JFTECH

We Bring Possibilities

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SUSTAINABLE GROWTH

JF TECHNOLOGY BERHAD (747681-H)

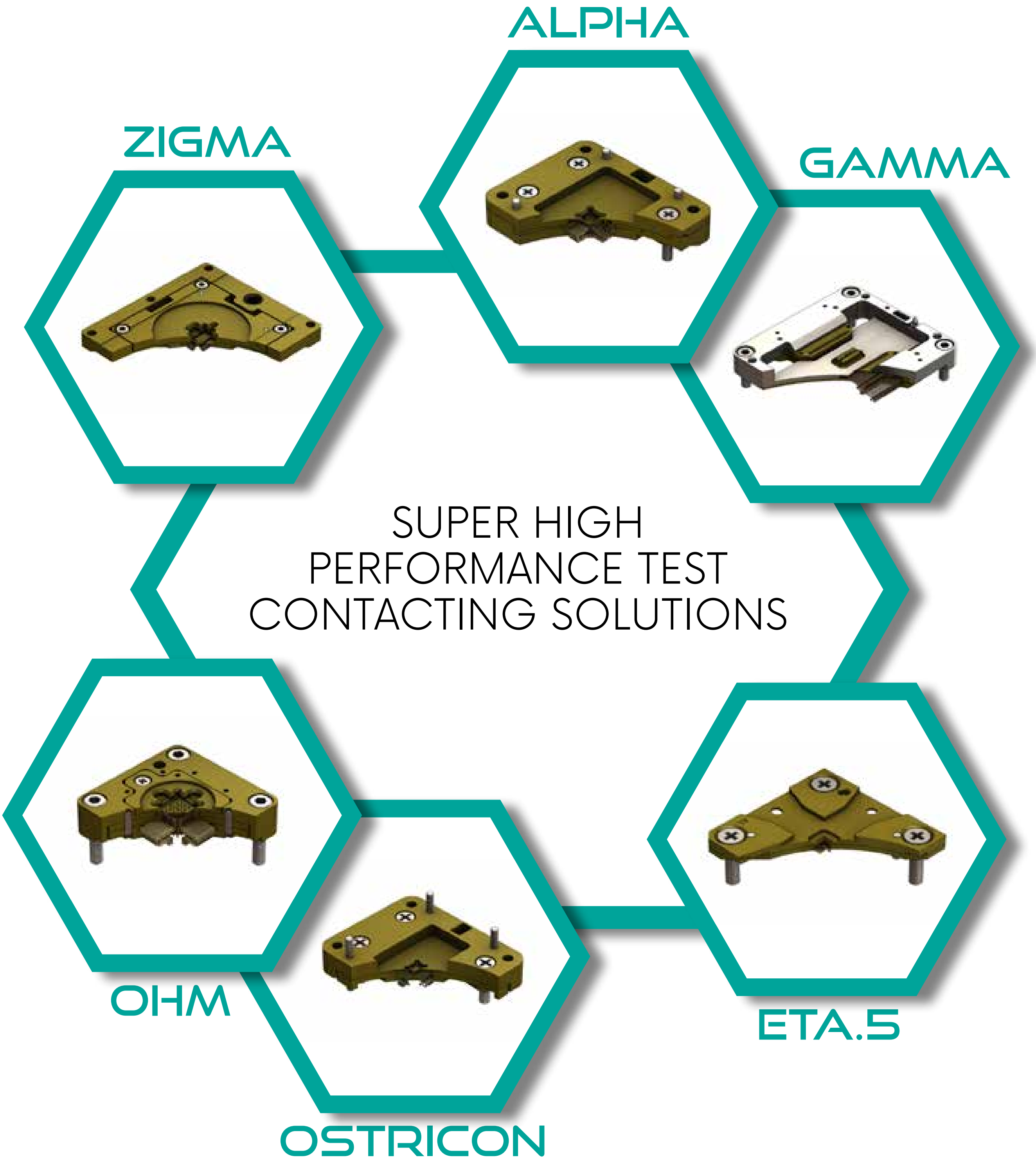
ANNUAL REPORT 2018

CONTENTS

CORE VALUES

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

PRODUCT **FAMILY**



CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Datuk Phang Ah Tong
(Independent Non-Executive Chairman)

