



*We Bring Possibilities*

# INFINITE BOUNDARIES

# 2017 ANNUAL REPORT

**JF TECHNOLOGY BERHAD**  
(747681-H)

[www.jftech.com.my](http://www.jftech.com.my)

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## FISCAL RESPONSIBILITY

## MISSION

Motivated employees providing high value test contacting solutions and customer satisfaction through innovation and quality excellence.

## EMPLOYEES

## INNOVATION

## QUALITY EXCELLENCE

## CUSTOMER SATISFACTION

## VISION

To be the world No. 1 Provider of high performance test contacting solutions by maximising value for our customers, employees and shareholders.

## CORE VALUES

Just be fair  
Fiscal responsibility  
Treat each other like customers  
Energising innovation  
Committed to a sense of urgency and belonging  
Honesty is the best policy

# PRODUCT FAMILY



ZIGMA



ALPHA



GAMMA

SUPER HIGH PERFORMANCE  
TEST CONTACTING  
SOLUTIONS



ETA.5



OHM



OSTRICON

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dato' Foong Wei Kuong  
(Executive Chairman and 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@jfttech.com.my  
Website: www.jfttech.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

Malayan Banking Berhad  
AmBank (M) Berhad  
Public Bank Berhad

## SOLICITORS

Kilpatrick Townsend & Stockton LLP  
Skrine

## LISTING

ACE Market of Bursa Malaysia  
Securities Berhad

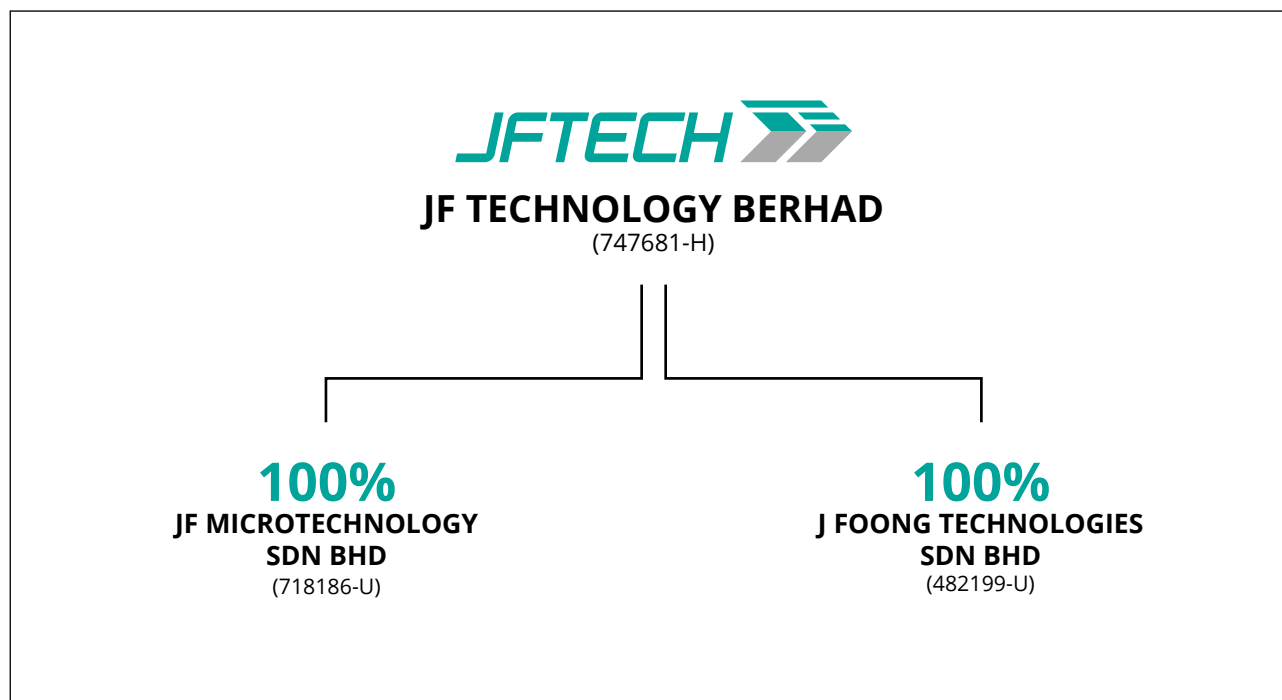
## STOCK NAME

JFTECH

## STOCK CODE

0146

# CORPORATE STRUCTURE



JF Technology Berhad ("JF Tech") was incorporated in Malaysia on 18 September 2006 and listed on the MESDAQ Market (now known as the ACE Market) of Bursa Malaysia Securities Berhad in year 2008.

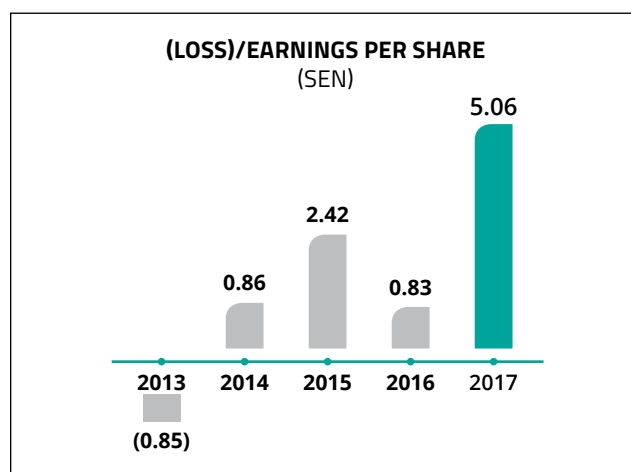
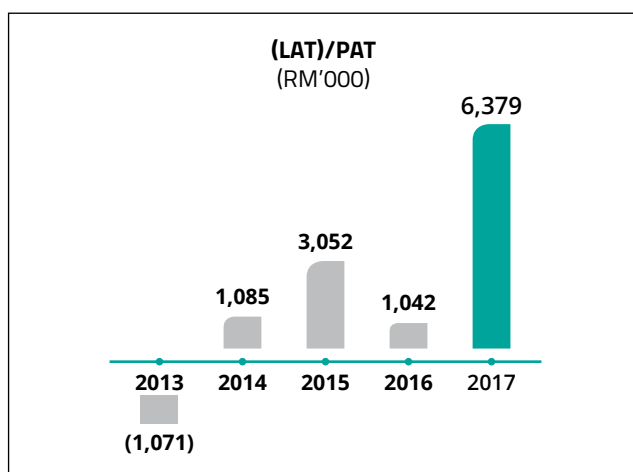
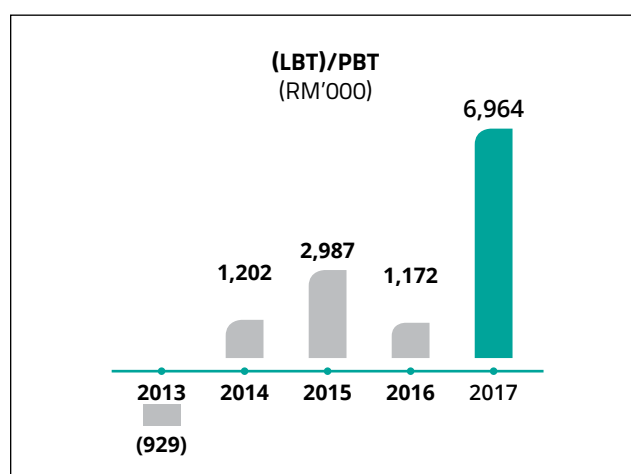
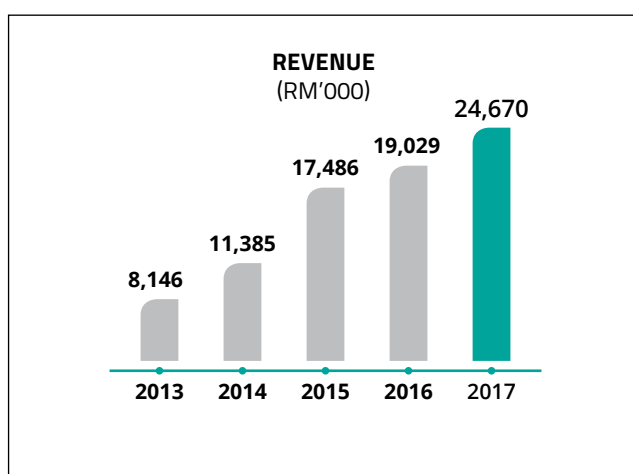
JF Tech is principally an investment holding company with two (2) wholly-owned subsidiaries, namely JF Microtechnology Sdn Bhd and J Foong Technologies Sdn Bhd.

The details of the subsidiaries of JF Tech as at the date of this Annual Report are summarised below:

Company	Date/Place of Corporation	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principles Activities
JF MICROTECHNOLOGY SDN BHD (718186-U)	14-12-2005/ Malaysia	2,200,000	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
J FOONG TECHNOLOGIES SDN BHD (482199-U)	29-04-1999/ Malaysia	500,000	100	Manufacturing and trading of electronic products and components

# GROUP FINANCIAL HIGHLIGHTS

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>					
Revenue	8,146	11,385	17,486	19,029	24,670
(Loss)/Profit before taxation ("(LBT)/PBT")	(929)	1,202	2,987	1,172	6,964
(Loss)/Profit after taxation ("(LAT)/PAT")	(1,071)	1,085	3,052	1,042	6,379
<b>STATEMENTS OF FINANCIAL POSITIONS</b>					
Share capital	12,600	12,600	12,600	12,600	12,600
Total assets	29,405	30,653	33,067	33,048	38,543
Total liabilities	7,878	8,041	8,663	8,862	7,978
<b>OTHERS</b>					
(Loss)/Earnings per share (sen)	(0.85)	0.86	2.42	0.83	5.06
Net assets per share (sen)	17.08	17.95	19.37	19.20	24.08



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF BUSINESS OPERATION

JF Technology Berhad ("JF Tech" or "the Company"), one (1) of the world's pre-eminent manufacturers of test contacting solutions in test sockets and contact pins for the Integrated Circuits ("IC") testing industry reported a 512% increase in earnings per share and profit after taxation to 5.06 sen and RM6.38 million respectively in Financial Year Ended 30 June 2017 ("FYE 2017"). Revenue was up 30% to RM24.67 million in FYE 2017 primarily on exports to the United States, Southeast Asia and increasingly North Asia as its market share gains abroad begins to gain traction. Earnings before interest, tax, depreciation and amortisation ("EBITDA") rose 214% to RM8.42 million as EBITDA margin is now 34% on improving capacity utilisation and lower per unit cost.

