration of the quarterly financial results.

The proceedings and resolutions passed at each Board meeting are minuted and kept in the statutory minutes book at the registered office of the Company.

Company Secretaries

The Board has unrestricted access to the advice and services of the Company Secretaries who are experienced, competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities. The Directors are also empowered to seek independent professional advice from external consultants as they may require, at the expense of the Company, to enable them to make well-informed decisions.

Board Charter

The Board has formalised and adopted a Board Charter, which sets out the role, functions, composition, operation and processes of the Board. The Board Charter provides guidance to the Board in relation to the Board's role, 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 corporate website.

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee comprises exclusively of Independent Non-Executive Directors of the Company. The Nomination Committee is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and to assess the performance of the Directors and members of the Board Committees of the Company on an on-going basis. The current members of the Nomination Committee are as follows:-

Chairman : Dato' Philip Chan Hon Keong (*Independent Non-Executive Director*)
Member : Koay Kah Ee (*Senior Independent Non-Executive Director*)
Member : Lew Jin Aun (*Independent Non-Executive Director*)

The Board noted that one (1) of the recommendations of MCCG 2012 states that the Chairman of the Nomination Committee shall be Senior Independent Non-Executive Director. The Board endeavours to fulfil the said recommendation in the coming years.

During the financial year under review, one (1) meeting was held and attended by all members. The main activities carried out by the Nomination Committee during the financial year under review are as follows:-

- Reviewed and assessed the effectiveness and composition of the Board and Board Committees and contribution of each individual Director of the Company;
- Reviewed and assessed the independence of the Independent Non-Executive Directors; and
- Reviewed the Directors who were due for re-election at the Company's Annual General Meeting ("**AGM**") to determine whether or not to recommend their re-election.

The Nomination Committee also reviewed the size of the Board and had concluded that it was appropriate.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Appointment to the Board

In order to comply with good practice for the appointment of new Directors through a formal and transparent procedure, the Nomination Committee, which comprises exclusively of Non-Executive Directors, is responsible for making recommendations relating to any new appointments to the Board. Any new nomination received is put to the full Board for assessment and approval.

For appointment of new Directors, the Nomination Committee assesses the suitability of candidates, taking into consideration the following:-

- 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 Nomination Committee should evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

The proposed re-election of existing Directors who are seeking re-election at the AGM are first considered and evaluated by the Nomination Committee. Upon its evaluation, the Nomination Committee will make recommendations 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.

The Board is entitled to the services of the Company Secretaries who ensures that all appointments are properly made, that all necessary information is 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.

The Directors observe the recommendation of MCCG 2012, that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

Re-election of Directors

Re-election of Directors provides an opportunity for shareholders to renew their mandate conferred to the Directors. In this respect, the Articles of Association of the Company provide that all Directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire from the office but shall be eligible to offer themselves for re-election at the AGM.

This requirement would be adhered to by the Board in every AGM.

Directors who are appointed by the Board are subject to re-election by the shareholders at the AGM held following their appointments.

Board Diversity

The Board acknowledges the importance of Board diversity, including gender, ethnicity, age and business experience, to the effective functioning of the Board.

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 2012, 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Remuneration Committee

The Board had established the Remuneration Committee to review and recommend the appropriate level of remuneration for the Executive Directors. The current members of the Remuneration Committee are as follows:-

Chairman : Koay Kah Ee (Senior Independent Non-Executive Director)
 Member : Dato' Philip Chan Hon Keong (Independent Non-Executive Director)
 Member : Datin Wang Mei Ling (Executive Director)
 Member : Low Jin Aun (Independent Non-Executive Director)

During the financial year under review, two (2) meetings were held and attended by all members. The main activity carried out by the Remuneration Committee during the financial year under review is as follows:-

- Reviewed the remuneration package for the Managing Director and Executive Directors.

Directors' Remuneration

The Remuneration Committee considers the principles recommended by MCG 2012 in determining the Directors' remuneration whereby, 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 expectations and competition to retain and attract talents in the Group, reference is made to the Directors' remuneration offered by other public listed companies.

The Executive Directors concerned play no part in the decisions 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.

The number of Directors whose income falls within the following bands is set out as follows:-

Remuneration Bands*	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3	-	-
RM200,001-RM250,000	-	-	1	-
RM450,001-RM500,000	-	-	1	-
RM750,001-RM800,000	-	-	1	-

* Successive bands of RM50,001 to RM200,000, RM250,001 to RM450,000 and RM500,001 to RM750,000 are not shown entirely as they are not represented.

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 2016 are as follows:-

	Fees* (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Benefit-in- kind (RM)	EPF and SOCSO (RM)	Total (RM)
Company						
Executive Directors	-	-	-	-	-	-
Non-Executive Directors	88,800	19,500	-	-	-	108,300
Group						
Executive Directors	-	1,138,225	25,002	71,376	212,856	1,447,459
Non-Executive Directors	-	-	-	-	-	-

* For Company level, payment of Directors' fees is subject to the approval by shareholders at the AGM.

The Board views that the transparency in respect of Directors' remuneration has been reasonably dealt with by the 'band disclosure' as presented above.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

REINFORCE INDEPENDENCE

Annual Assessment of Independence of Directors

The Board adopts the concept of independence in tandem with the definition of Independent Director in Section 1.01 of Bursa Securities ACE LR through the assistance of the Nomination Committee. The Board also carries out an annual assessment of the independence of its Independent Directors.

The Board considers that its Independent Directors provide an objective and independent views on various issues dealt with at the Board and Board Committees level. All Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholders in the Company through the Board representation.

The Board is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

One (1) of the recommendations of the MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years' terms, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

In line with recommendations of the MCCG 2012, the Nomination Committee had performed an annual review on the independency of the Independent Directors by adopting the concept of independence in tandem with the definition of Independent Director in Section 1.01 of Bursa Securities ACE LR. The tenure of Independent Directors namely, Dato' Philip Chan Hon Keong and Mr. Koay Kah Ee will reach a cumulative term of nine (9) years before the following 2017 AGM.

Shareholders' Approval for the Retention of Independent Non-Executive Directors

Both the Nomination Committee and the Board have assessed the independence of Dato' Philip Chan Hon Keong and Mr. Koay Kah Ee and are 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 thereof 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 business 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.

Key justifications for retaining them as Independent Non-Executive Directors are as follows:-

- (i) Dato' Philip Chan Hon Keong and Mr. Koay Kah Ee have met the independence guideline as set out in Section 1.01 of Bursa Securities ACE LR;
- (ii) They do not have any conflict of interest with the Company and has 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 role as Independent Non-Executive Directors.

Separation of Chairman and Managing Director

The Board is aware that it is not in compliance with the best practices of the MCCG 2012 on the separation of the roles of the Chairman and Managing Director. However, the Board is satisfied with the dual role held by the same person in view of the excellent works performed by the Executive Chairman and Managing Director and the Board did not foresee any conflict of interest situation that may arise since the Chairman and Managing Director accepts and evaluates the view and opinion raised by the Independent Directors.

Composition and Board Balance

The Board currently comprises three (3) Independent Non-Executive Directors and three (3) Executive Directors. The role and responsibilities of the Executive Chairman and Managing Director are assumed by Dato' Foong Wei Kuong.

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

The Independent Non-Executive Directors play a pivotal role in corporate accountability, which is reflected in their membership of the various Board Committees and their attendance of meetings as detailed below. The significant contributions of the Independent Directors in the decision making process is evidenced in their participation as members of the various Committees of the Board. In addition, the Independent Non-Executive Directors ensure that matters and issues brought up to the Board are fully discussed and examined, taking into account the stakeholders' interest in the Group. The profiles of the members of the Board, as set out in this Annual Report, demonstrate the complement of skills and experience that the Directors value add on issues of strategy, performance, control, resource allocation and integrity.

The assessment of the independence of each of its Independent Director is undertaken annually according to set criteria as prescribed by Bursa Securities ACE LR. The Board has assessed and concluded that all the Independent Directors of the Company continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Board noted that one (1) of the recommendations of MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Board endeavours to fulfil the said recommendation in the coming years.

FOSTER COMMITMENT

Time Commitment

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend meetings.

Board Meetings

During the financial year, five (5) Board meetings were held with the presence of the Company Secretary. Details of attendance by the Board members during this financial year are as set out below:-

Name of Directors	No. of Meetings attended
Dato' Foong Wei Kuong	5/5
Datin Wang Mei Ling	5/5
Goh Kok Sing	5/5
Koay Kah Ee	5/5
Dato' Philip Chan Hon Keong	4/5
Lew Jin Aun	5/5

Based on the above, all Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in Bursa Securities ACE LR. The Board and Board Committees meetings for each of the financial year are scheduled before the end of the preceding financial year, to allow the Directors and members of the Committees to organise and plan their activities ahead to ensure that they are able to attend all meetings that have been scheduled for the following year.