Dato' Foong Wei Kuong
(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)

Datuk Phang Ah Tong

Dato' Philip Chan Hon Keong

Lew Jin Aun

NOMINATION COMMITTEE
Dato' Philip Chan Hon Keong
(Chairman)

Datuk Phang Ah Tong

Koay Kah Ee

Lew Jin Aun

REMUNERATION COMMITTEE
Koay Kah Ee
(Chairman)

Datuk Phang Ah Tong

Dato' Philip Chan Hon Keong

Lew Jin Aun

COMPANY SECRETARIES
Chua Siew Chuan, Chartered Secretary
(MAICSA 0777689)

Chin Mun Yee, Chartered Secretary
(MAICSA 7019243)

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

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

REGISTRAR
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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 Malaysia
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.crowe.com.my

PRINCIPAL BANKERS
Malayan Banking Berhad
AmBank (M) Berhad
Public Bank Berhad

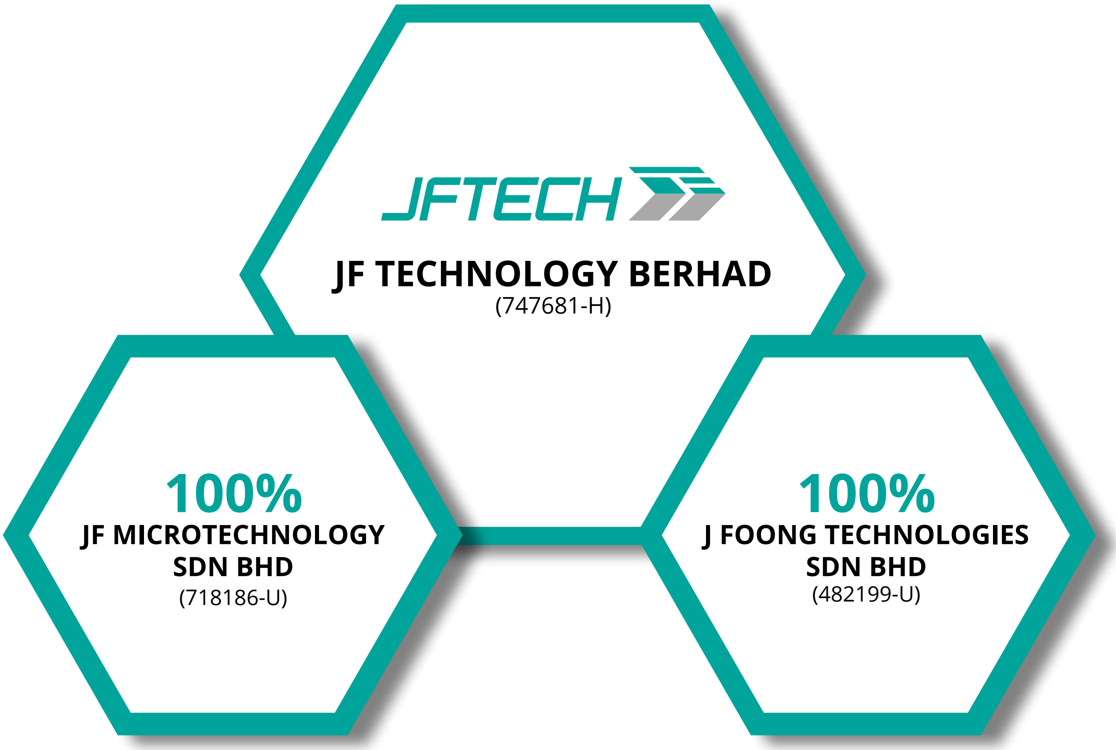
SOLICITORS
Kilpatrick Townsend & Stockton LLP
Skrine

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.