The financial performance for the FYE 2017 was the best achievement for the Company and its subsidiaries ("the Group") since its debut on Bursa Malaysia Securities Berhad in 2008.

Market share gains abroad particularly to the United States, Thailand and Philippines and increasingly to China, Taiwan and Japan is gaining traction which led to exports now accounting for 65% of the Group revenue.

For the automotive segment, test sockets' revenue particularly ALPHA and GAMMA test contacting solutions grew 33% year-to-year, contributed 45% to the Group revenue. For the mobile devices and internet of things ("IoT") segments, demand for ZIGMA and ETA product lines continued to be encouraging, contributed 18% to the Group revenue. Sales of contact pins and elastomers for both automotive and IoT, which are recurring consumables are a "compounding" sales to the Group revenue. Sales of original equipment manufacturer ("OEM") products grew at 13% year-to-year and contributed 19% to the Group revenue, mainly to domestic customers including leading test handler manufacturers, SRM Integration Sdn. Bhd., outsourced semiconductor assembly and test providers (OSATs) and major multinational companies semiconductor manufacturers in Malaysia.

Excluding legal fees, operating profit as measured by EBITDA was up 57% year-to-year to RM10.02 million from increasing exports of high-performance test sockets particularly to the automotive IC devices segment and rising contribution of contact pins. EBITDA margin has now risen to 41% thanks to the increased capacity utilisation. The full-scale effects of this rapidly improving economies-of-scale and operating leverage will be felt across the Group operations in the years ahead. Our 100%-owned subsidiary, JF Microtechnology Sdn. Bhd. ("JFM") has been granted a pioneer status by the Malaysian Investment Development Authority (MIDA) which resulted in a lower provision of taxation.

JFM has also won the prestigious Enterprise 50 Award by SME Corporation, for the third (3rd) time recognising its achievement in overall business performance particularly in generating intellectual property, commercialising research and development ("R&D") products, improving quality standards, increasing exportation and maintaining excellent profitability track records.

Both subsidiaries of the Company, J Foong Technologies Sdn. Bhd. ("J Foong") and JFM had upgraded to the latest ISO Quality System ISO9001:2015 which includes risk managements in the Quality Management System.

## FINANCIAL REVIEW

### Statements of Comprehensive Income

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	8,146	11,385	17,486	19,029	24,670
(Loss)/Profit before taxation	(929)	1,202	2,987	1,172	6,964
(Loss)/Profit after taxation	(1,071)	1,085	3,052	1,042	6,379
(Loss)/Earnings per share ( sen )	(0.85)	0.86	2.42	0.83	5.06

JF Tech had set new revenue and profit records for the FYE 2017 despite the lawsuit which has been on-going for more than thirty-six (36) months. Revenue recorded at RM24.67 million for the FYE 2017 which was a double-digit growth of 30% as compared to the preceding year corresponding period. Profit before taxation stood at RM6.96 million, representing a 494% growth throughout the FYE 2017. During the FYE 2017, the Company has incurred approximately RM1.55 million on legal fees for the on-going lawsuit.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

As a result of the increased in profit after taxation in the FYE 2017, the basic earnings per share rose from 0.83 sen in the financial year ended 30 June 2016 ("FYE 2016") to 5.06 sen in FYE 2017.

The main factors that contributed to the increase of revenue and net profit were as follows:-

- Increase in export sales.
- Increase in the product lines namely, ALPHA and GAMMA which supplied validated IC devices to automotive segment.
- Lower legal fees incurred for the FYE 2017 of RM1.55 million as compared to RM3.75 million for the FYE 2016.
- Being a manufacturer of an export driven business, the performance of the Group was also enhanced to a certain extent, by the strength of the US Dollar against the Malaysian Ringgit.

### Statements of Financial Positions

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Total assets	29,405	30,653	33,067	33,048	38,543
Total liabilities	7,878	8,041	8,663	8,862	7,978
Retained earnings	184	1,269	3,061	2,843	9,222
Shareholders' equity	21,527	22,612	24,404	24,186	30,565

On the balance sheet front, the financial position of the Group remained strong. The Group continued to maintain a robust position with working capital of RM15.81 million as at 30 June 2017. Cash and cash equivalents increased from RM7.19 million as at 30 June 2016 to RM10.80 million as at 30 June 2017.

The Group has negligible borrowings which places it in a strong position to obtain financing to fund future capital expenditures and additional working capital requirements for any expansion of its businesses and investment in new ventures should there be any opportunity arises.

### OPERATIONAL AND FINANCIAL RISKS

#### Operational Risks

##### (a) Competition Risk

The semiconductor industry is highly competitive, subject to rapid technological changes and new product developments. Many of the Group's customers are multinational companies in Malaysia and overseas where the selection of the test contacting solutions for their manufacturing processes are based on stringent criteria such as high quality patent protected, good after sales service support and also dependability of the products.

The Group is actively and continuously pursuing new product and technology innovations to address the increasing sophisticated needs of its customers. The Group's regular participation in overseas exhibitions provide the opportunities for the Group to understand the latest market requirements and keep abreast of the current technological changes.

Emphasis is also placed on continuous quality checking to ensure that the products meet customers' requirements and are of high quality. As the Group's products are highly customised manufacture, after sales service is critical to ensure smooth running of customers' operations.

The Group will continue to strengthen its market position and expand the customer base.

##### (b) Intellectual Property Risk

As a technology company, the Group is continuously focusing on R&D of new products and enhancing of its existing products. The Group depends heavily on the use of its own intellectual property and technological know-how. In order to mitigate the risk, the Group continues to submit the applications for patent for new products which are capable of being patented. To-date, the Group has been granted eight (8) patents in various countries whilst thirty one (31) pending for approval.

All the employees are required to sign a non-disclosure agreement (NDA) to protect the Company's interest.



## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

### **(c) Dependence on Experienced Personnel and Shortage of Skilled Manpower Risk**

The Group's continuous success depends to a certain extent upon the abilities and continued efforts of its existing Directors, key management and technical personnel.

The Group has participated in various career fairs conducted by leading universities in the country. The Group will continue to provide industrial training to students from these technical fields with the aim of developing their potential prior to them being officially recruited.

### **Financial Risk**

The Group's financial risk is set out in Note 33 under the Notes to the financial statements.

### **OUTLOOK GOING FORWARD**

The Group started in 1999 with J Foong as an OEM for one (1) of the world's top Turret Handler Machine Maker, SRM Integration Sdn. Bhd. and three (3) years after its debut on Bursa Malaysia Securities Berhad in year 2011, the Group began its evolution to an Original Design Manufacturer ("ODM") with the set-up of another 100%-owned subsidiary, JFM. To-date, the Group is a proud owner of eight (8) patents granted with approval and thirty-three (33) patents pending for approval which made JF Tech as one (1) of the most aggressive intellectual property owner in the global semiconductor test socket industry.

In spite of the pending lawsuit in the United States which had caused the Company RM6.85 million in legal fees from June 2014 to 30 June 2017, the Group grew its revenue in FYE 2017 by almost 30% year-to-year and net profit by 512%. The Group is now accelerating export growth opportunities in numerous markets simultaneously while at the same time, continues its innovation on its products line-ups and stay consistently ahead of competition.

Management envisions further growth in the coming years as the Group is aligned with the market's high growth applications in the automotive, IoTs, smartphones and medical segments. The Group will continue to focus on long term earnings sustainability by diversification of products and market expansion activities.

### **DIVIDEND**

The Group does not have an explicit dividend policy.

In view of the Group's financial performance and position of the FYE 2017, the Board proposed a final single-tier dividend of 2 sen per ordinary share for the FYE 2017, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### **MESSAGE FROM BOARD & MANAGEMENT**

Premised on the above, the Board and Management are optimistic to meet the challenges for the coming years and would deliver results to the shareholders and investors.

### **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 staff for their invaluable commitment to the Group.

Thank you.

**Dato' Foong Wei Kuong**  
Executive Chairman/ Group Managing Director

# CORPORATE SOCIAL RESPONSIBILITY ("CSR")

## WORKPLACE

During the financial period, the Company has carried out its CSR through various activities. These include offering technical and industrial training to interns from local vocational institutions and universities.

The Company is committed to the betterment of its employees. With regards to human capital, our development strategy focuses on building individual skills, accountability, competency and management leadership programmes.

The Company is an equal opportunity employer and all appointments and employment are based strictly on merits and experience.

## COMMUNITY

The Company also contributed financially to the orphanage homes by way of donations.

## ENVIRONMENT

The Company is continuously looking for new ways to incorporate sustainability practices into all its processes and continues to operate in a responsible manner by optimising the Company's resources and reducing the generation of waste.

## BOARD OF DIRECTORS



**FROM LEFT**

Goh Kok Sing (*Executive Director*), Datin Wang Mei Ling (*Executive Director*), Dato' Foong Wei Kuong (*Executive Chairman and Managing Director*), Koay Kah Ee (*Senior Independent Non-Executive Director*), Dato' Philip Chan Hon Keong (*Independent Non-Executive Director*), Lew Jin Aun (*Independent Non-Executive Director*)

# BOARD OF DIRECTORS' PROFILE

## **DATO' FOONG WEI KUONG**

Executive Chairman and Managing Director

Dato' Foong Wei Kuong, male, aged 57, a Malaysian, was appointed as the Executive 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 60, 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 53, a Malaysian, was appointed as an Executive Director of JF Tech on 18 January 2008.