All Directors have participated fully in the discussions during Board meetings. There is no Board dominance by any individual and the Directors are free to express their view and opinions during the Board meetings. In arriving at Board decisions, the view of the majority prevails at all times. In the same manner, the Directors are also aware and observes the requirement that they do not participate in the deliberations on matters of which they have a material personal interest, and abstain from voting in such matters.

Proceedings of, and resolutions passed at each Board meeting are documented in the minutes and signed by the Chairman at the subsequent Board meeting. In between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Board also peruse the decisions deliberated by Board Committees through minutes of the Committees. The Chairman of the Board Committees is responsible to inform the Directors at Board meetings of any salient matters noted by the Committees and which require the Board's notice or direction.

Directors' Training

Continuous learning and training are part of the Directors' development programme. The Directors recognise the needs to attend trainings to enable the Directors to discharge their duties effectively. All Directors had attended the Mandatory Accreditation Programme. During the financial year under review, some of the trainings and briefings attended by the Directors include:-

Directors	Training Attended
Dato' Foong Wei Kuong	<ul style="list-style-type: none"> - Doing Businesses in Indonesia - ASEAN Community and OBOR - Brand Transformation Starts With Culture Transformation - Marketing in the Age of the smartphone
Datin Wang Mei Ling	<ul style="list-style-type: none"> - Business by the Book Workshop
Koay Kah Ee	<ul style="list-style-type: none"> - Transfer Pricing Seminar - Bursa Securities: Management Discussion and Analysis for Chief Executive Officer/Chief Financial Officer - Anti-Money Laundering and Anti-Terrorism Financing Act 2001 - How to prepare for the new Companies Act
Dato' Philip Chan Hon Keong	<ul style="list-style-type: none"> - Employees Provident Fund – Global Private Equity Summit
Goh Kok Sing	<ul style="list-style-type: none"> - CSDT Technical File requirements
Lew Jin Aun	<ul style="list-style-type: none"> - Digital Intelligence - Leading Under Extreme Conditions - ASEAN Economic Community and One-Belt-One-Road - Brand Transformation Starts with Culture Transformation

The Board empowers the Directors to determine their own training requirements as they consider necessary to enhance their knowledge as well as understanding of the Group's businesses and operations.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Company's Audited Financial Statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Board is responsible to ensure that the shareholders are provided with a balanced evaluation of the Company's financial performance, its position and its future prospects, through the issuance of the annual Audited Financial Statements, quarterly financial reports and corporate announcements on significant developments affecting the Company in accordance with Bursa Securities ACE LR.

In this respect:-

- Management presented to the Audit Committee and the Board, details of the Company's Financial Statements which include amongst others, revenues and expenditures, for review of quarter-to-quarter and year-to-date financial performance; and
- The Audit Committee discharged its function in reviewing the Financial Statements of the Company with the assistance of the External Auditors, prior to recommending the statements for the Board's approval and issuance to shareholders.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Assessment of Sustainability and Independence of External Auditors

The Board vide the Audit Committee will conduct annual assessment of the suitability and independence of External Auditors.

The Audit Committee has received assurance from Messrs. Crowe Horwath, the External Auditors of the Company 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.

The Audit Committee was satisfied with Messrs. Crowe Horwath's technical competency and audit independence during the financial year under review.

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

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.

The Statement on Risk Management and Internal Control is set out in the Annual Report providing an overview of the state of the risk management and internal controls within the Group.

Internal Audit Function

The outsourced Internal Auditors, namely Audex Governance Sdn. Bhd. communicates regularly with and report directly to the Audit Committee. The outsourced Internal Auditors' representatives attended three (3) meetings of the Audit Committee for the financial year ended 30 June 2016.

The Internal Audit Review of the Company's operations encompasses an independent assessment of the Company's compliance with its internal controls and makes recommendations for improvement.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations.

The Board has yet to formalise a corporate disclosure policy. Nonetheless, the Board is committed in ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

Leverage on Information Technology for Effective Dissemination of Information

The Company's corporate website provides all relevant information on the Company and is accessible by the public.

The Company's corporate website is accessible at www.jftech.com.my.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholders' Participation at General Meetings

The Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Where practicable, the Board is prepared to enter into a dialogue with institutional shareholders. Currently, information is disseminated through various disclosures and announcements made to Bursa Securities. This information is also electronically published at Bursa Securities' website at <http://www.bursamalaysia.com>. The Company also maintain its website at www.jftech.com.my containing essential corporate information about the Group and its products as well as announcements made to Bursa Securities for the access of the general public.

Poll Voting

The Board noted the Recommendation 8.2 of the MCCG 2012 states that the Board should encourage poll voting. In line with this recommendation, the Executive Chairman informs the shareholders of their right to demand a poll vote at the commencement of the general meetings.

Further to the recent changes to Bursa Securities ACE LR issued by Bursa Securities on 25 March 2016 on the requirement for poll voting for any resolution set out in the notice of general meetings which will apply for general meetings held on or after 1 July 2016, 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.

Shareholders' Communication and Investor Relations

The Board views the AGM as the primary forum to communicate with shareholders while the Extraordinary General Meetings ("EGM") are held as and when required. Shareholders will receive annual reports and notices of AGM, which are sent out at least twenty-one (21) calendar days before the date of the AGM. In addition, the Notice of AGM/EGM will be advertised in the newspapers. The Board encourages shareholders to attend the forthcoming AGM and undertake to answer all questions raised by the shareholders.

The proceedings of the AGM included a question and answer session in which the Chairman of the Meeting would invite shareholders to raise questions on the Company's Financial Statements and other items for adoption at the AGM, before putting a resolution to vote. The Chairman of the Meeting ensures that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

The results of all the resolutions set out in the Notice of the AGM will be announced on the same day via Bursa LINK, which is accessible on Bursa Securities' and the Company's websites.

The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Notice of the AGM.

An explanatory note facilitating full understanding and evaluation of issues involved in the proposed resolution accompanying each item of special business is included in the Notice of the AGM.

COMPLIANCE STATEMENT

Except for the explanations provided above on any departures from the best practices of the MCCG 2012, the Board believes that all material aspects of the best practices set out in the MCCG 2012 have been complied with during the financial year.

This statement is made in accordance with a resolution of the meeting of the Board of Directors on 14 September 2016.

ADDITIONAL COMPLIANCE INFORMATION

OTHER INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

Utilisation of Proceeds

The Company did not raise any fund through any corporate proposal during the financial year.

Audit and Non-Audit Fees

During the financial year, the amount of audit and non-audit fees paid by the Company and the Group to the External Auditors are as follows:

	Group (RM)	Company (RM)
Audit Fees	58,000	20,600
Non-Audit Fees	3,300	3,300

Material Contracts

There were no material contracts entered into by the Group involving Directors' and major shareholders' interests either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 required listed companies to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. Rule 15.26 (b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires directors of public listed companies to include a statement on their risk management and internal controls in their annual reports. The preparation of this statement is guided by Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Responsibility

The Board recognises that it is responsible for the Group's system of risk management and internal control and for reviewing its effectiveness whilst the role of Management is to implement Board policies on risk management and control. The Board is committed to maintain the effective risk management practices, as it understands that such practices are essential in the maintenance of a sound system of internal control.

However, in any system of internal controls, there are inherent limitations that may impede the achievement of the Group's business objectives. Therefore, the system of internal control can only provide reasonable assurance and not absolute assurance against any material misstatement, losses and fraud.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

Risk Management Framework

Throughout the financial year ended 30 June 2016 and up to the date of approval of this statement, the Board had identified, evaluated and managed the significant risks faced by the Group by monitoring the Group's operations performance and profitability during the Board meetings. This serves as an on-going process of identifying, assessing and managing risks faced by the Group. The Board, through its Audit Committee, reviews the results of this process, including mitigating measures implemented by Management to address the key risks as identified.

This review mechanism is overseen by the Audit Committee. The process of risk management is also addressed by compilation of risk profiles of each department in the Group. The risk action plans and internal controls that Management has taken and/or is taking are documented in the minutes of the Audit Committee meetings.

The presence of the internal audit function supports this review mechanism and assists the Audit Committee in conducting their review more effectively. Additionally, the Audit Committee also reviews the financial information and reports produced by Management. This financial information and reports also include quarterly financial results, annual report and Audited Financial Statements. In this respect, the Audit Committee, upon consultation with Management, deliberates the integrity of the information and data before recommending to the Board for presenting to the shareholders and public investors.