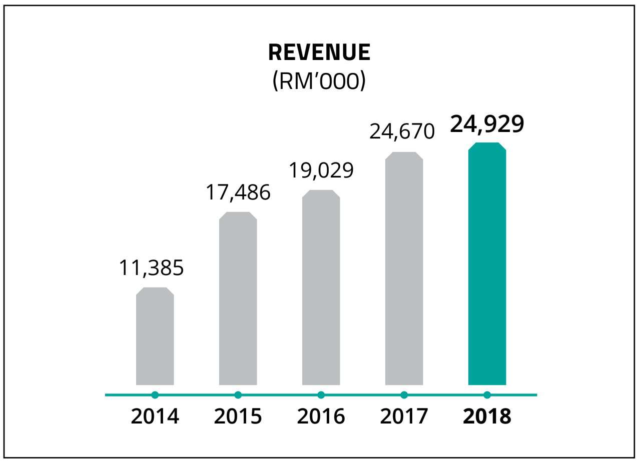
The details of the subsidiaries of JF Tech as at the date of this Annual Report are summarised below:

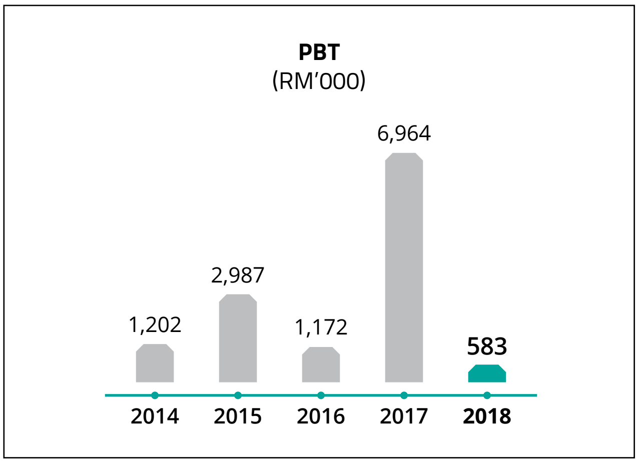
Company	Date/Place of Corporation	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principle Activities
JF MICROTECHNOLOGY SDN BHD (718186-U)	14-12-2005/ Malaysia	2,200,000	100	Design, development, custom manufacture and sale of integrated circuit test sockets, interconnect, test solutions, and equipment for 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