Mr. Goh Kok Sing 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. Currently, he 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 52, 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 Eksens 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 58, 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.

Mr. Koay Kah Ee holds a Master in Business Administration from University of Strathclyde, United Kingdom ("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.

Currently, he is 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 65, 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 other Directors have any family relationship with any other Director or major shareholder of the Company.

#### Offences and Public Sanctions or Penalties imposed by regulatory bodies

None of the Directors have committed any offence within the past five (5) years other than traffic offences, if any during the financial year. 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 46, a Malaysian, joined JF Technology Berhad ("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.

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

Mr. Andy Goh Joo Hwa 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 thirty-six (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.

## SHAMAL MUNDIYATH

Engineering Director:  
Department of Design & Development

Mr. Shamal Mundiath, male, aged 37, an Indian nationality with Malaysia Resident Pass holder, a pragmatic technologist who has nurtured JF Tech business from its adolescent stages.

Mr. Shamal Mundiath joined JF Tech as a Mechanical Design Engineer in June 2008. A year later he took a break to pursue his Master's degree and re-joined JF Tech in November 2010. Since then he has shouldered many roles such as Section Head Engineering, Design & Development Manager and etc. He was promoted to Engineering Director in January 2017 and is currently the Head of Department of Design and Development.

Mr. Shamal Mundiath is a Mechanical Engineer, graduated with a Master of Science (MSc) in Engineering and Manufacturing Management from MS Ramaiah School of Advanced Studies, Bangalore, Coventry University (UK).

Mr. Shamal Mundiath started his career in 2001 as an Engineer in K-Tech Engineering, based in India where he mastered the art of mold making and high precision part manufacturing. After three (3) years of relevant experience, he moved to EM Shivamani Engineering Pvt. Ltd., where medical engineering parts and commercial products are made. He was in charge of the manufacturing unit with direct ten (10) reports and was responsible in prototyping to finished good. Developed successfully the unique Prosthetic Mechanical Human Heart Valve (Chitra heart valve).

His overseas venture started after one and a half (1.5) years with EM Shivamani Engineering. He joined Juken Technology Engineering, Malaysia, in 2006 as Design Engineer where high precision molds are made for automotive and electronics applications. He was successful in implementing quick changeover techniques, Kaizen and high speed machining techniques and improving the daily operation of the group. He ended his tenure with Juken Technology Engineering after two (2) years and moved to JF Microtechnology Sdn. Bhd. in 2008.

Mr. Shamal Mundiath does not hold any directorship in the public companies.

Mr. Shamal Mundiath 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.

# STATEMENT ON CORPORATE GOVERNANCE

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 ("MCCG"). 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' interests. 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 objectives, formulating the policies and executing the key strategic action plans. The Board regularly review the Group's business operations and maintains full and effective control over the management of the Group.

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

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 Management. To ensure the effective discharge of its functions 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 disclosures;
- identify principal risks and ensure the implementation of appropriate systems to manage these risks; and
- review the adequacy and integrity of the Company's and the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### 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](http://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.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The Group recognises the importance of its corporate social responsibilities 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 a separate section of the Annual Report.

### **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 explanations to the Directors and Committees members on the operations of the Group.

The Board recognises the importance of reviewing and adopting a strategic plan and overseeing the conduct of the businesses to ensure that the businesses are 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 roles, functions, composition, operations and processes of the Board. The Board Charter provides guidance to the Board in relation to the Board's roles, duties, responsibilities and authorities which are in line with the principles of good corporate governance. The Board Charter acts as a source of reference for Board members and senior management, and the same is accessible to the public on the Company's website at [www.jftech.com.my](http://www.jftech.com.my).

## **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 ( <i>Independent Non-Executive Director</i> )
Member	:	Koay Kah Ee ( <i>Senior Independent Non-Executive Director</i> )
Member	:	Lew Jin Aun ( <i>Independent Non-Executive Director</i> )



## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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 were 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 contribution and performance of the Audit Committee and each individual Audit Committee member;
- Reviewed and assessed the independence of the Independent Non-Executive Directors;
- Reviewed the Directors who were due for re-election at the Company's Annual General Meeting ("AGM") to determine whether or not to recommend for their re-election; and
- Reviewed and assessed the tenure of Independent Non-Executive Directors who exceeded a cumulative term of nine (9) years and to recommend the retention of the Independent Non-Executive Directors of the Company at the Company's AGM in accordance with MCCG.

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

### 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 recommendation relating to any new appointment 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 for re-election at the AGM are first considered and evaluated by the Nomination Committee. Upon its evaluation, the Nomination Committee will make recommendation on the proposal to the Board for approval. The Board makes the final decision on the proposed re-election to be presented to the shareholders for approval.

The Board is entitled to the services of the Company Secretaries who ensure that all appointments are properly made, that all necessary information are obtained from Directors, both for the internal records and for the purposes of meeting statutory obligations, as well as obligations arising from Bursa Securities ACE LR or other regulatory requirements.

The Directors observe the recommendation of MCCG, 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 provides 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.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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, 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.

### 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 : Lew Jin Aun (*Independent Non-Executive Director*)

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

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

### Directors' Remuneration

The Remuneration Committee considers the principles recommended by MCCG 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 expectation 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 decision on their own remuneration. Likewise, the remuneration of the Independent Non-Executive Directors is a matter for the Board as a whole, with individual Director abstaining from discussion of their own remuneration.

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

Remuneration Bands*	Company Executive Directors	Company Non-Executive Directors	Group Executive Directors	Group Non-Executive Directors
RM50,000 and below	-	3	-	-
RM100,001-RM150,000	-	-	1	-
RM500,001-RM550,000	-	-	1	-
RM800,001-RM850,000	-	-	1	-

\* Successive bands of RM50,001 to RM100,000, RM150,001 to RM500,000 and RM550,001 to RM800,000 are not shown entirely as they are not represented.

## STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

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 2017 are as follows:-

	<b>Fees*</b> <b>(RM)</b>	<b>Salaries and other emoluments (RM)</b>	<b>Bonuses (RM)</b>	<b>Benefit-in- kind (RM)</b>	<b>EPF and SOC SO (RM)</b>	<b>Total (RM)</b>
<b>Company</b>						
Executive Directors	-	-	-	-	-	-
Non-Executive Directors	88,800	18,000	-	-	-	106,800
<b>Group</b>						
Executive Directors	-	1,102,410	91,830	69,692	225,092	1,489,023
Non-Executive Directors	-	-	-	-	-	-

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

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

### REINFORCE INDEPENDENCE

#### Annual Assessment of Independence of Directors

The Board adopts the concept of independence in tandem with the definition of Independent Non-Executive 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 Non-Executive Directors.

The Board considers that its Independent Non-Executive 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 Non-Executive 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 Non-Executive Directors and their ability to act in the best interest of the Company.

#### Tenure of Independent Non-Executive Directors

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

In line with recommendations of the MCCG, the Nomination Committee had performed an annual review on the independency of the Independent Non-Executive Directors by adopting the concept of independence in tandem with the definition of Independent Non-Executive Director in Section 1.01 of Bursa Securities ACE LR. The tenure of the Independent Non-Executive Directors namely, Dato' Philip Chan Hon Keong and Mr. Koay Kah Ee have exceeded a cumulative terms of nine (9) years at the forthcoming 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 were satisfied with the skills, contribution and independent judgement they bring to the Board in facilitating decision making processes of the Company. The Board was 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 businesses and affairs. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Directors of the Company which are tabled for shareholders' approval at the forthcoming AGM of the Company.

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

- (i) Dato' Philip Chan Hon Keong and Mr. Koay Kah Ee have met the independence guidelines as set out in Section 1.01 of Bursa Securities ACE LR;
- (ii) They did not have any conflict of interest with the Company and have not been entering nor is expected to enter into contract(s), especially material contract(s) with the Company and/or its subsidiary companies; and
- (iii) They are familiar with the Group's activities and corporate history and have been providing invaluable contributions to the Board in their roles as Independent Non-Executive Directors.

### **Separation of Chairman and Managing Director**

The Board is aware that it is not in compliance with the best practices of the MCCG 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 views and opinions raised by the Independent Non-Executive Directors.

### **Composition and Board Balance**

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

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 Non-Executive Directors in the decision making processes are 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' interests 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 Non-Executive 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 Non-Executive 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.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### 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	5/5
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 views 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.

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 matter 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 need 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"> <li>- Cyber Security</li> <li>- Up Your Service</li> <li>- Business Model Canvas</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Directors	Training Attended
Datin Wang Mei Ling	<ul style="list-style-type: none"> <li>- Business by the Book</li> <li>- From Providing a Living to Providing Life</li> <li>- The 3 Rs of Leadership</li> </ul>
Koay Kah Ee	<ul style="list-style-type: none"> <li>- The Essence of Independence</li> <li>- Introduction to Companies Act 2016</li> <li>- Blue Ocean Strategy and Risks</li> <li>- Global Market &amp; Economic Outlook 2017</li> <li>- Sustainability Reporting in Malaysia: Putting Public Listed Company Issuers in the know</li> </ul>
Dato' Philip Chan Hon Keong	<ul style="list-style-type: none"> <li>- Seminar on current issues and problems in the implementation of the Strata Management Act 2013 and Regulations 2015</li> </ul>
Goh Kok Sing	<ul style="list-style-type: none"> <li>- Medical Device Authority (MDA) seminar on medical device product registration and classifications</li> <li>- Panasonic IoT PLC training</li> </ul>
Lew Jin Aun	<ul style="list-style-type: none"> <li>- Digital Marketing</li> <li>- Negotiation Skills</li> <li>- Cyber Security</li> <li>- How SMEs can Benefit from Big Data</li> </ul>

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 2016. 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.