Key Elements of Internal Control

Apart from the above, the fundamental elements of internal controls that have been ingrained perpetually in the Group's system of internal control are:

- i. Organisation structure defining the hierarchy structure of reporting lines and accountability;
- ii. Limit of authority and approval facilitating delegation of authority and management succession;
- iii. Compare actual result against budget to monitor and track the Company's performance; and
- iv. ISO 9001:2015 Quality Management System forming the basis of operational procedures of the production processes and a reference point to the Management in furthering their improvement on their operating procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

In making this statement, the Board had considered the Bursa Securities Guidance on Statement on Risk Management and Internal Control for the Group. The Board views that the existing level of system of internal control is reasonable to achieve the Group's business objectives. Nonetheless, the Board recognises that the system of internal control should be continuously improved in line with the evolving business development. It should also be noted that risk management systems and system of internal control are only designed to manage rather than eliminate risks of failure to achieve the business objectives. Therefore, these systems can only provide reasonable and not absolute assurance against material misstatements, frauds and losses.

Internal Audit Function

The Group has outsourced its internal audit function to an independent internal audit service provider to carry out reviews and assess the adequacy and integrity of the system of internal control of the Group. The independent internal auditors report directly to the Audit Committee, who receives reports of issues and recommendations arising from each review. The costs incurred for the internal audit function in respect of the financial year 2016 was RM34,400.

This statement was made in accordance with the resolution of the Board dated 14 September 2016.

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 2016 ("FYE 2016").

COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

During the FYE 2016, 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

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 meeting, authority, duties and responsibilities, is available in the Company's website at www.jftech.com.my.

SUMMARY OF WORKS DURING THE FYE 2016

The works undertaken by the Audit Committee in the discharge of its functions and duties during the FYE 2016 were summarised as follows:-

1) Financial Reporting

- a) 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
21 August 2015	Fourth quarter results for the financial year ended 30 June 2015 ("FYE 2015")
19 November 2015	First quarter results for the FYE 2016
23 February 2016	Second quarter results for the FYE 2016
20 May 2016	Third quarter results for the FYE 2016

The review was to ensure 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
 - Section 169 and Ninth Schedule of the Companies Act, 1965.
- b) Reviewed and made recommendations to the Board in respect of the audited financial statements of the Company and the Group for the FYE 2016 at its meeting held on 22 September 2015 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 the financial year ended 30 June 2015 prepared by the External Auditors at the meeting held on 21 August 2015.

AUDIT COMMITTEE REPORT (CONT'D)

2) External Audit

- a) Reviewed and discussed with the External Auditors at the meeting held on 21 August 2015, 22 September 2015 and 20 May 2016, the Audit Completion Report FYE 2015, Audit Review Memorandum FYE 2015 and Audit Planning Memorandum FYE 2016 respectively. 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 Horwath declared their independence and confirmed that they were not aware of any relationship between Messrs. Crowe Horwath 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, audit communication and as well as the audit fees. Based on evaluation, the Audit Committee had recommended to the Board for approval, the re-appointment of the External Auditors for the ensuing financial year of 30 June 2016 at its meeting held on 22 September 2015.

3) Internal Audit

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

On 21 August 2015, the Audit Committee reviewed and accepted the Internal Audit Plan for FYE 2016 presented by the Internal Auditors. The internal audit reviews carried out were to assess the adequacy and effectiveness of JF Microtechnology Sdn. Bhd.'s systems of internal control and compliance with the Group's policies and procedures over the procurement, inventory management, sales & marketing and credit control & collection.

The Audit Committee reviewed the significant audit findings and recommendations to improve any weakness or non-compliance, and the respective Management' responses thereto during the meeting held on 19 November 2015 and 23 February 2016.

4) Risk Management Progress Report

The Audit Committee also reviewed and discussed on the Risk Management Report for the period from October 2015 to March 2016 and April 2016 to September 2016 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 19 November 2015 and 20 May 2016.

5) Other Activities

- a) Reviewed the related parties and related party transactions to ensure that it is in compliance with 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 2015 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 system 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 2016 amounted to RM34,400.00.

STATEMENT OF DIRECTORS' RESPONSIBILITY

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

Pursuant to the Companies Act, 1965, Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("**ACE LR**") and the applicable approved accounting policies, the Directors are required to prepare the financial statements that give a true and fair view of the state of affairs of the Group and the Company as at the financial year end and of the results and cash flows for that year then ended.

The Directors consider that in preparing the financial statements:-

- the Group and the Company have used appropriate accounting policies which are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965, the ACE LR and the applicable Malaysian Accounting Standard Board approved accounting standards in Malaysia.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.



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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the activity of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit after tax for the financial year	1,042	778
Attributable to:-		
Owners of the Company	1,042	778
Non-controlling interests	-	-
	<u>1,042</u>	<u>778</u>

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:-

- (a) a tax-exempt final dividend of 0.50 sen per ordinary share amounting to RM630,000 in respect of the previous financial year; and
- (b) a tax-exempt interim dividend of 0.50 sen per ordinary share amounting to RM630,000 in respect of the current financial year.

The directors do not recommend the payment of further dividends for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The Directors who held office since the date of the last report are:-

Dato' Foong Wei Kuong
Datin Wang Mei Ling
Goh Kok Sing
Koay Kah Ee
Dato' Philip Chan Hon Keong
Lew Jin Aun

DIRECTORS' INTERESTS

The Directors' holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company during the financial year ended 30 June 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 in Malaysia were as follows:-

Shares in the Company	-- Number of ordinary shares of RM0.10 each --			Balance as at 30.6.2016
	Balance as at 1.7.2015	Bought	Sold	
<u>Direct interests:-</u>				
Dato' Foong Wei Kuong	63,917,594	-	-	63,917,594
Datin Wang Mei Ling	13,455,387	-	-	13,455,387
Goh Kok Sing	75,000	-	-	75,000
Lew Jin Aun	1,000,000	-	-	1,000,000
Koay Kah Ee	300,000	-	-	300,000
Dato' Philip Chan Hon Keong	366,000	-	-	366,000
<u>Indirect interests:-</u>				
Dato' Foong Wei Kuong	13,455,387	-	-	13,455,387
Datin Wang Mei Ling	63,917,594	-	-	63,917,594
Lew Jin Aun	1,325,000	-	-	1,325,000

Dato' Foong Wei Kuong is the spouse of Datin Wang Mei Ling. By virtue of their relationship, they are also deemed to have interests in shares held by each other, both direct and indirect.

By virtue of Section 6A of the Companies Act 1965, Dato' Foong Wei Kuong and Datin Wang Mei Ling are also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the objects of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (a) The Directors are not aware of any circumstances:-
 - (i) which would necessitate the writing off of bad debts or render the amount of the allowance for impairment losses on receivables in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (b) In the opinion of the Directors:-
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (a) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (b) The contingent liabilities are disclosed in Note 31 to the financial statements.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 September 2016

Dato' Foong Wei Kuong
Director

Datin Wang Mei Ling
Director

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

In the opinion of the Directors, the financial statements set out on pages 35 to 77 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the Directors, the supplementary information set out in Note 33 on page 78, which is not part of the financial statements, is prepared in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors dated 14 September 2016

Dato' Foong Wei Kuong

Director

Datin Wang Mei Ling

Director

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Datin Wang Mei Ling, being the Director primarily responsible for the financial management of JF Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 77 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur this 14 September 2016

Datin Wang Mei Ling

Before me:

Lai Din (No. W668)
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JF TECHNOLOGY BERHAD
(Incorporated in Malaysia)
Company No: 747681 - H

Report on the Financial Statements

We have audited the financial statements of JF Technology Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 77.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF JF TECHNOLOGY BERHAD

(Incorporated in Malaysia)

Company No: 747681 - H

Other Reporting Responsibilities

The supplementary information set out in Note 33 on page 78 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018

Chartered Accountants

14 September 2016

Kuala Lumpur

Ngiam Mia Teck

Approval No: 03000/07/2018 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	20,425	20,403	1	1
Intangible asset	6	-	-	-	-
Investments in subsidiaries	7	-	-	17,801	17,801
		20,425	20,403	17,802	17,802
Current assets					
Inventories	8	1,465	1,187	-	-
Trade and other receivables	9	3,584	3,735	21	640
Current tax asset		180	-	-	-
Fixed deposit with a licensed bank	10	203	-	203	-
Cash and cash equivalents	11	7,191	7,742	3,630	3,732
		12,623	12,664	3,854	4,372
TOTAL ASSETS		33,048	33,067	21,656	22,174
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	12,600	12,600	12,600	12,600
Reserves	13	11,586	11,804	8,983	9,465
TOTAL EQUITY		24,186	24,404	21,583	22,065
Non-current liabilities					
Borrowings	14	3,324	4,184	-	-
Deferred income	17	1,673	927	-	-
Deferred tax liabilities	18	920	897	-	-
		5,917	6,008	-	-
Current liabilities					
Trade and other payables	19	1,897	1,730	73	109
Borrowings	14	928	918	-	-
Current tax liabilities		120	7	-	-
		2,945	2,655	73	109
TOTAL LIABILITIES		8,862	8,663	73	109
TOTAL EQUITY AND LIABILITIES		33,048	33,067	21,656	22,174

Note:

- Amount below RM1,000

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	20	19,029	17,486	1,000	1,480
Cost of sales		(4,752)	(4,209)	-	-
Gross profit		14,277	13,277	1,000	1,480
Other income		732	1,130	108	115
Administrative expenses		(12,550)	(10,299)	(330)	(251)
Other expenses		(1,111)	(902)	-	-
Profit from operations		1,348	3,206	778	1,344
Finance costs		(176)	(219)	-	-
Profit before tax	21	1,172	2,987	778	1,344
Tax expense	22	(130)	65	-	-
Profit after tax		1,042	3,052	778	1,344
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		1,042	3,052	778	1,344
Profit after tax attributable to:-					
Owners of the Company		1,042	3,052	778	1,344
Non-controlling interests		-	-	-	-
		1,042	3,052	778	1,344
Total comprehensive income attributable to:-					
Owners of the Company		1,042	3,052	778	1,344
Non-controlling interests		-	-	-	-
		1,042	3,052	778	1,344
Earnings per ordinary share (sen)	23				
- Basic		0.83	2.42		
- Diluted		0.83	2.42		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Group	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 July 2014		12,600	8,743	1,269	22,612
Profit after tax/Total comprehensive income		-	-	3,052	3,052
Distribution to owners of the Company:- Dividends paid during the year	24	-	-	(1,260)	(1,260)
Balance as at 30 June 2015/1 July 2015		12,600	8,743	3,061	24,404
Profit after tax/Total comprehensive income		-	-	1,042	1,042
Distribution to owners of the Company:- Dividends paid during the year	24	-	-	(1,260)	(1,260)
Balance as at 30 June 2016		12,600	8,743	2,843	24,186

Company	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 July 2014		12,600	8,743	638	21,981
Profit after tax/Total comprehensive income		-	-	1,344	1,344
Distribution to owners of the Company:- Dividends paid during the year	24	-	-	(1,260)	(1,260)
Balance as at 30 June 2015/1 July 2015		12,600	8,743	722	22,065
Profit after tax/Total comprehensive income		-	-	778	778
Distribution to owners of the Company:- Dividends paid during the year	24	-	-	(1,260)	(1,260)
Balance as at 30 June 2016		12,600	8,743	240	21,583

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before tax		1,172	2,987	778	1,344
Adjustments for:-					
Amortisation of product development costs	6	-	101	-	-
Depreciation of property, plant and equipment	5	1,330	1,152	#	#
Deposit written off		-	17	-	-
Dividend income		-	-	(1,000)	(1,480)
Impairment loss on product development costs		-	115	-	-
Interest expenses		176	219	-	-
Inventories written off	8	28	-	-	-
Inventories written down	8	-	98	-	-
Unrealised loss on foreign exchange		6	-	-	-
Amortisation of deferred income	17	(155)	(83)	-	-
Gain on disposal of property, plant and equipment		(53)	(240)	-	-
Interest income from short-term funds		(135)	(157)	(108)	(114)
Unrealised gain on foreign exchange		(29)	(300)	-	-
Operating profit/(loss) before working capital changes		2,340	3,909	(330)	(250)
Increase in inventories		(306)	(33)	-	-
Decrease/(Increase) in trade and other receivables		145	(680)	619	(8)
Increase/(Decrease) in trade and other payables		167	613	(36)	11
Cash generated from/(for) operating activities		2,346	3,809	253	(247)
Tax (paid)/refund		(174)	78	#	50
Net cash from/(for) operating activities		2,172	3,887	253	(197)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Dividend received		-	-	1,000	1,950
Government grant received		901	852	-	-
Increase in pledged deposit with a licensed bank		(203)	-	(203)	-
Interest received		135	157	108	114
Proceeds from disposal of property, plant and equipment		54	241	-	-
Purchase of property, plant and equipment	5(b)	(1,203)	(1,717)	-	-
Net cash (for)/from investing activities		(316)	(467)	905	2,064
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid	24	(1,260)	(1,260)	(1,260)	(1,260)
Interest paid		(176)	(219)	-	-
Repayment of hire purchase creditors		(197)	(98)	-	-
Repayment of term loan		(803)	(744)	-	-
Net cash for financing activities		(2,436)	(2,321)	(1,260)	(1,260)
Net (decrease)/increase in cash and cash equivalents		(580)	1,099	(102)	607
Cash and cash equivalents at beginning of financial year		7,742	6,376	3,732	3,125
Effects of exchange rate changes		29	267	-	-
Cash and cash equivalents at end of financial year	11	7,191	7,742	3,630	3,732

Note:

- Amount below RM1,000

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Lot 6, Jalan Teknologi 3/6, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya.

The financial statements for the financial year ended 30 June 2016 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution of the Directors dated 14 September 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the activity of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

3.1 No new accounting standards and interpretations (including the consequential amendments) have been adopted by the Group during the current financial year.

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:- (continued)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expenses and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Amortisation of Product Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

(e) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(f) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(g) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (cont'd)

(i) Financial Assets at Fair Value through Profit or Loss (cont'd)

Financial assets at fair value through profit or loss could be presented as current asset or non-current asset. Financial assets that are held primarily for trading purposes are presented as current asset whereas financial assets that are not held primarily for trading purposes are presented as current asset or non-current asset based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Equity loan represents non-trade loan granted by the Company to a subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future and is intended to provide the subsidiary with a long-term source of additional capital. It is, in substance, an addition to the Company's investment in the subsidiary and accordingly, is accounted as part of the investment in the subsidiary and measured at cost.

4.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Long-term leasehold land	99 years
Building	50 years
Computer and software	25%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10%
Plant and machinery	8 - 10%
Renovation	10%
Tools and equipment	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.8 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.9 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment and the corresponding obligations are treated as hire purchase payables. The assets are capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs completion and the estimated cost necessary to make the sale.

4.11 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 INCOME TAXES

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusting against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.17 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.18 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 EARNINGS PER ORDINARY SHARE (CONT'D)

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.19 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.21 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, trade and cash discounts.

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE AND OTHER INCOME (CONT'D)

(d) Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as a deduction in reporting the related expenses in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected life of the related asset.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Balance as at 1.7.2015 RM'000	Additions RM'000	Disposal RM'000	Balance as at 30.6.2016 RM'000
Cost				
Long-term leasehold land	4,601	-	-	4,601
Building	11,888	109	-	11,997
Computer and software	1,020	167	-	1,187
Furniture and fittings	508	10	-	518
Motor vehicles	1,765	182	(173)	1,774
Office equipment	414	14	-	428
Plant and machinery	6,129	723	-	6,852
Renovation	130	127	-	257
Tools and equipment	1,852	21	-	1,873
	28,307	1,353	(173)	29,487

Group 2016	Balance as at 1.7.2015 RM'000	Depreciation charges for the financial year RM'000	Disposal RM'000	Balance as at 30.6.2016 RM'000
Accumulated depreciation				
Long-term leasehold land	357	47	-	404
Building	1,434	239	-	1,673
Computer and software	818	141	-	959
Furniture and fittings	311	48	-	359
Motor vehicles	812	275	(172)	915
Office equipment	224	38	-	262
Plant and machinery	2,040	404	-	2,444
Renovation	70	23	-	93
Tools and equipment	906	115	-	1,021
	6,972	1,330	(172)	8,130

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2016	Balance as at 1.7.2015 RM'000	Disposal RM'000	Balance as at 30.6.2016 RM'000
Accumulated impairment			
Plant and machinery	759	-	759
Tools and equipment	173	-	173
	932	-	932

Group 2015	Balance as at 1.7.2014 RM'000	Additions RM'000	Disposals RM'000	Balance as at 30.6.2015 RM'000
Cost				
Long-term leasehold land	4,601	-	-	4,601
Building	11,888	-	-	11,888
Computer and software	923	97	-	1,020
Furniture and fittings	487	21	-	508
Motor vehicles	2,047	763	(1,045)	1,765
Office equipment	403	14	(3)	414
Plant and machinery	5,177	952	-	6,129
Renovation	122	8	-	130
Tools and equipment	1,470	382	-	1,852
	27,118	2,237	(1,048)	28,307

Group 2015	Balance as at 1.7.2014 RM'000	Depreciation charges for the financial year RM'000	Disposals RM'000	Balance as at 30.6.2015 RM'000
Accumulated depreciation				
Long-term leasehold land	311	46	-	357
Building	1,196	238	-	1,434
Computer and software	680	138	-	818
Furniture and fittings	263	48	-	311
Motor vehicles	1,699	158	(1,045)	812
Office equipment	189	37	(2)	224
Plant and machinery	1,675	365	-	2,040
Renovation	58	12	-	70
Tools and equipment	796	110	-	906
	6,867	1,152	(1,047)	6,972