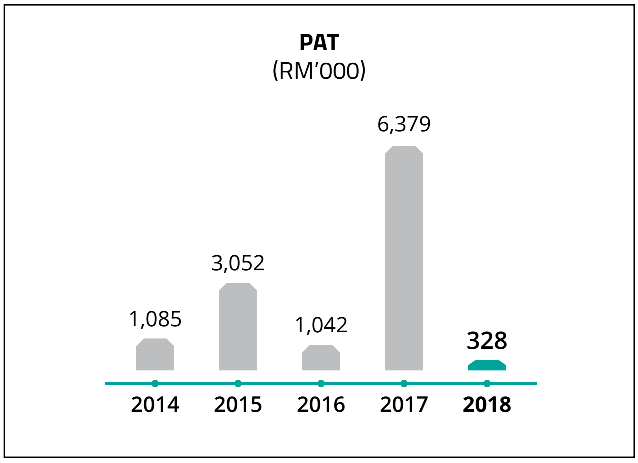
GROUP FINANCIAL **HIGHLIGHTS**

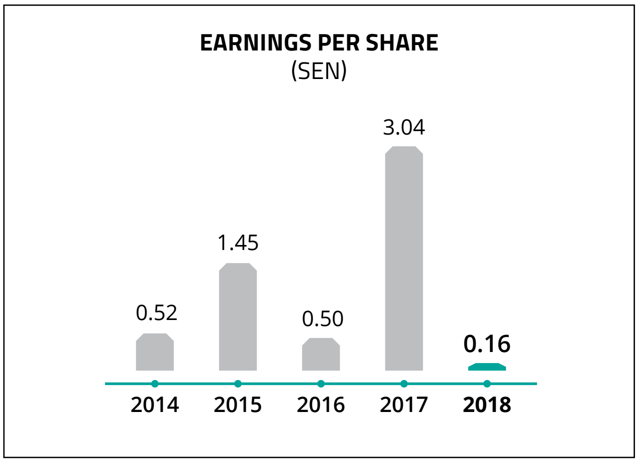
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	11,385	17,486	19,029	24,670	24,929
Profit before taxation **("PBT")**	1,202	2,987	1,172	6,964	583
Profit after taxation **("PAT")**	1,085	3,052	1,042	6,379	328
STATEMENTS OF FINANCIAL POSITIONS					
Share Capital	12,600	12,600	12,600	12,600	21,000
Total assets	30,653	33,067	33,048	38,543	41,083
Total liabilities	8,041	8,663	8,862	7,978	12,800
OTHERS					
Earnings per share (sen) *	0.52	1.45	0.50	3.04	0.16
Net assets per share (sen) #	10.77	11.62	11.52	14.55	13.47

* *In accordance with MFRS133 Earnings Per Share, the comparatives have been restated to account for the effects of the bonus issue.*
\# *The comparative has been restated to take into account the effects of bonus shares issued in financial year ended 30 June 2018.*









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 has reported a 95% decrease in the profit after taxation ("**PAT**") to RM0.33 million for the financial year ended 30 June 2018 ("**FYE 2018**"). Revenue was up by 1% to RM24.93 million for the FYE 2018 primarily contributed by exports to the United States, Southeast Asia and increasingly to North Asia as its market share gains abroad has begins to gain traction. Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") has reduced by 77% to RM1.96 million for the FYE 2018 with an EBITDA margin of 8%.

Market growth of the Company was flat for the FYE 2018 due to the uncertainties of the litigation case coupled with the strengthening of Ringgit Malaysia ("**RM**") against United States Dollar ("**USD**").

For the FYE 2018, our test contacting solutions for automotive application contributed 50%, radio frequency ("**RF**") application contributed 23% and original equipment manufacturer ("**OEM**") contributed 27% revenue to the Company and its subsidiaries ("**the Group**"). Automotive test socket solution contributed more than 50% of the new projects for the FYE 2018. For the mobile devices and internet of things ("**IoT**") segments, demand for our RF product lines such as ETA and others continued to be encouraging. Sales of recurring and compounding consumables such as contact pins and elastomers have increased by 21% for the FYE 2018. In addition, the sales of OEM products have contributed 27% to the Group's revenue for the FYE 2018 mainly from the domestic customers including leading test handler manufacturers such as SRM Integration Sdn. Bhd., outsourced semi-conductor assembly and test providers (OSATs) and major multinational semi-conductor manufacturers companies in Malaysia.

Excluding the legal fees, the operating profit as measured by EBITDA was down by 66% year-on-year ("**YoY**") to RM3.38 million for the FYE 2018 mainly due to decreasing exports of Zigma sockets particularly to the RF IC devices segment and reducing contribution of contact pins. EBITDA margin has now reduced to 14% for the FYE 2018.

Both subsidiaries of the Company, J Foong Technologies Sdn. Bhd. ("**J Foong**") and JF Microtechnology Sdn. Bhd. ("**JFM**") are certified with the latest ISO Quality System ISO9001:2015 which includes risk managements in the Quality Management System.

FINANCIAL REVIEW

Statements of Comprehensive Income

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	YoY change %
Revenue	11,385	17,486	19,029	24,670	24,929	1%
Profit before taxation **("PBT")**	1,202	2,987	1,172	6,964	583	-92%
PAT	1,085	3,052	1,042	6,379	328	-95%
Earnings per share **("EPS")** (sen)*	0.52	1.45	0.50	3.04	0.16	-95%

* Basic EPS is calculated based on the weighted average of ordinary shares and had been adjusted for bonus issue retrospectively.