#### 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.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### 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 Axcelasia Columbus Sdn. Bhd. (730660-W) 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 2017.

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 businesses, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators are in accordance with applicable legal and regulatory requirements.

#### Leverage on Information Technology for Effective Dissemination of Information

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

The Company's website is accessible at [www.jftech.com.my](http://www.jftech.com.my).

### 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](http://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**

Bursa Securities ACE LR require that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll for all general meetings from 1 July 2016 onwards.

The Company had conducting its voting on all resolutions at the 2016 AGM held on 1 December 2016 by poll. 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 undertakes 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 AGM 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 AGM 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 departure from the best practices of the MCCG, the Board believes that all material aspects of the best practices set out in the MCCG 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 7 September 2017.



# 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 and payable by the Company and the Group to the External Auditors are as follows:

	Company (RM)	Group (RM)
Audit Fees	24,000	63,400
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 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, loss and fraud.

The Board has received assurance from the Managing Director 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 2017 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 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 2017 was RM34,400.00

This Statement was made in accordance with the resolution of the Board dated 7 September 2017.

# 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 2017 ("FYE 2017").

## COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

During the FYE 2017, 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 meetings, authorities, duties and responsibilities, is available in the Company's website at [www.jftech.com.my](http://www.jftech.com.my).

## SUMMARY OF WORKS DURING THE FYE 2017

The works undertaken by the Audit Committee in the discharge of its functions and duties during the FYE 2017 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
22 August 2016	Fourth quarter results for the financial year ended 30 June 2016 ("FYE 2016")
18 November 2016	First quarter results for the FYE 2017
22 February 2017	Second quarter results for the FYE 2017
26 May 2017	Third quarter results for the FYE 2017

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
  - Companies Act, 1965 or 2016.
- 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 14 September 2016 and to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements. In addition, the Audit Committee had reviewed the Audit Completion Report for FYE 2016 prepared by the External Auditors at the meeting held on 22 August 2016.

## AUDIT COMMITTEE REPORT (cont'd)

### 2) External Audit

- a) Reviewed and discussed with the External Auditors at the meeting held on 22 August 2016, 14 September 2016 and 26 May 2017, the Audit Completion Report for the FYE 2016, Audit Review Memorandum for the FYE 2016, presentation of the Audited Financial Statements for the FYE 2016 and Audit Planning Memorandum for the financial year ending 30 June 2017 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, the External Auditors 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 and audit communication 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 2017 at its meeting held on 14 September 2016.

### 3) Internal Audit

The Company has outsourced its internal audit function to Axcelasia Columbus Sdn. Bhd. (730660-W), an independent professional services firm, to assist the Audit Committee in discharging its duties and responsibilities more effectively.

On 22 August 2016, the Audit Committee reviewed and accepted the Internal Audit Plan for the financial year ending 30 June 2017 presented by the Internal Auditors. The internal audit reviews carried out were to assess the adequacy and effectiveness of J Foong Technologies Sdn Bud's ("J Foong") systems of internal control and compliance with the Group's policies and procedures over the procurement and inventory management, fixed asset management for JF Microtechnology Sdn Bhd and research and development for J Foong.

The Audit Committee reviewed the significant audit findings and recommendations in the Internal Auditor's Report to improve any weakness or non-compliance, and the respective Management's responses thereto during the meeting held on 18 November 2016 and 26 May 2017.

### 4) Risk Management Progress Report

The Audit Committee also reviewed and discussed on the Risk Management Report for the period from October 2016 to March 2017 and April 2017 to September 2017 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 18 November 2016 and 26 May 2017.

### 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 2016 Annual Report.

**INTERNAL AUDIT FUNCTION**

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

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

During the financial year under review, the internal audit activities have been carried out according to the internal audit plan which has been approved by the Audit Committee.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

## IN RELATION TO THE FINANCIAL STATEMENTS

Pursuant to the Companies Act 2016, 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 2016, 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

## 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 2017.

## 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.

## RESULTS

	Group RM'000	Company RM'000
Profit after tax for the financial year	6,379	2,807
Attributable to:-		
Owners of the Company	6,379	2,807
Non-controlling interests	-	-
	6,379	2,807

## DIVIDENDS

At the forthcoming Annual General Meeting, a final dividend of 2.0 sen per ordinary share amounting to RM2,520,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 30 June 2018.

## 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 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**

The names of the directors of the Company who served during the financial year until the date of this report are as follows:-

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

The name of the director of the Company's subsidiary who served during the financial year until the date of this report, not including those directors mentioned above, is as follows:-

Foong Mei Leng

## **DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its subsidiaries during the financial year are as follows:-

		-- Number of Ordinary Shares --		
	Balance as at 1.7.2016	Bought	Sold	Balance as at 30.6.2017
<i>Direct Interests in the Company</i>				
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	-	(66,000)	300,000
<i>Indirect Interests in the Company</i>				
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	-	(605,000)	720,000

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 8 of the Companies Act 2016, 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' REPORT (cont'd)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) 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 30 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 23 to the financial statements.

### INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity coverage and insurance premium paid for the directors of the Group.

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 35 to the financial statements.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

### 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 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, which were unlikely to realise in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.
- (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.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)**

**(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 which secure the liabilities of any other person.
- (b) 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.

**AUDITORS**

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

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of its audit engagement against any claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 7 September 2017

**Dato' Foong Wei Kuong**  
Director

**Datin Wang Mei Ling**  
Director

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 40 to 91 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 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 37 on page 92, 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 7 September 2017

**Dato' Foong Wei Kuong**  
Director

**Datin Wang Mei Ling**  
Director

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

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 40 to 91 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 7 September 2017

**Datin Wang Mei Ling**

Before me:

**Lai Din (No. W668)**  
**Commissioner for Oaths**

# INDEPENDENT AUDITORS' REPORT

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of JF Technology Berhad, which comprise the statements of financial position as at 30 June 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 91.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their 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 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

<b>Litigation</b> Refer to Note 36 in the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
A patent infringement was filed against the Group by Johnstech International Corp. in the United States District Court in connection with test contact products sold under the brand name ZIGMA. The court case took place in year 2014 and a judgement is expected in the near future. We focused on this issue as the determination of the impact and likely outcome requires significant management judgement due to uncertainty of the litigation process.	We discussed the litigation with Board of Directors and external legal counsels to understand the status of the litigation. We reviewed correspondences from external legal counsels on the litigation and obtained direct confirmations from them. We reviewed management's assessment as to the strength of the litigation.  We also assessed on the appropriateness of the disclosure made in the Group's financial statements.

**INDEPENDENT  
AUDITORS'REPORT  
TO THE MEMBERS OF JF TECHNOLOGY BERHAD**  
(Incorporated in Malaysia)  
Company No: 747681-H  
(cont'd)

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**INDEPENDENT  
AUDITORS' REPORT**  
**TO THE MEMBERS OF JF TECHNOLOGY BERHAD**  
(Incorporated in Malaysia)  
Company No: 747681-H  
(cont'd)

**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 37 on page 92 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 266 of the Companies Act 2016 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

**Ngiam Mia Teck**  
Approval No: 03000/07/2018 J  
Chartered Accountant

7 September 2017

Kuala Lumpur



# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	20,156	20,425	34	1
Intangible asset	6	-	-	-	-
Investments in subsidiaries	7	-	-	17,801	17,801
		20,156	20,425	17,835	17,802
<b>Current assets</b>					
Inventories	8	1,562	1,465	-	-
Trade and other receivables	9	5,436	3,584	3,013	21
Current tax assets		377	180	1	-
Fixed deposit with a licensed bank	10	209	203	209	203
Cash and cash equivalents	11	10,803	7,191	3,411	3,630
		18,387	12,623	6,634	3,854
<b>TOTAL ASSETS</b>		<b>38,543</b>	<b>33,048</b>	<b>24,469</b>	<b>21,656</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to owners of the Company					
Share capital	12	12,600	12,600	12,600	12,600
Reserves	13	17,965	11,586	11,790	8,983
<b>TOTAL EQUITY</b>		<b>30,565</b>	<b>24,186</b>	<b>24,390</b>	<b>21,583</b>

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

STATEMENTS OF  
FINANCIAL POSITION  
AS AT 30 JUNE 2017  
(cont'd)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current liabilities</b>					
Borrowings	14	2,376	3,324	-	-
Deferred income	17	2,049	1,673	-	-
Deferred tax liabilities	18	979	920	-	-
		5,404	5,917	-	-
<b>Current liabilities</b>					
Trade and other payables	19	1,359	1,897	78	73
Borrowings	14	957	928	-	-
Current tax liabilities		258	120	1	-
		2,574	2,945	79	73
<b>TOTAL LIABILITIES</b>		7,978	8,862	79	73
<b>TOTAL EQUITY AND LIABILITIES</b>		38,543	33,048	24,469	21,656

*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 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	20	24,670	19,029	3,000	1,000
Cost of sales	21	(6,000)	(4,752)	-	-
Gross profit		18,670	14,277	3,000	1,000
Other income	22	744	732	114	108
Administrative expenses	23	(11,319)	(12,550)	(307)	(330)
Other expenses	24	(990)	(1,111)	-	-
Profit from operations		7,105	1,348	2,807	778
Finance costs	25	(141)	(176)	-	-
Profit before tax		6,964	1,172	2,807	778
Tax expense	26	(585)	(130)	-	-
Profit after tax		6,379	1,042	2,807	778
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		6,379	1,042	2,807	778
Profit after tax attributable to:-					
Owners of the Company		6,379	1,042	2,807	778
Non-controlling interests		-	-	-	-
		6,379	1,042	2,807	778
Total comprehensive income attributable to:-					
Owners of the Company		6,379	1,042	2,807	778
Non-controlling interests		-	-	-	-
		6,379	1,042	2,807	778
Earnings per ordinary share (sen)	27				
-Basic		5.06	0.83		
-Diluted		5.06	0.83		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 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	28	-	-	(1,260)	(1,260)
Balance as at 30 June 2016/ 1 July 2016		12,600	8,743	2,843	24,186
Profit after tax/Total comprehensive income		-	-	6,379	6,379
Balance as at 30 June 2017		12,600	8,743	9,222	30,565
<b>Company</b>					
Balance as at 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	28	-	-	(1,260)	(1,260)
Balance as at 30 June 2016/ 1 July 2016		12,600	8,743	240	21,583
Profit after tax/Total comprehensive income		-	-	2,807	2,807
Balance as at 30 June 2017		12,600	8,743	3,047	24,390