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2015	Balance as at 1.7.2014 RM'000	Disposal RM'000	Balance as at 30.6.2015 RM'000
Accumulated impairment			
Plant and machinery	759	-	759
Tools and equipment	173	-	173
	932	-	932
Company 2016			
	Balance as at 1.7.2015 RM'000	Addition RM'000	Balance as at 30.6.2016 RM'000
Cost			
Computer and software	20	-	20
Furniture and fittings	2	-	2
	22	-	22
	Balance as at 1.7.2015 RM'000	Depreciation charges for the financial year RM'000	Balance as at 30.6.2016 RM'000
Accumulated depreciation			
Computer and software	20	-	20
Furniture and fittings	1	#	1
	21	#	21
Company 2015			
	Balance as at 1.7.2014 RM'000	Addition RM'000	Balance as at 30.6.2015 RM'000
Cost			
Computer and software	20	-	20
Furniture and fittings	2	-	2
	22	-	22

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2015	Balance as at 1.7.2014 RM'000	Depreciation charges for the financial year RM'000	Balance as at 30.6.2015 RM'000
Accumulated depreciation			
Computer and software	20	-	20
Furniture and fittings	1	#	1
	21	#	21

Note:

- Amount below RM1,000

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Carrying amount				
Long-term leasehold land	4,197	4,244	-	-
Building	10,324	10,454	-	-
Computer and software	228	202	-	-
Furniture and fittings	159	197	1	1
Motor vehicles	859	953	-	-
Office equipment	166	190	-	-
Plant and machinery	3,649	3,330	-	-
Renovation	164	60	-	-
Tools and equipment	679	773	-	-
	20,425	20,403	1	1

- (a) The net carrying amount of property, plant and equipment of the Group held under hire-purchase arrangements are as follows:-

	Group	
	2016 RM'000	2015 RM'000
Carrying amount		
Motor vehicles	828	912

- (b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment as follows:-

	Group	
	2016 RM'000	2015 RM'000
Purchase of property, plant and equipment	1,353	2,237
Financed by hire purchase arrangements	(150)	(520)
Cash payments to purchase property, plant and equipment	1,203	1,717

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (c) As at 30 June 2016, the long-term leasehold land and a building of a subsidiary with a carrying amount of RM14,521,000 (2015: RM14,698,000) have been charged to a financial institution for a term loan facility granted to the Group as disclosed in Note 15 to the financial statements.

6. INTANGIBLE ASSET – PRODUCT DEVELOPMENT COSTS

	Group	
	2016	2015
	RM'000	RM'000
Cost		
At 1 July 2015/2014	1,967	1,967
Less:-		
Accumulated amortisation		
At 1 July 2015/2014	(980)	(879)
Amortisation charge for the financial year	-	(101)
At 30 June 2016/2015	(980)	(980)
Less:-		
Accumulated impairment losses		
At 1 July 2015/2014	(987)	(872)
Impairment loss for the financial year	-	(115)
At 30 June 2016/2015	(987)	(987)
Carrying amount	-	-

- (a) Product development costs comprised salaries of personnel involved in the development and design of products prior to the commencement of commercial production.
- (b) In the previous financial year, an impairment loss of RM115,000 was recognised in profit or loss in respect of the development costs attributable to the solution test socket series products.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares - at cost	10,901	10,901
Equity loan to a subsidiary	6,900	6,900
	17,801	17,801

Equity loan to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Subsidiaries	Interest in equity held by Company		Principal activities
	2016	2015	
J Foong Technologies Sdn. Bhd.	100%	100%	Manufacturing and trading of electronic product components.
JF Microtechnology Sdn. Bhd.	100%	100%	Design, development, custom manufacture and sale of integrated circuit test sockets, interconnect, test solutions and equipment for the semi-conductor and electronic assembly markets.

8. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
At cost		
Raw materials	585	553
Work-in-progress	183	123
Finished goods	696	510
	<u>1,464</u>	<u>1,186</u>
At net realisable value		
Raw materials	1	1
	<u>1,465</u>	<u>1,187</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	1,113	715
Amount written down to net realisable value	-	98
Amount written off	28	-
	<u>1,141</u>	<u>813</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables				
Third parties	3,134	3,573	-	-
Other receivables, deposits and prepayments				
Other receivables	2	5	-	-
Deposits	360	80	-	-
Prepayments	88	77	21	10
Dividend receivable	-	-	-	630
	450	162	21	640
	3,584	3,735	21	640

Trade receivables are non-interest bearing and the normal credit terms granted by the Group range from 30 to 90 days (2015: 30 to 90 days) from date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

- (a) The foreign currency exposure profile of trade and other receivables is as follows:-

	Group	
	2016 RM'000	2015 RM'000
United States Dollar	1,835	1,660

- (b) The ageing analysis of trade receivables of the Group are as follows:-

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	3,060	3,448
Past due, not impaired		
91 to 120 days	42	26
More than 120 days	32	99
	74	125
	3,134	3,573

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

- (c) Information on financial risks of trade and other receivables is disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

10. FIXED DEPOSIT WITH A LICENSED BANK

- (a) The fixed deposit with a licensed bank of the Company at the end of the reporting period bore an effective interest rate of 3.15% (2015: Nil) per annum. The fixed deposit has a maturity period of 30 days (2015: Nil).
- (b) The fixed deposit of the Company at the end of the reporting period is pledged to a licensed bank as security for banking facilities granted to the Company.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following as at the end of the reporting period:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash in hand	18	14	-	-
Bank balances	3,566	3,148	30	67
Cash and bank balances	3,584	3,162	30	67
Short-term funds:				
- Money market unit trust funds in Malaysia	3,607	4,580	3,600	3,665
Cash and cash equivalents	7,191	7,742	3,630	3,732

Money market unit trust funds represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The foreign currency exposure profile of cash and cash equivalents is as follows:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
United States Dollar	1,045	1,849	-	-

12. SHARE CAPITAL

	Group/Company		2015	
	2016 Number of shares	2016 RM'000	Number of shares	RM'000
Ordinary shares of RM0.10 each:				
Authorised	250,000,000	25,000	250,000,000	25,000
Issued and fully paid-up	126,000,000	12,600	126,000,000	12,600

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regards to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

13. RESERVES

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:-					
Share premium	(a)	8,743	8,743	8,743	8,743
Distributable:-					
Retained earnings	(b)	2,843	3,061	240	722
		<u>11,586</u>	<u>11,804</u>	<u>8,983</u>	<u>9,465</u>

The movements in reserves are shown in the Statements of Changes in Equity.

- (a) The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above par value of the shares issued, net of transaction cost (if any). The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act 1965.
- (b) Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

14. BORROWINGS

	Note	Group	
		2016 RM'000	2015 RM'000
Current liabilities			
Term loan	15	739	739
Hire purchase creditors	16	189	179
		928	918
Non-current liabilities			
Term loan	15	2,858	3,661
Hire purchase creditors	16	466	523
		<u>3,324</u>	<u>4,184</u>
		<u>4,252</u>	<u>5,102</u>
Total borrowings			
Term loan	15	3,597	4,400
Hire purchase creditors	16	655	702
		<u>4,252</u>	<u>5,102</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

15. TERM LOAN

	Group	
	2016	2015
	RM'000	RM'000
Term loan	3,597	4,400
Repayable as follows:		
Current liability		
- not later than one (1) year	739	739
Non-current liability		
- later than one (1) year but not later than five (5) years	2,858	3,479
- later than five (5) years	-	182
	2,858	3,661
	3,597	4,400

The term loan was drawdown by a subsidiary of the Group. The term loan bears interest at BLR-2% (2015: BLR-2%) based on the outstanding amount of the term loan after setting off against the available balance in the current account of the subsidiary maintained with the same financial institution where the term loan was drawdown.

Term loan of the Group is secured by:-

- (i) a first party charge over the long-term leasehold land and building of a subsidiary as disclosed in Note 5 to the financial statements; and
- (ii) a corporate guarantee of the Company.

Information on financial risks of borrowings is disclosed in Note 29 to the financial statements.

16. HIRE PURCHASE CREDITORS

	Group	
	2016	2015
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than one (1) year	217	208
- later than one (1) year but not later than five (5) years	498	563
Total minimum hire purchase payments	715	771
Less: Future interest charges	(60)	(69)
Present value of hire purchase payments	655	702

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

16. HIRE PURCHASE CREDITORS (CONT'D)

	2016	Group
	RM'000	2015
		RM'000
Repayable as follows:-		
Current liabilities		
- not later than one (1) year	189	179
Non-current liabilities		
- later than one (1) year but not later than five (5) years	466	523
	655	702

17. DEFERRED INCOME

	2016	Group
	RM'000	2015
		RM'000
Balance as at 1 July 2015/2014	927	540
Additions during the financial year	901	470
Recognised in profit or loss (Note 21)	(155)	(83)
Balance as at 30 June 2016/2015	1,673	927

The Group received government grants in 2016 which were in relation to the purchase of plant and machinery. The grants are being amortised over the useful lives of the plant and machinery.

18. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:-

	2016	Group
	RM'000	2015
		RM'000
Balance as at 1 July 2015/2014	897	962
Recognised in profit or loss (Note 22)	23	(65)
Balance as at 30 June 2016/2015	920	897

The deferred tax liabilities are attributable to the following:-

	2016	Group
	RM'000	2015
		RM'000
Deferred tax liabilities:-		
Accelerated capital allowances over depreciation	914	897
Others	6	-
	920	897

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

18. DEFERRED TAX LIABILITIES (CONT'D)

- (b) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:-

	Group	
	2016 RM'000	2015 RM'000
Deferred tax assets:		
- unabsorbed capital allowances	-	28
- unutilised tax losses	-	285
	-	313
Deferred tax liability:		
- accelerated capital allowances	-	(71)
	-	242

Deferred tax assets of the subsidiaries have not been recognised in respect of these items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables				
Third parties	141	118	-	-
Other payables and accruals				
Other payables	235	187	4	3
Accruals	1,521	1,425	69	106
	1,756	1,612	73	109
	1,897	1,730	73	109

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

19. TRADE AND OTHER PAYABLES (CONT'D)

- (a) Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 60 days (2015: 30 to 60 days) from date of invoice.
- (b) The foreign currency exposure profile of trade and other payables is as follows:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Hong Kong Dollar	43	-	-	-
Singapore Dollar	#	-	-	-
United States Dollar	38	52	-	-
	<u>81</u>	<u>52</u>	<u>-</u>	<u>-</u>

Note:

- Amount below RM1,000

- (c) Information on financial risks of trade and other payables is disclosed in Note 29 to the financial statements.

20. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of electronic products, components and test probes	19,029	17,486	-	-
Dividend income from subsidiaries	-	-	1,000	1,480
	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,480</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

21. PROFIT BEFORE TAX

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging:-					
Amortisation of product development costs	6	-	101	-	-
Auditors' remuneration:					
- statutory		58	58	21	21
- others		3	5	3	3
Depreciation of property, plant and equipment	5	1,330	1,152	#	#
Directors' remuneration:					
- fees		89	74	89	74
- emoluments other than fees		1,279	1,361	20	20
Deposit written off		-	17	-	-
Impairment loss on product development costs		-	115	-	-
Interest expenses:					
- hire purchase		33	16	-	-
- term loan		143	203	-	-
Inventories written off	8	28	-	-	-
Inventories written down	8	-	98	-	-
Realised loss on foreign currency transactions		294	124	-	-
Rental of premises		59	47	-	-
Unrealised loss on foreign exchange		6	-	-	-
and crediting:-					
Amortisation of deferred income	17	155	83	-	-
Gain on disposal of property, plant and equipment		53	240	-	-
Interest income from short-term funds		135	157	108	114
Realised gain on foreign currency transactions		336	339	-	-
Unrealised gain on foreign exchange		29	300	-	-

Note:

- Amount below RM1,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

22. TAX EXPENSE

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax		107	-	-	-
Deferred tax:	18				
- relating to origination and reversal of temporary differences		30	(65)	-	-
- overprovision in prior years		(7)	-	-	-
		23	(65)	-	-
		130	(65)	-	-

A subsidiary is granted Pioneer Status under the Promotion of Investments Act 1986, for a period of five (5) years which commenced from 1 April 2006 to 31 March 2011, as an incentive for the production of interconnect and integrated circuit test socket. The Pioneer Status expired on 31 March 2011 and the subsidiary has been granted an extension of Pioneer Status commencing from 1 April 2011 to 31 March 2016.

The salient terms of the Pioneer Status are as follows:-

- (i) the subsidiary is granted 100% tax exemption on business income;
- (ii) unabsorbed pioneer capital allowances can be carried forward to the post pioneer period; and
- (iii) unabsorbed pioneer losses can be carried forward to the post pioneer period.

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

22. TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	1,172	2,987	778	1,344
Tax at statutory tax rate of 24% (2015: 25%)	281	747	187	336
Tax effects in respect of:-				
Non-allowable expenses	229	200	79	34
Non-taxable income	(79)	(112)	(266)	(370)
Tax-exempt income	(236)	(931)	-	-
Deferred tax assets not recognised	-	31	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(58)	-	-	-
Overprovision in prior years - deferred tax	137	(65)	-	-
	(7)	-	-	-
	130	(65)	-	-

23. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit after tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2016	2015
Earnings for the financial year attributable to equity holders of the parent (RM'000)	1,042	3,052
Weighted average number of ordinary shares in issue ('000)	126,000	126,000
Basic earnings per ordinary share (sen)	0.83	2.42

(b) Diluted earnings per ordinary share

The diluted earnings per share is equal to the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

24. DIVIDENDS

Paid:-	Group/Company	
	2016 RM'000	2015 RM'000
Final single tier dividend of 0.5 sen (2014: 0.5 sen) per ordinary share in respect of the financial year ended 30 June 2015/2014	630	630
Interim single tier dividend of 0.5 sen (2015: 0.5 sen) per ordinary share in respect of the financial year ended 30 June 2016/2015	630	630
	1,260	1,260

25. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and allowances	4,260	3,636	-	-
Defined contribution plan	608	606	-	-
Other employee benefits	579	1,326	20	20
	5,447	5,568	20	20

Included in employee benefits of the Group and of the Company are Directors' other emoluments amounting to RM1,279,000 (2015: RM1,361,000) and RM20,000 (2015: RM20,000) respectively.

26. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Related party transactions and balances

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:-

Company	2016 RM'000	2015 RM'000
Dividend received/receivable from subsidiaries	1,000	1,480

The abovementioned related party transactions were carried out based on negotiated terms and conditions that were mutually agreed with respective related parties in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

26. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Group and of the Company.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term employee benefits	1,185	1,152	20	20
Contributions to defined contribution plans	210	209	-	-
	<u>1,395</u>	<u>1,361</u>	<u>20</u>	<u>20</u>

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM71,376 (2015: RM49,250).

27. SEGMENTAL INFORMATION

(a) Segmental information

The revenue from external customers in Malaysia amounted to RM7,171,000 (2015: RM8,324,000), and the total revenue from external customers from other countries amounted to RM11,858,000 (2015: RM9,162,000).

Segment analysis has not been prepared as the Group's business is focused only in manufacturing and trading of electronic products, components and test probes, including production, packaging, marketing and distribution of its products principally in Malaysia, and this forms the focus of the Group's internal reporting systems.

The chief operating decision maker reviews the business performance of the Group as a whole and management monitors the operating results of its business for the purpose of making decisions on resources allocation and performance assessment.

(b) Geographical information

For the purpose of disclosing geographical information, revenue is based on the geographical location of customers from which the sales transactions originated.

	2016 RM'000	2015 RM'000
Revenue from external customers		
Malaysia	7,171	8,324
United States of America	4,339	5,100
Philippines	2,693	2,050
Others	4,826	2,012
Total	<u>19,029</u>	<u>17,486</u>

The Group does not have any non-current assets that are located in countries other than Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

27. SEGMENTAL INFORMATION (CONT'D)

(c) Information about major customer

Revenue from transactions with major customer who accounted for 10% or more of the Group's revenue is as follows:-

	Revenue	
	2016	2015
	RM'000	RM'000
Customer A	2,982	3,716

28. FINANCIAL INSTRUMENTS

(a) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity ratio.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

There was no change in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group includes within net debt, loans and borrowings, less cash and cash equivalents. Capital represents equity attributable to the owners of the parent.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total loans and borrowings.

(b) CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	2016	2015
	RM'000	RM'000
Financial Assets		
<u>Loans and Receivables Financial Assets</u>		
Trade and other receivables	3,496	3,658
Fixed deposit with a licensed bank	203	-
Cash and bank balances	3,584	3,162
	7,283	6,820
<u>Fair Value through Profit or Loss</u>		
Short-term funds	3,607	4,580
Financial Liabilities		
<u>Other Financial Liabilities</u>		
Borrowings	4,252	5,102
Trade and other payables	1,897	1,730
	6,149	6,832

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

Company	2016 RM'000	2015 RM'000
Financial Assets		
<u>Loans and Receivables Financial Assets</u>		
Other receivables	-	630
Fixed deposit with a licensed bank	203	-
Cash and bank balances	30	67
	<u>233</u>	<u>697</u>
<u>Fair Value through Profit or Loss</u>		
Short-term funds	<u>3,600</u>	<u>3,665</u>
Financial Liability		
<u>Other Financial Liability</u>		
Other payables	<u>73</u>	<u>109</u>

(c) FAIR VALUE INFORMATION

The fair values of the financial asset and financial liabilities of the Group and the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are determined by discounting the relevant cash flows at rates equal to the market rate plus appropriate credit rating, when necessary. The fair values are included in level 2 of the fair value hierarchy.