Revenue recorded at RM24.93 million for the FYE 2018 which was a 1% growth as compared to the preceding year corresponding period. PBT stood at RM0.58 million, representing a reduction of 92% for the FYE 2018. During the FYE 2018, the Company has incurred approximately RM1.42 million on legal fees and a provision of damages of RM6.12 million (based on United States Court Order dated 6 August 2018) for the on-going lawsuit in United States.

As a result of the decrease in PAT for the FYE 2018, the basic EPS was 0.16 sen (please refer to the note * above) for the FYE 2018 as compared with the basic EPS of 3.04 sen for the financial year ended 30 June 2017.

The main factors that contributed to the flat revenue growth and net profit decline were as follows:

- Uncertainty arising from the frequent postponements of the hearing dates of the lawsuit.
- Provision of damages of RM6.12 million was made during the FYE 2018 based on United States Court Order dated 6 August 2018.
- Being an export driven business, the performance of the Group was also affected to a certain extent by the strengthening of the RM against the USD during the year.

Statements of Financial Positions

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	YoY change %
Total assets	30,653	33,067	33,048	38,543	41,083	7%
Total liabilities	8,041	8,663	8,862	7,978	12,800	60%
Retained earnings	1,269	3,061	2,843	9,222	7,030	-24%
Shareholders' equity	22,612	24,404	24,186	30,565	28,283	-7%

On the balance sheet front, the financial position of the Group remained strong. The Group continued to maintain a robust position with a working capital of RM12.05 million as at 30 June 2018. Cash and cash equivalents increased from RM10.80 million as at 30 June 2017 to RM12.98 million as at 30 June 2018.

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 semi-conductor 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 reliability and sustainability of test performance, good after sales service support and keeping up with the latest trend in IC packaging.

The Group is actively and continuously pursuing new product and technology innovations to address the increasing sophisticated needs of its customers. The Group regular participation in overseas exhibitions provides 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, after sales service is critical to ensure smooth running at 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 always emphasis the importance of staying focused on research and development of new products and enhancing the performance 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 applications for patents for new products which are capable of being patented. In FYE 2018, there were four (4) patents granted or allowed for granting and another nine (9) new patents filed. To-date, the Group has twelve (12) patents granted in various countries whilst thirty-six (36) patents are still pending for approval.

All 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 has skill matrixes established and provides training to close the skills gaps of our existing workforce. Besides this efforts, the Group also provides industrial training to students from technical fields with the aim of developing their potentials prior to recruiting them. In FYE 2018, the Group had added six (6) new skilled machinists.

Financial Risk

The Group's financial risk is set out under Note 33 of the Notes to the Financial Statements in this Annual Report.

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 with the set-up of another 100%-owned subsidiary, JFM. To-date, the Group is a proud owner of twelve (12) patents and thirty-six (36) patents pending for approval which will make JF Tech one (1) of the most aggressive intellectual property owner regionally in the semi-conductor test socket industry.

In spite of the pending lawsuit in the United States which had caused the Company RM8.27 million in legal fees from June 2014 to 30 June 2018 and the provision of damages of RM6.12 million, the Group grew its revenue for the FYE 2018 by 1% YoY. The Group is now accelerating export growth opportunities for our new division, Test Interface Solution or TIS in numerous markets simultaneously while at the same time, continues its innovation on its products line-ups and stay consistently ahead of its competitors.

Management envisions further growth in the coming years as the Group is aligned with the market's high growth applications such as 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.

MESSAGE FROM THE BOARD AND 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
Managing Director

CORPORATE SOCIAL **RESPONSIBILITY**

WORKPLACE

During the financial year under review, the Company has carried out its corporate social responsibility 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 has organised a “Blood Donation” campaign for the National Blood Bank which was held at our own premises. We received over-whelming support from our employees as well as neighbour factories and a few from the public. More than sixty (60) volunteers queued up to donate blood.

The Company also contributed financially to support the SEMOA (Semenanjung Orang Asli), a non-profit charitable and non-governmental organisation with their farming equipment and the green house project.