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>					
Profit before tax		6,964	1,172	2,807	778
Adjustments for:-					
Depreciation of property, plant and equipment	5	1,317	1,330	1	#
Dividend income	20	-	-	(3,000)	(1,000)
Interest expenses	25	141	176	-	-
Inventories written off	8	31	28	-	-
Unrealised loss on foreign exchange	24	19	6	-	-
Property, plant and equipment written off	24	49	-	-	-
Amortisation of deferred income	17	(199)	(155)	-	-
Gain on disposal of property, plant and equipment	22	(112)	(53)	-	-
Interest income	22	(140)	(135)	(114)	(108)
Unrealised gain on foreign exchange	22	(14)	(29)	-	-
Operating profit/(loss) before working capital changes		8,056	2,340	(306)	(330)
Increase in inventories		(128)	(306)	-	-
(Increase)/Decrease in trade and other receivables		(1,876)	145	(2,992)	619
(Decrease)/Increase in trade and other payables		(537)	167	5	(36)
Cash generated from/(for) operating activities		5,515	2,346	(3,293)	253
Tax paid		(585)	(174)	#	#
Net cash from/(for) operating activities		4,930	2,172	(3,293)	253

Note:

# - Amount below RM1,000

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

STATEMENTS OF  
**CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017  
(cont'd)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>					
Dividend received		-	-	3,000	1,000
Government grant received		575	901	-	-
Increase in pledged fixed deposit with a licensed bank		(6)	(203)	(6)	(203)
Interest received		140	135	114	108
Proceeds from disposal of property, plant and equipment		200	54	-	-
Purchase of property, plant and equipment	5(b)	(1,065)	(1,203)	(34)	-
Net cash (for)/from investing activities		(156)	(316)	3,074	905
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>					
Dividends	28	-	(1,260)	-	(1,260)
Interest paid		(141)	(176)	-	-
Repayment of hire purchase creditors		(203)	(197)	-	-
Repayment of term loan		(836)	(803)	-	-
Net cash for financing activities		(1,180)	(2,436)	-	(1,260)
Net increase/(decrease) in cash and cash equivalents		3,594	(580)	(219)	(102)
Cash and cash equivalents at beginning of financial year		7,191	7,742	3,630	3,732
Effects of exchange rate changes		18	29	-	-
Cash and cash equivalents at end of financial year	11	10,803	7,191	3,411	3,630

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

## 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 2017 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 7 September 2017.

## 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.

## 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 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

### 3. BASIS OF PREPARATION (CONT'D)

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):- (Cont'd)

**MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

- 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:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	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
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 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of the Standard	1 January 2017



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

(cont'd)

### 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
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

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.

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosures notes on the statements of cash flows may be required.

#### **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.

###### **(b) Amortisation of Product Development Costs**

The estimates for the residual values, useful lives and related amortisation charges for the product development costs 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 product development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation 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 amortisation charges could be revised.

###### **(c) 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 expense and deferred tax balances in the year in which such determination is made.

###### **(d) 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.

###### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

(cont'd)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### (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.

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.2 BASIS OF CONSOLIDATION (CONT'D)

###### (a) Business Combinations (Cont'd)

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

### 30 JUNE 2017

(cont'd)

#### 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) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates 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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.4 FINANCIAL INSTRUMENTS (CONT'D)

###### (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. Fair value through profit or loss category also comprises contingent consideration in a business combination.

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.

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.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE  
**FINANCIAL STATEMENTS**  
**30 JUNE 2017**  
 (cont'd)

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.4 FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Assets (Cont'd)**

(iii) Loans and Receivables Financial Assets (Cont'd)

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.

**(b) Financial Liabilities**

(i) Financial Liabilities at 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. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Fair value through profit or loss category also comprises contingent consideration in a business combination.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.4 FINANCIAL INSTRUMENTS (CONT'D)**

**(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 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 Contracts**

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.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017 (cont'd)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 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.

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

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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.

Depreciation on property, plant and equipment 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%
Signboard	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. Any changes are accounted for as a change in estimate.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

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.

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.

##### **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 and investments in subsidiaries), 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

(cont'd)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.8 IMPAIRMENT (CONT'D)

###### (a) Impairment of Financial Assets (Cont'd)

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.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

###### (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.

In respect of asset other than goodwill, and 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.9 FINANCE LEASE**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

##### **4.10 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method 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 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. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

##### **4.12 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.

##### **4.13 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.

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 (cont'd)

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.14 INCOME TAXES**

**(a) Current Tax**

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

**(b) Deferred Tax**

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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 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 the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

**(c) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

#### 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017 (cont'd)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 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.

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 that are 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.21 REVENUE AND OTHER INCOME**

Revenue is measured at the fair value of the consideration received or receivable and where applicable, net of returns, goods and services tax, cash and trade discounts.

**(a) Sale of Goods**

Sales of goods is recognised upon delivery of goods and customers' acceptance.

**(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.

**(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 grant 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.



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5. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Balance as at 1.7.2016 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance as at 30.6.2017 RM'000
<b>Cost</b>					
Long-term leasehold land	4,601	-	-	-	4,601
Building	11,997	-	-	-	11,997
Computer and software	1,187	44	-	(66)	1,165
Furniture and fittings	518	15	-	-	533
Motor vehicles	1,774	155	-	-	1,929
Office equipment	428	41	(2)	-	467
Plant and machinery	6,852	845	(114)	-	7,583
Renovation	257	-	-	-	257
Signboard	-	34	-	-	34
Tools and equipment	1,873	51	-	-	1,924
	<u>29,487</u>	<u>1,185</u>	<u>(116)</u>	<u>(66)</u>	<u>30,490</u>

Group 2017	Balance as at 1.7.2016 RM'000	Depreciation charges for the financial year RM'000	Disposals RM'000	Written off RM'000	Balance as at 30.6.2017 RM'000
<b>Accumulated depreciation</b>					
Long-term leasehold land	404	47	-	-	451
Building	1,673	240	-	-	1,913
Computer and software	959	79	-	(17)	1,021
Furniture and fittings	359	48	-	-	407
Motor vehicles	915	289	-	-	1,204
Office equipment	262	38	(1)	-	299
Plant and machinery	2,444	439	(27)	-	2,856
Renovation	93	26	-	-	119
Signboard	-	1	-	-	1
Tools and equipment	1,021	110	-	-	1,131
	<u>8,130</u>	<u>1,317</u>	<u>(28)</u>	<u>(17)</u>	<u>9,402</u>

Group 2017	Balance as at 1.7.2016 RM'000	Disposal RM'000	Balance as at 30.6.2017 RM'000
<b>Accumulated impairment</b>			
Plant and machinery	759	-	759
Tools and equipment	173	-	173
	<u>932</u>	<u>-</u>	<u>932</u>

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

Group 2016	Balance as at 1.7.2015 RM'000	Additions RM'000	Disposal RM'000	Balance as at 30.6.2016 RM'000
<b>Cost</b>				
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
	<u>28,307</u>	<u>1,353</u>	<u>(173)</u>	<u>29,487</u>

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
<b>Accumulated depreciation</b>				
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
	<u>6,972</u>	<u>1,330</u>	<u>(172)</u>	<u>8,130</u>

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

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

Company 2017	Balance as at 1.7.2016 RM'000	Addition RM'000	Balance as at 30.6.2017 RM'000
<b>Cost</b>			
Computer and software	20	-	20
Furniture and fittings	2	-	2
Signboard	-	34	34
	<u>22</u>	<u>34</u>	<u>56</u>

Company 2017	Balance as at 1.7.2016 RM'000	Depreciation charges for the financial year RM'000	Balance as at 30.6.2017 RM'000
<b>Accumulated depreciation</b>			
Computer and software	20	-	20
Furniture and fittings	1	#	1
Signboard	-	1	1
	<u>21</u>	<u>1</u>	<u>22</u>

Company 2016	Balance as at 1.7.2015 RM'000	Addition RM'000	Balance as at 30.6.2016 RM'000
<b>Cost</b>			
Computer and software	20	-	20
Furniture and fittings	2	-	2
	<u>22</u>	<u>-</u>	<u>22</u>

Company 2016	Balance as at 1.7.2015 RM'000	Depreciation charges for the financial year RM'000	Balance as at 30.6.2016 RM'000
<b>Accumulated depreciation</b>			
Computer and software	20	-	20
Furniture and fittings	1	#	1
	<u>21</u>	<u>#</u>	<u>21</u>

Note:

# - Amount below RM1,000

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Carrying amount</b>				
Long-term leasehold land	4,150	4,197	-	-
Building	10,084	10,324	-	-
Computer and software	144	228	-	-
Furniture and fittings	126	159	1	1
Motor vehicles	725	859	-	-
Office equipment	168	166	-	-
Plant and machinery	3,968	3,649	-	-
Renovation	138	164	-	-
Signboard	33	-	33	-
Tools and equipment	620	679	-	-
	<u>20,156</u>	<u>20,425</u>	<u>34</u>	<u>1</u>

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

	Group	
	2017	2016
	RM'000	RM'000
<b>Carrying amount</b>		
Motor vehicles	704	828

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	1,185	1,353	34	-
Financed by hire purchase arrangements	<u>(120)</u>	<u>(150)</u>	<u>-</u>	<u>-</u>
Cash payments to purchase property, plant and equipment	<u>1,065</u>	<u>1,203</u>	<u>34</u>	<u>-</u>

- (c) As at 30 June 2017, the long-term leasehold land and a building of a subsidiary with a carrying amount of RM14,234,000 (2016: RM14,521,000) 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.