The Group	Fair Value of Financial Instruments Carried at Fair Value Level 2 RM'000	Fair Value of Financial Instruments Not Carried at Fair Value Level 2 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2016				
<u>Financial Asset</u>				
Short-term funds	3,607	-	3,607	3,607
<u>Financial Liabilities</u>				
Hire purchase payables	-	648	648	655
Term loan	-	3,597	3,597	3,597

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

28. FINANCIAL INSTRUMENTS (CONT'D)

(c) FAIR VALUE INFORMATION (CONT'D)

The Group	Fair Value of Financial Instruments Carried at Fair Value Level 2 RM'000	Fair Value of Financial Instruments Not Carried at Fair Value Level 2 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2015				
<u>Financial Asset</u>				
Short-term funds	4,580	-	4,580	4,580
<u>Financial Liabilities</u>				
Hire purchase payables	-	695	695	702
Term loan	-	4,400	4,400	4,400

The fair values, which are disclosure purposes, have been determined using the following basis:-

- (i) The fair value of hire purchase payables and term loans determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2016 %	2015 %
Hire purchase payables	5.06 – 5.64	4.52 – 6.20
Term loan	4.95	4.60

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties on trade receivables are mainly reputable multinational organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for certain new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

The Company provides financial guarantee to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of this subsidiary regularly and repayments made by the subsidiary.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancement for trade and other receivables is disclosed in Note 9 to the financial statements.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis.

As at 30 June 2016, other than the amounts owing by two (2) (2015: two (2)) major customers of the Group constituting 30% (2015: 38%) of total trade receivables of the Group, there is no significant concentration of credit risk.

(b) Liquidity and cash flow risk

The Group actively manages its operating cash flows and the availability of funding to ensure all financing, repayment and funding needs are met. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

As at 30 June 2016	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flow RM'000	Within 1 year RM'000	1 to 5 years RM'000
Group					
<u>Financial</u>					
<u>Liabilities:-</u>					
Trade and other payables	-	1,897	1,897	1,897	-
Term loan	4.95	3,597	3,597	739	2,858
Hire purchases	4.37 – 5.37	655	715	217	498
Total undiscounted financial liabilities		6,149	6,209	2,853	3,356
Company					
<u>Financial Liability:-</u>					
Other payables	-	73	73	73	-
Total undiscounted financial liability		73	73	73	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity and cash flow risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

As at 30 June 2015	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flow RM'000	Within 1 year RM'000	1 to 5 years RM'000
Group					
<u>Financial Liabilities:-</u>					
Trade and other payables	-	1,730	1,730	1,730	-
Term loan	4.60	4,400	4,947	960	3,987
Hire purchases	4.37 – 4.92	702	771	208	563
Total undiscounted financial liabilities		6,832	7,448	2,898	4,550
Company					
<u>Financial Liability:-</u>					
Other payables	-	109	109	109	-
Total undiscounted financial liability		109	109	109	-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group in interest rates risk arises primarily from interest bearing financial asset and financial liabilities. The Group does not use derivative financial instruments to hedge its risk but regularly reviews its debt portfolio to enable it to source low interest funding.

Sensitivity analysis for interest rate risk

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies. The currencies giving rise to this risk are Hong Kong Dollar, Singapore Dollar and United States Dollar.

It is not the Group's policy to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows on transactions denominated in foreign currency as transactions denominated in foreign currency are minimal.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

Information regarding foreign currency exposure is disclosed in Notes 9(a), 11 and 19(b) to the financial statements.

Sensitivity analysis for foreign currency risk

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

		2016	Group
		RM'000	2015
		Profit after	RM'000
		tax	Profit after
		tax	tax
HKD/RM	- strengthened by 5%	-2	-
	- weakened by 5%	+2	-
	-		
SGD/RM	- strengthened by 5%	-#	-
	- weakened by 5%	+#	-
USD/RM	- strengthened by 5%	+108	+129
	- weakened by 5%	-108	-129

Note:

- Amount below RM1,000

(e) Equity price risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

30. CAPITAL COMMITMENT

		2016	Group
		RM'000	2015
		RM'000	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:-			
Approved and contracted for		595	-

31. CONTINGENT LIABILITIES - UNSECURED

The Company had guaranteed the bank credit facilities of a subsidiary for RM11,500,000 (2015: RM8,000,000) of which the outstanding balance is RM3,597,000 (2015: RM4,400,000). The Directors are of the view that the chances of the financial institution calling upon the corporate guarantee are remote.

32. MATERIAL LITIGATION

On 20 June 2014, an action for patent infringement ("Compliant") was filed against JF Technology Berhad, JFM and J Foong Technologies Sdn. Bhd. (collectively referred as "the Group") by Johnstech International Corp. ("JTI") in the United States District Court for the Northern District of California, Case No.:5:14-cv-02864-PSG. In this action, JTI asserts claims of infringement of United States Patent No. 7,059,866 ("the '866 Patent"), entitled "Integrated Circuit Test Contact to Test Apparatus," in connection with test contact products sold under the brand name ZIGMA (collectively referred as "the Compliant").

On 5 August 2014, the Group had officially accepted the suit following the appointment of a local Intellectual Property ("IP") consultant and lawyers in United States, namely Advanz Fidelis Sdn. Bhd. and Nixon Peabody LLP ("US Lawyers") respectively.

The amount of claim was not indicated in the Complaint. In view thereof, the Group could not ascertain the maximum exposure to liabilities in relation to the Complaint.

As United States patent laws do not apply outside the United States, the manufacture, use, sale, and offering for sale of the ZIGMA products outside the United States are not affected by this case. In addition, JTI has not to date taken the necessary steps to pursue any judicial or customs restrictions on the Group's activities in the United States, there is no current credible threat that this case will disrupt the Group's activities inside the United States. The litigation process, including appeals, is expected to last approximately two to three years or more before the final outcome is known.

On 3 October 2014, the Group has through its US Lawyers filed the motion to dismiss and related papers in the court. On 12 November 2014, the Court dismissed the Complaint against J Foong Technologies Sdn. Bhd. for lack of jurisdiction and also dismissed JTI's claim for inducement of infringement due to insufficiency of the allegations regarding the specific intent required for inducement. Subsequently, on 15 April 2015, the Court dismissed the Complaint against JF Technology Berhad for lack of jurisdiction and dismissed without prejudice JTI's claim for inducement of infringement.

Both parties had therefore filed their respective amended complaints again. The discovery process is still ongoing and pending from the Court for further direction. JTI filed their reply claim construction brief and this closes the briefing on claim construction. Case Management Conference was held on 24 June 2015. The Court has set for the claim constructions tutorial and hearing to be held on 29 September 2015 and 8 October 2015 respectively. Both parties are working to finalise a selection of expert witness candidates who are available and clear of conflicts. Mediation between both parties will only be held about 45-60 days after 8 October 2015 claim construction hearing.

Claim constructions tutorial and hearing were completed as per schedule. Deposition on the relevant witnesses from the Company were conducted and completed in Kuala Lumpur on 5 November 2015 whilst the deposition on JTI's witnesses were conducted in United States from 11 to 13 November 2015. On 8 August 2016, the Court has granted summary judgement to Johnstech in regards of the counter claims on defamation.

On 12 August 2016, the Court ordered summary judgement on its finding that there is no literal infringement of the said patent. However, the Court refused to order summary judgement on the issue of infringement under the doctrine of equivalents and on inducement, and it also deferred its ruling on willfulness.

The Court ordered that these issues go to trial. The trial date has been set on 19 September 2016.

The Board will take the appropriate action to defend the case and to protect the interests of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2016

33. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of JF Technology Berhad and its subsidiaries:				
- Realised	11,987	11,859	240	722
- Unrealised	(943)	(597)	-	-
	11,044	11,262	240	722
Less: Consolidation adjustments	(8,201)	(8,201)	-	-
Total retained earnings as per consolidated accounts	2,843	3,061	240	722

LIST OF PROPERTIES

No	Name of registered owner: Lot. No. /Postal address	Description/ Existing use	Year of Expiry	Tenure	Net book value RM'000	Area (sq. ft.)	Age of building (Year)	Date of revaluation
1	JF Microtechnology Sdn Bhd H.S. (D) 241029, PT No. PT9918, Mukim of Pekan Baru Sungai Buloh, District of Petaling, State of Selangor	2-storey office cum factory/ Corporate Headquarters & factory	99 years Leasehold (90 years)*	2106	14,521	92,783	7	18 September 2007 §
	<u>Bearing postal address:</u> Lot No. 6, Jalan Teknologi 3/6, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan							