ENVIRONMENT

The Company continues to source for new methods to incorporate sustainability practices into all its processes and 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 *(Managing Director) ,*
Datuk Phang Ah Tong *(Independent Non-Executive Chairman),*
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**

DATUK PHANG AH TONG
Independent Non-Executive Chairman

Datuk Phang Ah Tong, male, aged 61, a Malaysian, was appointed as an Independent Non-Executive Chairman of JF Technology Berhad ("**JF Tech**") on 1 January 2018.

Datuk Phang Ah Tong obtained his Economics Degree from University of Malaya in 1981.

Datuk Phang Ah Tong had a distinguished career in the civil service of Malaysia, spanning 36 years in promoting foreign and domestic investment. As the ex-Deputy Chief Executive Officer of the Malaysian Investment Development Authority ("**MIDA**"), he has assisted to develop the manufacturing and services sectors in Malaysia.

Starting out in 1981 as an Economist in MIDA, Datuk Phang Ah Tong was the Assistant Trade Commissioner for MIDA London and Director of MIDA New York. Upon returning to MIDA Headquarters, he was appointed as the Director of Foreign Direct Investment ("**FDI**"), overseeing the promotion of global FDI into Malaysia.

Datuk Phang Ah Tong was also involved in organising and participating many Trade and Investment Missions overseas led by either the Prime Minister or Ministers of International Trade and Industry. His distinguished contribution in these capacities led to his appointment as the Deputy Chief Executive Officer of MIDA in 2013.

Datuk Phang Ah Tong played an active role in shaping the economic landscape of Malaysia through his involvements in the formulation of the 1st Industrial Master Plan 1 (1986 - 1995) and the 11th Malaysian Plan for the manufacturing sector and Economic Transformation Programme as well as the various industrial roadmaps and blueprints. This included the Malaysian Aerospace Industry Blueprint 2030 and the Malaysian Solar PV Roadmap 2030.

Datuk Phang Ah Tong also provided insights in the development and implementation of various key business policies in his roles as the Chairman of the Technical Committee on Expatriate Posts, Committee Member of the National Committee on Investment and Committee for Disbursement and Coordination of Grant as well as the Board member of the Malaysian Automotive Institute.

Datuk Phang Ah Tong also sits on the Board of Inari Amertron Berhad (a company listed on the Main Market of Bursa Malaysia Securities Berhad ["**Bursa Securities**"]) and Apex Healthcare Berhad (a company listed on the Main Market of Bursa Securities) as an Independent Non-Executive Director.

Datuk Phang Ah Tong is a member of the Audit Committee, Nomination Committee and Remuneration Committee of JF Tech.

DATO' FOONG WEI KUONG
Managing Director

Dato' Foong Wei Kuong, male, aged 58, a Malaysian, was appointed as the Executive Chairman and Managing Director of JF Tech on 18 January 2008. On 1 January 2018, Dato' Foong Wei Kuong had been re-designated as Managing Director of JF Tech.

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 and listed company.

BOARD OF DIRECTORS' PROFILE
(CONT'D)

DATIN WANG MEI LING
Executive Director

Datin Wang Mei Ling, female, aged 61, 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 Pembenaan Raya Sdn. Bhd. as an Accounts Supervisor. She left Syarikat Pembenaan 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. Currently, she 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 and listed company.

GOH KOK SING
Executive Director

Mr. Goh Kok Sing, male, aged 54, 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. Subsequently, 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 AMT Electronics Sdn. Bhd. are 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 and listed company.

DATO' PHILIP CHAN HON KEONG
Independent Non-Executive Director

Dato' Philip Chan Hon Keong, male, aged 53, 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. Subsequently, 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.

Dato' Philip Chan Hon Keong sits on the Board of Eksons Corporation Berhad (a company listed on the Main Market of Bursa Securities) as an Independent Non-Executive Director.