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6. INTANGIBLE ASSET - PRODUCT DEVELOPMENT COSTS

	Group	
	2017	2016
	RM'000	RM'000
Cost	1,967	1,967
Less:		
- accumulated amortisation	(980)	(980)
- accumulated impairment losses	(987)	(987)
Carrying amount	-	-

Product development costs comprised salaries of personnel involved in the development and design of products prior to the commencement of commercial production.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	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.

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

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal activities
		2017	2016	
J Foong Technologies Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and trading of electronic product components.
JF Microtechnology Sdn. Bhd.	Malaysia	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.

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**8. INVENTORIES**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost</b>		
Raw materials	661	585
Work-in-progress	163	183
Finished goods	737	696
	1,561	1,464
<b>At net realisable value</b>		
Raw materials	1	1
	1,562	1,465
Recognised in profit or loss:-		
Inventories recognised as cost of sales	1,048	1,113
Amount written off	31	28

**9. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade receivables</b>				
Third parties	5,253	3,134	-	-
<b>Other receivables, deposits and prepayments</b>				
Other receivables	3	-	-	-
Deposits	96	360	-	-
Prepayments	84	88	13	21
Goods and services tax receivable	#	2	-	-
Dividend receivable	-	-	3,000	-
	183	450	3,013	21
	5,436	3,584	3,013	21

Trade receivables are non-interest bearing and the normal credit terms granted by the Group range from 30 to 90 days (2016: 30 to 90 days) from date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Note:

# - Amount below RM1,000

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**9. TRADE AND OTHER RECEIVABLES (CONT'D)**

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

	<b>2017</b>	<b>Group</b>
	<b>RM'000</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
United States Dollar	3,587	1,835

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

	<b>2017</b>	<b>Group</b>
	<b>RM'000</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	4,714	3,060
Past due, not impaired		
91 to 120 days	441	42
More than 120 days	98	32
	539	74
	5,253	3,134

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 33 to the financial statements.

**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% (2016: 3.15%) per annum. The fixed deposit has a maturity period of 30 days (2016: 30 days).
- (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.

NOTES TO THE  
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(cont'd)

**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:-

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash in hand	37	18	-	-
Bank balances	6,041	3,566	83	30
Cash and bank balances	6,078	3,584	83	30
Short-term funds:				
- Money market unit trust funds in Malaysia	4,725	3,607	3,328	3,600
Cash and cash equivalents	10,803	7,191	3,411	3,630

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:-

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
United States Dollar	4,577	1,045	-	-

**12. SHARE CAPITAL**

The movement in the authorised and paid-up share capital of the Group and the Company are as follows:-

	<b>Group/Company</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Number of shares</b>	<b>RM'000</b>	<b>Number of shares</b>	<b>RM'000</b>
<b>Authorised</b>				
Ordinary shares of RM0.10 each	N/A	N/A	250,000,000	25,000

N/A - Not applicable pursuant to the Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.



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12. SHARE CAPITAL (CONT'D)

	Group/Company			
	2017		2016	
	Number of shares	RM'000	Number of shares	RM'000
<b>Issued and Fully Paid-Up</b>				
Ordinary shares with No Par Value (2016 – Par Value of RM0.10 each)				
At 30 June	126,000,000	12,600	126,000,000	12,600

- (i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

13. RESERVES

Include in reserves is a share premium of RM8,743,000. Pursuant to the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company have not consolidated the share premium into share capital until the expiry of the transitional period.

14. BORROWINGS

		Group	
	Note	2017 RM'000	2016 RM'000
<b>Current liabilities</b>			
Term loan	15	739	739
Hire purchase creditors	16	218	189
		957	928
<b>Non-current liabilities</b>			
Term loan	15	2,022	2,858
Hire purchase creditors	16	354	466
		2,376	3,324
		3,333	4,252
<b>Total borrowings</b>			
Term loan	15	2,761	3,597
Hire purchase creditors	16	572	655
		3,333	4,252

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**15. TERM LOAN**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan	<u>2,761</u>	<u>3,597</u>
Repayable as follows:-		
<b>Current liability (Note 14)</b>		
- not later than one (1) year	739	739
<b>Non-current liability (Note 14)</b>		
- later than one (1) year but not later than five (5) years	<u>2,022</u>	<u>2,858</u>
	<u>2,761</u>	<u>3,597</u>

The term loan was drawdown by a subsidiary of the Group. The term loan of the Group at the end of the reporting period bore an effective interest rate of 4.72% (2016 - 4.72%) per annum.

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 33 to the financial statements.

**16. HIRE PURCHASE CREDITORS**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Minimum hire purchase payments:		
- not later than one (1) year	257	217
- later than one (1) year but not later than five (5) years	<u>385</u>	<u>498</u>
Total minimum hire purchase payments	642	715
Less: Future interest charges	<u>(70)</u>	<u>(60)</u>
Present value of hire purchase payments	<u>572</u>	<u>655</u>

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**16. HIRE PURCHASE CREDITORS (CONT'D)**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Repayable as follows:-		
<b>Current liabilities (Note 14)</b>		
- not later than one (1) year	218	189
<b>Non-current liabilities (Note 14)</b>		
- later than one (1) year but not later than five (5) years	354	466
	<u>572</u>	<u>655</u>

The hire purchase creditors of the Group are secured by the Group's motor vehicles under hire purchase.

**17. DEFERRED INCOME**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 July 2016/2015	1,673	927
Additions during the financial year	575	901
Recognised in profit or loss (Note 22)	(199)	(155)
Balance as at 30 June 2017/2016	<u>2,049</u>	<u>1,673</u>

The Group received government grants in 2017 which were in relation to the purchase of property, plant and equipment. The grants are being amortised over the useful lives of the property, plant and equipment.

**18. DEFERRED TAX LIABILITIES**

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 July 2016/2015	920	897
Recognised in profit or loss (Note 26)	59	23
Balance as at 30 June 2017/2016	<u>979</u>	<u>920</u>

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**18. DEFERRED TAX LIABILITIES (CONT'D)**

The deferred tax (asset)/liabilities are attributable to the following:-

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Deferred tax asset:-</u>		
Unutilised tax losses	(63)	-
<u>Deferred tax liabilities:-</u>		
Accelerated capital allowances over depreciation	1,043	914
Others	(1)	6
	<u>1,042</u>	<u>920</u>
	<u>979</u>	<u>920</u>

**19. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade payables</b>				
Third parties	176	141	-	-
<b>Other payables and accruals</b>				
Other payables	230	235	5	4
Accruals	883	1,451	73	69
Goods and services tax payable	70	70	-	-
	<u>1,183</u>	<u>1,756</u>	<u>78</u>	<u>73</u>
	<u>1,359</u>	<u>1,897</u>	<u>78</u>	<u>73</u>

- (a) Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days) from date of invoice.

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**19. TRADE AND OTHER PAYABLES (CONT'D)**

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Hong Kong Dollar	-	43	-	-
Singapore Dollar	-	#	-	-
United States Dollar	136	38	-	-
	<u>136</u>	<u>81</u>	<u>-</u>	<u>-</u>

Note:

# - Amount below RM1,000

(c) Information on financial risks of trade and other payables is disclosed in Note 33 to the financial statements.

**20. REVENUE**

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sale of electronic products, components and test probes	24,670	19,029	-	-
Dividend income from subsidiaries	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>1,000</u>

**21. COST OF SALES**

	Note	Group	
		2017	2016
		RM'000	RM'000
Included in cost of sales are:-			
Depreciation of property, plant and equipment	5	549	519
Inventories written off	8	31	28
Rental of premises		<u>29</u>	<u>20</u>

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**22. OTHER INCOME**

		Group		Company	
		2017	2016	2017	2016
Note		RM'000	RM'000	RM'000	RM'000
Included in other income are:-					
Amortisation of deferred income	17	199	155	-	-
Gain on disposal of property, plant and equipment		112	53	-	-
Interest income from					
- fixed deposit		6	-	6	-
- short-term funds		134	135	108	108
Realised gain on foreign currency transactions		266	336	-	-
Unrealised gain on foreign exchange		14	29	-	-

**23. ADMINISTRATIVE EXPENSES**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Included in administrative expenses are:-				
Auditors' remuneration:				
- audit fees	64	58	24	21
- non audit fees	3	3	3	3
Directors' remuneration:				
- fees	89	89	89	89
- emoluments other than fees	1,404	1,279	18	20
Rental of premises	34	39	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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24. OTHER EXPENSES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Included in other expenses are:-					
Depreciation of property, plant and equipment	5	768	811	1	#
Property, plant and equipment written off		49	-	-	-
Loss on disposal of plant and equipment		#	-	#	-
Realised loss on foreign currency transactions		153	294	#	-
Unrealised loss on foreign exchange		19	6	-	-

Note:

# - Amount below RM1,000

25. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<hr/>				
Interest expenses:				
- hire purchase	31	33	-	-
- term loan	110	143	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	141	176	-	-

26. TAX EXPENSE

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax:					
- for the financial year		528	107	-	-
- overprovision in the previous financial year		(2)	-	-	-
		526	107	-	-
Deferred tax:					
- relating to origination and reversal of temporary differences	18	158	30	-	-
- overprovision in prior years		(99)	(7)	-	-
		59	23	-	-
		585	130	-	-

## 26. TAX EXPENSE (CONT'D)

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 was extended for another five (5) years which commenced from 1 April 2011 and expired on 31 March 2016. The subsidiary has been granted an extension of Pioneer Status commencing from 1 April 2016 to 31 March 2021.

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% (2016: 24%) of the estimated taxable profit for the fiscal year.