Note

* *Balance of leasehold tenure*

§ *Date of acquisition*

ANALYSIS OF SHAREHOLDINGS

AS AT 5 SEPTEMBER 2016

Authorised Share Capital : RM25,000,000/-
 Issued and Paid-Up Capital : RM12,600,000/- comprising 126,000,000 Ordinary Shares of RM0.10 each
 Class of Shares : Ordinary Shares of RM0.10 each
 On show of hands : One (1) vote per shareholder/proxy present
 On a poll : One (1) vote per ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1-99	6	1.04	97	0.00
100-1,000	172	29.76	116,302	0.09
1,001-10,000	178	30.80	969,300	0.77
10,001-100,000	157	27.16	6,133,400	4.87
100,001-6,299,999 (*)	63	10.90	41,407,920	32.86
6,300,000 and above (**)	2	0.35	77,372,981	61.41
Total	578	100.00	126,000,000	100.00

Remark: * Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Foong Wei Kuong	63,917,594	50.73	-	-
2.	Datin Wang Mei Ling	13,455,387	10.68	-	-

DIRECTORS' SHAREHOLDINGS

No.	Name	No. of Shares			
		Direct	(%)	Indirect	(%)
1.	Dato' Foong Wei Kuong	63,917,594	50.73	-	-
2.	Datin Wang Mei Ling	13,455,387	10.68	-	-
3.	Goh Kok Sing	75,000	0.06	-	-
4.	Dato' Philip Chan Hon Keong	366,000	0.29	-	-
5.	Koay Kah Ee	300,000	0.24	-	-
6.	Lew Jin Aun	1,000,000	0.79	1,325,000*	1.05

Note:-

* Disclosure pursuant to Section 134 of the Companies Act, 1965 in regards to his spouse's shareholdings in the Company.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 5 SEPTEMBER 2016

TOP THIRTY SECURITIES ACCOUNT HOLDERS

No.	Name	Shareholdings	%
1.	Dato' Foong Wei Kuong	63,917,594	50.73
2.	Datin Wang Mei Ling	13,455,387	10.68
3.	Kok Kean Loon	5,528,660	4.39
4.	Low Wan Choon	5,208,660	4.13
5.	Sim Ah Yoong	3,390,000	2.69
6.	Ong Kian Huat	2,413,000	1.92
7.	AFFIN Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte. Ltd. for Transcend Tech Asia Pacific Pte. Ltd.	2,368,000	1.88
8.	Teng Pok Sang @ Teng Fook Sang	2,289,300	1.82
9.	Chong Toh Wee	1,723,000	1.37
10.	Ng Chor Kuan	1,325,000	1.05
11.	How Lee Fong	1,053,200	0.84
12.	Lew Jin Aun	1,000,000	0.79
13.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Fook Choi	967,000	0.77
14.	Tam Juat Hong	966,000	0.77
15.	SRM Integration (Malaysia) Sdn. Bhd.	750,300	0.60
16.	Lee Eng Kiat	700,100	0.56
17.	MayBank Nominess (Tempatan) Sdn. Bhd. Pledged Securities Account for Yang Ching Hong	611,900	0.49
18.	Ng Seng Hoong	479,000	0.38
19.	Tam Juat Hong	465,200	0.37
20.	Goh Wai Leng	400,000	0.32
21.	Goh Joo Hwa	383,500	0.30
22.	Zakaria bin Arshad	375,000	0.30
23.	Chin Chee Kong	374,000	0.30
24.	Dato' Philip Chan Hon Keong	366,000	0.29
25.	Teh Chuan Hin	340,000	0.27
26.	Ng Siew Peng	326,000	0.26
27.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Lai Suen Seng	304,400	0.24
28.	Benson Chandra	300,000	0.24
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Wai Kong	300,000	0.24
30.	Koay Kah Ee	300,000	0.24

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company shall be held at Greens II , Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 1 December 2016 at 9.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and the Auditors thereon. (Please refer Note 1)
2. To approve the payment of Directors' Fees for the financial year ended 30 June 2016. Resolution 1
3. To re-elect the following Directors who shall retire pursuant to Article 129 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-
 - (a) Datin Wang Mei Ling Resolution 2
 - (b) Mr. Goh Kok Sing Resolution 3
4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. Resolution 4
5. As Special Business:

To consider and, if thought fit, with or without any modification, to pass the following resolutions as ordinary resolutions:-

ORDINARY RESOLUTION NO. 1

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

Resolution 5

"THAT pursuant to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

ORDINARY RESOLUTION NO. 2

- RETENTION OF DATO' PHILIP CHAN HON KEONG AS INDEPENDENT NON-EXECUTIVE DIRECTOR

Resolution 6

"THAT approval be and is hereby given to retain Dato' Philip Chan Hon Keong as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting, who has served as an Independent Director of the Company for almost nine (9) years in accordance with the Malaysian Code on Corporate Governance 2012."

ORDINARY RESOLUTION NO. 3

- RETENTION OF MR. KOAY KAH EE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

Resolution 7

"THAT approval be and is hereby given to retain Mr. Koay Kah Ee as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting, who has served as an Independent Director of the Company for almost nine (9) years in accordance with the Malaysian Code on Corporate Governance 2012."

6. To transact any other ordinary business for which due notice has been given.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)
Company Secretaries

Kuala Lumpur
7 October 2016

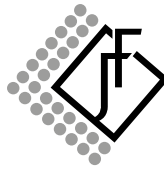
Explanatory Notes to Special Business:

- 1) Authority pursuant to Section 132D of the Companies Act, 1965
The proposed adoption of the Ordinary Resolution is for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities for the purpose of funding future investment project(s), working capital and/or acquisition(s).
As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Ninth Annual General Meeting held on 3 December 2015 and which will lapse at the conclusion of the Tenth Annual General Meeting.
- 2) Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012 ("MCCG 2012")
 - a) The proposed adoption of the Ordinary Resolution No. 2 is to retain Dato' Philip Chan Hon Keong ("**Dato' Philip**") as an Independent Non-Executive Director of the Company.
Dato' Philip was appointed as an Independent Non-Executive Director of the Company on 18 January 2008, and will therefore serve as Independent Director for nine (9) years on 18 January 2017. As at the date of the notice of the Annual General Meeting, he has served the Company for eight (8) years and eight (8) months. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements. The Board therefore, considers him to be independent and believes that he should be retained as an Independent Non-Executive Director of the Company.
 - b) The proposed adoption of the Ordinary Resolution No. 3 is to retain Mr. Koay Kah Ee ("Mr. Koay") as an Independent Non-Executive Director of the Company.
Mr. Koay was appointed as an Independent Non-Executive Director of the Company on 18 January 2008, and will therefore serve as Independent Director for nine (9) years on 18 January 2017. As at the date of the notice of the Annual General Meeting, he has served the Company for eight (8) years and eight (8) months. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements. The Board therefore, considers him to be independent and believes that he should be retained as an Independent Non-Executive Director of the Company.

Notes:

1. The Agenda item no. 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 ("the Act") and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 November 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
3. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Sections 149(1) (a), (b), (c) and (d) of the Act, shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. Where the member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or if the member is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy or the power of attorney under which it is executed or a certified copy thereof shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting.

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JF TECHNOLOGY BERHAD
(747681-H)

FORM OF PROXY

No. of shares held	CDS Account No.

*I/We _____
(full name in block letters)

of _____
(full address)

being a *member/members of JF TECHNOLOGY BERHAD, hereby appoint _____
(full name in block letters)

of _____
(full address)

or failing *him/her, _____
(full name in block letters)

of _____
(full address)

or failing *him/her, *the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf, at the Tenth Annual General Meeting of the Company, to be held at Greens II , Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 1 December 2016 at 9.00 a.m., or at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

1.	To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and the Auditors thereon.		
No.	Resolutions	For	Against
2.	To approve the payment of Directors' Fees for the financial year ended 30 June 2016.	(Resolution 1)	
3(a).	To re-elect Datin Wang Mei Ling, who shall retire pursuant to Article 129 of the Company's Articles of Association and being eligible, has offered herself for re-election.	(Resolution 2)	
3(b).	To re-elect Mr. Goh Kok Sing, who shall retire pursuant to Article 129 of the Company's Articles of Association and being eligible, has offered himself for re-election.	(Resolution 3)	
4.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	(Resolution 4)	
	As Special Business:		
5.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	(Resolution 5)	
6.	Retention of Dato' Philip Chan Hon Keong as an Independent Non-Executive Director.	(Resolution 6)	
7.	Retention of Mr. Koay Kah Ee as an Independent Non-Executive Director.	(Resolution 7)	

Dated this _____ day of _____ 2016 _____

Signature/Seal

* Strike out whichever is not applicable

Notes:

- The Agenda item no. 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 ("the Act") and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
- In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 November 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- A member of the Company entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Sections 149(1) (a), (b), (c) and (d) of the Act, shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- Where the member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or if the member is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy or the power of attorney under which it is executed or a certified copy thereof shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting.

Fold this flap for sealing

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AFFIX
STAMP

The Company Secretaries

JF TECHNOLOGY BERHAD (747681-H)

Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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We Bring Possibilities

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