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

KOAY KAH EE
Senior Independent Non-Executive Director

Mr. Koay Kah Ee, male, aged 59, 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 of JF Tech 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 member of Chartered Institute of Management Accountants (CIMA), UK, fellow member of the Australian Certified Practicing Accountants (CPA Australia), Chartered Accountant (CA) of the Malaysia Institute of Accountants, member of the Chartered Global Management Accountants (CGMA), member of the Employer panel of Industrial Court Malaysia and a CIMA Global Membership Assessor. He has over thirty-six (36) years of experience in finance, accounting and corporate affairs and has been working in various industries such as plantation, trading, services and manufacturing with local companies and subsidiaries of multinational company.

Currently, Mr. Koay Kah Ee is the Group Finance Director of a company listed on the Main Market of Bursa Securities.

Mr. Koay Kah Ee 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 and Tashin Holdings Berhad (a non-listed public company) as a Non-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 of JF Tech.

LEW JIN AUN
Independent Non-Executive Director

Mr. Lew Jin Aun, male, aged 66, a Malaysian, was appointed as an Independent Non-Executive Director of JF Tech on 2 January 2009.

Mr. Lew Jin Aun 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.

Over a career spanning of more than thirty (30) years in the semi-conductor industry, Mr. Lew Jin Aun has held several positions of increasing responsibility in engineering, manufacturing and 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.

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

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

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 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

Mr. Andy Goh Joo Hwa, male, aged 47, 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.

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, The Philippines and Thailand sales of burn-in products and other semi-conductor 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 public companies and listed 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 Mundiyath, male, aged 38, an Indian nationality and holder of Malaysia Resident Pass, a pragmatic technologist who has nurtured JF Tech business from its adolescent stages.

Mr. Shamal Mundiyath 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 Design & Development and Test & Application department.

Mr. Shamal Mundiyath 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 Mundiyath 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 ten (10) direct reports and was responsible in prototyping to finished good and successfully developed 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 Mundiyath does not hold any directorship in public companies and listed companies.

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors ("**the Board**") of JF Technology Berhad acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("**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.

With the publication of MCCG in April 2017, the Board is pleased to present the following Corporate Governance Overview Statement ("**Statement**") that describe the extent of how the Group has applied and complied the three (3) principles which are set out in the MCCG throughout the financial year:

(a) Principle A: Board leadership and effectiveness;
(b) Principle B: Effective audit and risk management; and
(c) Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

This Statement also serves as a compliance with Rule 15.25 of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ACE Market Listing Requirements ("**ACE LR**") and shall be read together with the Corporate Governance Report ("**CG Report**") of the Company which provide details on how the Company has applied each practice as set out in the MCCG. The CG Report can be downloaded from the Company's website at www.jftech.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD 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 and 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 Board 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

Strategies to Promote Sustainability

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

The Group recognises the importance of its corporate 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.

Chairman and Managing Director

The roles of the Chairman and the Managing Director are held by two (2) different individuals which their responsibilities are segregated and clearly defined to ensure there is an appropriate balance of power and authority with no one having the unfettered power of decision making.

The Chairman provides leadership and manage the interface between the Board and Management and also ensure active participation from the Board for decision making whereas the Managing Director is involved in the day-to-day management of the Company by contributing strategies and insights to enable the Company to achieve its goals and objectives efficiently.

Company Secretaries

The Company Secretaries of the Company are experienced and qualified to act as Company Secretaries pursuant to Section 235 of the Companies Act 2016. The Company Secretaries play an important role in ensuring adherence to the Board's policies and procedures from time to time.

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 Company Secretaries provide guidance to the Board on the Directors' obligations arising from the rules and regulations including the MCCG and Bursa Securities ACE LR.

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.

Access to Information and Advice

The Board is provided with appropriate information and comprehensive Board papers on a timely basis prior to the 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 Board Committees meetings and to brief and provide explanations to the Directors and Board 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.

Demarcation of Responsibilities

(a) 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.

(b) Code of Ethics and 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 Conduct is published in the Company's website at www.jftech.com.my.