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:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	6,964	1,172	2,807	778
Tax at statutory tax rate of 24% (2016: 24%)	1,671	281	674	187
Tax effects in respect of:-				
Non-allowable expenses	123	229	46	79
Non-taxable income	(81)	(79)	(720)	(266)
Tax-exempt income	(1,029)	(236)	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	-	(58)	-	-
	684	137	-	-
Overprovision in prior years: - deferred tax	(99)	(7)	-	-
	585	130	-	-



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## 27. 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.

	2017	Group 2016
Earnings for the financial year attributable to equity holders of the parent (RM'000)	6,379	1,042
Weighted average number of ordinary shares in issue ('000)	126,000	126,000
Basic earnings per ordinary share (sen)	5.06	0.83

### (b) Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as the basic earnings per ordinary share as there is no dilutive potential ordinary shares outstanding at the end of the reporting period.

## 28. DIVIDENDS

	Group/Company 2017 RM'000	2016 RM'000
Paid:-		
Final single tier dividend of Nil (2015: 0.5 sen) per ordinary share in respect of the financial year ended 30 June 2016/2015	-	630
Interim single tier dividend of Nil (2016: 0.5 sen) per ordinary share in respect of the financial year ended 30 June 2017/2016	-	630
	-	1,260

At the forthcoming Annual General Meeting, a final dividend of 2.0 sen per ordinary share amounting to RM2,520,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 30 June 2018.

## 29. EMPLOYEE BENEFITS

	Group 2017 RM'000	2016 RM'000	Company 2017 RM'000	2016 RM'000
Salaries and allowances	5,613	4,260	-	-
Defined contribution plan	722	608	-	-
Other employee benefits	1,153	579	18	20
	7,488	5,447	18	20

Included in employee benefits of the Group and of the Company are Directors' other emoluments amounting to RM1,404,000 (2016: RM1,279,000) and RM18,000 (2016: RM20,000) respectively.

### 30. RELATED PARTY DISCLOSURES

#### (a) Identities of related parties

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

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

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

Company	2017 RM'000	2016 RM'000
Dividend received/receivable from a subsidiary	3,000	1,000

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

#### (c) Compensation of key management personnel

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

The key management personnel compensation during the financial year are as follows:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Executive Directors:</i>				
Short-term employee benefits:				
- salaries and allowances	1,071	1,037	-	-
- defined contribution plan	216	197	-	-
- others	99	25	-	-
<i>Non-executive Directors:</i>				
Short-term employee benefits:				
- allowances	18	20	18	20
- fee	89	89	89	89
<i>Key Management Personnel:</i>				
Short-term employee benefits:				
- salaries and allowances	99	101	-	-
- defined contribution plan	14	13	-	-
- others	9	2	-	-
Total	1,615	1,484	107	109

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**30. RELATED PARTY DISCLOSURES (CONT'D)**

**(c) Key management personnel compensation (Cont'd)**

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM71,492 (2016: RM71,376).

**31. SEGMENTAL INFORMATION**

**(a) Segmental information**

The revenue from external customers in Malaysia amounted to RM8,595,000 (2016: RM7,171,000), and the total revenue from external customers from other countries amounted to RM16,075,000 (2016: RM11,858,000).

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.

	2017 RM'000	2016 RM'000
<b>Revenue from external customers</b>		
Malaysia	8,595	7,171
United States	6,609	4,339
Philippines	2,640	2,693
Others	6,826	4,826
Total	<u>24,670</u>	<u>19,029</u>

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

**(c) Information about major customers**

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

	Revenue	
	2017 RM'000	2016 RM'000
Customer A	3,306	2,982
Customer B	<u>2,857</u>	<u>-</u>

## 32. 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	2017 RM'000	2016 RM'000
<b>Financial Assets</b>		
<u>Loans and Receivables Financial Assets</u>		
Trade and other receivables	5,352	3,494
Fixed deposit with a licensed bank	209	203
Cash and bank balances	6,078	3,584
	<u>11,639</u>	<u>7,281</u>
<u>Fair Value through Profit or Loss</u>		
Short-term funds	<u>4,725</u>	<u>3,607</u>
<b>Financial Liabilities</b>		
<u>Other Financial Liabilities</u>		
Borrowings	3,333	4,252
Trade and other payables	<u>1,289</u>	<u>1,827</u>
	<u>4,622</u>	<u>6,079</u>

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32. FINANCIAL INSTRUMENTS (CONT'D)

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

Company	2017 RM'000	2016 RM'000
<b>Financial Assets</b>		
<u>Loans and Receivables Financial Assets</u>		
Other receivable	3,000	-
Fixed deposit with a licensed bank	209	203
Cash and bank balances	83	30
	<u>3,292</u>	<u>233</u>
<u>Fair Value through Profit or Loss</u>		
Short-term funds	<u>3,328</u>	<u>3,600</u>
<b>Financial Liability</b>		
<u>Other Financial Liability</u>		
Other payables	<u>78</u>	<u>73</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
<b>2017</b>				
<u>Financial Asset</u>				
Short-term funds	4,725	-	4,725	4,725
<u>Financial Liabilities</u>				
Hire purchase creditors	-	576	576	572
Term loan	-	2,761	2,761	2,761

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**32. 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
<b>2016</b>				
<u>Financial Asset</u>				
Short-term funds	3,607	-	3,607	3,607
<u>Financial Liabilities</u>				
Hire purchase creditors	-	648	648	655
Term loan	-	3,597	3,597	3,597

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

- (i) The fair values of hire purchase payables and term loans are 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:-

	2017 %	2016 %
Hire purchase payables	4.61 – 5.64	5.06 – 5.64
Term loan	4.72	4.95

**33. 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.

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

#### (a) Credit risk (Cont'd)

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.

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.

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiary as disclosed under the 'Liquidity and cash flow risk' of item (b) below, representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

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 2017, other than the amounts owing by two (2) (2016: two (2)) major customers of the Group constituting 27% (2016: 30%) of total trade receivables of the Group, there is no significant concentration of credit risk.

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

(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 2017	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flow RM'000	Within 1 year RM'000	1 to 5 years RM'000
<b>Group</b>					
<u>Financial Liabilities:-</u>					
Trade and other payables	-	1,289	1,289	1,289	-
Term loan	4.72	2,761	2,761	739	2,022
Hire purchase creditors	4.37 - 5.37	572	642	257	385
Total undiscounted financial liabilities		4,622	4,692	2,285	2,407
<b>Company</b>					
<u>Financial Liabilities:-</u>					
Other payables	-	78	78	78	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	2,761	2,761	-
Total undiscounted financial liability		78	2,839	2,839	-



NOTES TO THE  
FINANCIAL STATEMENTS  
30 JUNE 2017  
(cont'd)

**33. 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 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
<b>Group</b>					
<u>Financial Liabilities:-</u>					
Trade and other payables	-	1,827	1,827	1,827	-
Term loan	4.95	3,597	3,597	739	2,858
Hire purchase creditors	4.37 – 5.37	655	715	217	498
Total undiscounted financial liabilities		6,079	6,139	2,783	3,356
<b>Company</b>					
<u>Financial Liabilities:-</u>					
Other payables	-	73	73	73	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	3,597	3,597	-
Total undiscounted financial liability		73	3,670	3,670	-

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

#### (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.

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:-

		<b>Group</b>	
		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
		<b>Profit after</b>	<b>Profit after</b>
		<b>tax</b>	<b>tax</b>
HKD/RM	- strengthened by 5%	-	-2
	- weakened by 5%	-	+2
SGD/RM	- strengthened by 5%	-	-#
	- weakened by 5%	-	+#
USD/RM	- strengthened by 5%	+305	+108
	- weakened by 5%	-305	-108

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.

**NOTES TO THE  
FINANCIAL STATEMENTS**  
**30 JUNE 2017**  
(cont'd)

**34. CAPITAL COMMITMENT**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure in respect of purchase of property, plant and equipment:-		
Approved and contracted for	36	595
Approved and not contracted for	95	-

**35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial implementation are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares ceased to have par value; and
- (iii) Share premium account will become part of the share capital.

The Companies Act 2016 was applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial implementation have been disclosed in the financial statements of the Group and of the Company in the current financial year.

**36. MATERIAL LITIGATION**

On 20 June 2014, an action for patent infringement ("Compliant") was filed against JF Technology Berhad, JF Microtechnology Sdn. Bhd. 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.

**36. MATERIAL LITIGATION (CONT'D)**

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 was heard from 19 September 2016 to 27 September 2016. On 27 September 2016, the jury returned a verdict that all 4 claims of the JTI'866 Patent were infringed by Zigma product. The jury awarded damages of USD636,807 against Defendant. We were informed by our attorneys in the United States that the jury verdicts regarding willfulness and obviousness are advisory only, as these are issues the Court will decide.

The presiding judge, Judge Donato, indicated that he would not enter a final judgement in the case until after all post-trial motions are resolved and ordered JTI and the Defendant ("the parties") to meet and confer on a proposed schedule for such motions. The proposed schedule was to be filed by 4 October 2016. It was anticipated that it may be early 2017 when the post-trial are decided and final judgement is entered. The damages award will not be required to be paid until final judgement is entered, at the soonest.

Judge Donato had ordered parties to participate in another mandatory mediation before the hearing on the post-trial motions. Both parties attended the mediation hearing before Judge Conley on 14 November 2016 and there was no final judgement entered.

Judge Donato had another mandatory mediation with both parties on 18 May 2017 and there was no final judgement entered yet. He had ordered both the Plaintiff and Defendant to submit and exchange the post-trial motions and responses on the briefings to Judge Donato latest by 13 July 2017. The post-trial motions hearing had been set on 7 December 2017 by the Court.

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

NOTES TO THE  
**FINANCIAL STATEMENTS**  
**30 JUNE 2017**  
 (cont'd)

**37. 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:-

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of JF Technology Berhad and its subsidiaries:				
- Realised	18,397	11,987	3,047	240
- Unrealised	(974)	(943)	-	-
	17,423	11,044	3,047	240
Less: Consolidation adjustments	(8,201)	(8,201)	-	-
Total retained earnings as per consolidated Finance Statements	9,222	2,843	3,047	240

# LIST OF PROPERTIES

No.	Name of registered owner: Lot. No. / Postal address	Description/ Existing use	Tenure	Year of Expiry	Net book value RM'000	Area (sq. ft.)	Age of building (Year)	Date of revaluation
1	<b>JF Microtechnology Sdn Bhd</b> H.S. (D) 241029, PT No. PT9918, Mukim of Pekan Baru Sungai Buloh, District of Petaling, State of Selangor.  <b>Bearing postal address:</b> Lot No. 6, Jalan Teknologi 3/6, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.	2-storey office cum factory/ Corporate Headquarters & factory	99 years Leasehold (89 years)*	2106	14,234	92,783	8	18 September 2007 §

## Note

\* Balance of leasehold tenure

§ Date of acquisition

Total Number of Issued Shares	:	126,000,000 Ordinary Shares
Class of Shares	:	Ordinary shares
Number of Shareholders	:	1,022
Voting Rights	:	One (1) vote per shareholder on a show of hands One (1) vote per ordinary share on a poll

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1-99	11	1.08	97	0.00
100-1,000	220	21.53	151,402	0.12
1,001-10,000	502	49.12	2,569,000	2.04
10,001-100,000	227	22.21	7,135,400	5.66
100,001-6,299,999 (*)	60	5.87	38,771,120	30.77
6,300,000 and above (**)	2	0.20	77,372,981	61.41
<b>Total</b>	<b>1.022</b>	<b>100.00</b>	<b>126,000,000</b>	<b>100.00</b>

**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	200,000	0.16	-	-
5.	Koay Kah Ee	300,000	0.24	-	-
6.	Lew Jin Aun	1,000,000	0.79	500,000*	0.40

**Note:-**

\* Disclosure pursuant to Section 59 of the Companies Act 2016 in regards to his spouse's shareholdings in the Company.

**ANALYSIS OF  
SHAREHOLDINGS  
AS AT 18 AUGUST 2017  
(cont'd)**

**TOP THIRTY SECURITIES ACCOUNT HOLDERS**

<b>No.</b>	<b>Name</b>	<b>Shareholdings</b>	<b>%</b>
1.	Dato' Foong Wei Kuong	63,917,594	50.73
2.	Datin Wang Mei Ling	13,455,387	10.68
3.	Low Wan Choon	5,208,660	4.13
4.	Kok Kean Loon	4,728,660	3.75
5.	Sim Ah Yoong	3,390,000	2.69
6.	Chong Toh Wee	2,366,000	1.88
7.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad - Kenanga Growth Fund	2,019,700	1.60
8.	Jony Raw @ Raw Jony	1,813,900	1.44
9.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt an for - DBS Vickers Securities (Singapore) Pte Ltd (Clients)	1,796,000	1.43
10.	Ong Kian Huat	1,024,900	0.81
11.	Lew Jin Aun	1,000,000	0.79
12.	Tam Juat Hong	966,000	0.77
13.	SRM Integration (Malaysia) Sdn. Bhd.	750,300	0.60
14.	Maybank Nominees (Tempatan) Sdn. Bhd. Lim Yoke Cho	666,000	0.53
15.	Yap Kun Lee	612,700	0.49
16.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. Exempt an for - Phillip Capital Management Sdn Bhd (EPF)	609,900	0.48
17.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Kok Kean Loon	602,800	0.48
18.	Kenanga Nominees (Tempatan) Sdn. Bhd. Hiew Kem Chon (PCS)	525,000	0.42
19.	Zakaria Bin Arshad	523,300	0.42
20.	Lee Eng Kiat	502,100	0.40
21.	Ng Chor Kuan	500,000	0.40
22.	Chow Hong Lit	498,000	0.40
23.	Oon Soon Keat	430,000	0.34
24.	Tam Juat Hong	425,200	0.34
25.	Ng Poh Chan	425,000	0.34
26.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad For Interpac Dana Safi (50141 TR01)	344,000	0.27
27.	Teh Chuan Hin	340,000	0.27
28.	Goh Joo Hwa	311,500	0.25
29.	Lau Sam Siong	311,000	0.25
30.	Benson Chandra	300,000	0.24



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eleventh Annual General Meeting of the Company shall be held at Greens I, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 7 December 2017 at 9.00 a.m. for the following purposes:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with the Reports of the Directors and the Auditors thereon. **(Please refer Note 1)**
2. To declare a final single-tier dividend of 2 sen per ordinary share for the financial year ended 30 June 2017. **Resolution 1**
3. To approve the payment of Directors' Fees amounting to RM88,800.00 for the financial year ended 30 June 2017. **Resolution 2**
4. To approve an amount of up to RM60,000.00 as benefits payable to the Non-Executive Directors from 31 January 2017 until the next Annual General Meeting of the Company to be held in 2018. **Resolution 3**
5. 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) Dato' Foong Wei Kuong **Resolution 4**
  - (b) Dato' Philip Chan Hon Keong **Resolution 5**
6. 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 6**
7. As Special Business:

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

**(a) ORDINARY RESOLUTION NO. 1**  
**- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016**

**Resolution 7**

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being; **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND FURTHER 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."

NOTICE OF  
ANNUAL GENERAL MEETING  
(cont'd)

**(b) ORDINARY RESOLUTION NO. 2**

**Resolution 8**

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

"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 Non-Executive Director of the Company for more than nine (9) years in accordance with the Malaysian Code on Corporate Governance."

**(c) ORDINARY RESOLUTION NO. 3**

**Resolution 9**

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

"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 Non-Executive Director of the Company for more than nine (9) years in accordance with the Malaysian Code on Corporate Governance."

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

**NOTICE OF DIVIDEND ENTITLEMENT**

NOTICE IS ALSO HEREBY GIVEN that the final single-tier dividend of 2 sen per ordinary share for the financial year ended 30 June 2017 will be payable on 29 December 2017 to depositors whose names appear in the Record of Depositors at the close of business on 18 December 2017 if approved by the members at the Eleventh Annual General Meeting.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 18 December 2017 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

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

Kuala Lumpur  
25 September 2017

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Explanatory Notes:

#### 1) **Approval for the payment of benefits payable to the Non-Executive Directors**

The Directors' benefits comprise the meeting allowances payable to the Non-Executive Directors.

#### 2) **Authority to Issue Shares pursuant to the Companies Act 2016 ("Act")**

The proposed adoption of the Ordinary Resolution No. 1 is for the purpose of granting a renewed general mandate ("**General Mandate**") and empowering the Directors of the Company, pursuant to the Act, 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 total number of issued shares 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 Tenth Annual General Meeting held on 1 December 2016 and which will lapse at the conclusion of the Eleventh Annual General Meeting.

#### 3) **Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance ("MCCG")**

- 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 has, therefore served as Independent Non-Executive Director for more than nine (9) years. As at the date of the Notice of the Annual General Meeting, he has served the Company for nine (9) 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 has, therefore served as Independent Non-Executive Director for more than nine (9) years. As at the date of the Notice of the Annual General Meeting, he has served the Company for nine (9) 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.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Notes:

1. The Agenda item no. 1 is meant for discussion only. The provision of Section 340(1)(a) of the Companies Act 2016 do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.
2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 30 November 2017 (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.
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 (1) 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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No. of shares held	CDS Account No.

\*I/We \_\_\_\_\_  
 (full name in block letters)

(NRIC/Passport No./Company No. \_\_\_\_\_) of \_\_\_\_\_

(full address)

being a \*member/members of JF TECHNOLOGY BERHAD, hereby appoint \_\_\_\_\_

(full name in block letters)

(NRIC/Passport No./Company No. \_\_\_\_\_) of \_\_\_\_\_

(full address)

or failing \*him/her, \_\_\_\_\_

(full name in block letters)

(NRIC/Passport No./Company No. \_\_\_\_\_) 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 Eleventh Annual General Meeting of the Company, to be held at Greens I, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 7 December 2017 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 2017 together with the Reports of the Directors and the Auditors thereon.			
No.	Resolutions		For	Against
2.	To declare a final single-tier dividend of 2 sen per ordinary share for the financial year ended 30 June 2017.	(Resolution 1)		
3.	To approve the payment of Directors' fees amounting to RM88,800.00 for the financial year ended 30 June 2017.	(Resolution 2)		
4.	To approve an amount of up to RM60,000.00 as benefits payable to the Non-Executive Directors from 31 January 2017 until the next Annual General Meeting of the Company to be held in 2018.	(Resolution 3)		
5(a).	To re-elect Dato' Foong Wei Kuong, who shall retire pursuant to Article 129 of the Company's Articles of Association and being eligible, has offered himself for re-election.	(Resolution 4)		
5(b).	To re-elect Dato' Philip Chan Hon Keong, who shall retire pursuant to Article 129 of the Company's Articles of Association and being eligible, has offered himself for re-election.	(Resolution 5)		
6.	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 6)		
	<b>As Special Business:</b>			
7(a).	Authority to issue shares pursuant to the Companies Act 2016	(Resolution 7)		
7(b).	Retention of Dato' Philip Chan Hon Keong as an Independent Non-Executive Director	(Resolution 8)		
7(c).	Retention of Mr. Koay Kah Ee as an Independent Non-Executive Director	(Resolution 9)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature/Seal

\* Strike out whichever is not applicable

**For appointment of two proxies, percentage of shareholdings to be represented by the proxies:**

	No. of shares	Percentage (%)
Proxy 1		
Proxy 2		
<b>Total</b>		<b>100</b>

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**Notes:**

1. The Agenda item no. 1 is meant for discussion only. The provision of Section 340(1)(a) of the Companies Act 2016 do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.
2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 30 November 2017 (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.
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 (1) 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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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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