(c) Whistle Blowing Policy

A Whistle Blowing Policy has been established to further enhance the Group's commitment in upholding and achieving integrity, transparency and accountability in conducting its business. The Whistle Blowing Policy serves the purpose of providing an avenue to all the employees and members of the public to raise concerns, report or disclose any improper behaviour and conduct, miscarriage of justice, damage to the environment or any act and actions that could materially affects the reputation of the Group as well as the interests of the stakeholders. The Whistle Blowing Policy is available on the Company's website at www.jftech.com.my.

2. BOARD COMPOSITION

Composition and Board Balance

The Board currently comprises four (4) Independent Non-Executive Directors and three (3) Executive Directors. The roles and responsibilities of the Chairman and Managing Director are assumed by two (2) different individuals namely, Datuk Phang Ah Tong and Dato' Foong Wei Kuong respectively.

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 under Board Meetings. 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, considering 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.

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 assessment of the independence of each of its Independent Non-Executive Dorector is undertaken annually according to set criteria as prescribed by Bursa Securities ACE LR.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

Tenure of Independent Non-Executive Directors

Practice 4.2 of the MCCG states that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years' term, 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 or the Board to seek annual shareholders' approval with justification if the Board intends to retain an Independent Non-Executive Director who is beyond nine (9) years' term.

The Company does not have a policy which limits the tenure of its Independent Non-Executive Directors to nine (9) years.

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.

At the time of writing this Statement, the tenure of the Independent Non-Executive Directors namely, Dato' Philip Chan Hon Keong, Mr. Koay Kah Ee and Mr. Lew Jin Aun have exceeded the cumulative term of nine (9) years.

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, Mr. Koay Kah Ee and Mr. Lew Jin Aun and were satisfied with the skills, contribution and independent judgement they bring to the Board in facilitating decision-making processes of the Company. The Board is of the view that there are significant advantages to be gained from long-serving Directors who not only possess tremendous insight but also in-depth knowledge of the Company's businesses and affairs. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Directors of the Company which are tabled for shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company.

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

(i) Dato' Philip Chan Hon Keong, Mr. Koay Kah Ee and Mr. Lew Jin Aun have met the independence guidelines as set out in Section 1.01 of Bursa Securities ACE LR;

(ii) They did not have any conflict of interest with the Company and have not been entering nor is expected to enter into contract(s), especially material contract(s) with the Company and/or its subsidiary companies; and

(iii) They are familiar with the Group's activities and corporate history and have been providing invaluable contributions to the Board in their roles as Independent Non-Executive Directors.

Board Diversity

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

The Board has not adopted a Gender Diversity Policy and has not set gender diversity target as of the reporting period. 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.

As of the date of this Statement, one (1) out of seven (7) of the Board members is female Director.

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 new members to the Board Committees and to assess the performance of the Directors, Board, Board Committees and members of the Board Committees of the Company on an on-going basis. The current members of the Nomination Committee are as follows:

Chairman	:	Dato' Philip Chan Hon Keong *(Independent Non-Executive Director)*
Member	:	Datuk Phang Ah Tong *(Independent Non-Executive Director) (Appointed on 1 September 2018)*
Member	:	Mr. Koay Kah Ee *(Senior Independent Non-Executive Director)*
Member	:	Mr. 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 activities carried out by the Nomination Committee during the financial year under review are as follows:

- Reviewed and assessed the effectiveness and composition of the Board and Board Committees and contribution of each individual Director of the Company;
- Reviewed and assessed the 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 AGM to determine whether or not to recommend for their re-election; and
- Reviewed and assessed the tenure of Independent Non-Executive Directors who have reached and 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.

(a) 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 the candidates, taking into consideration of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

(b) 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.

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.

(c) Annual Assessment of the Board and Board Committees

The Directors and Committees are being assessed by the Nomination Committee through the following annual assessments once every year:

(a) Effectiveness of the Board as a whole and the Committees of the Board;
(b) Contribution and performance of each individual Director;
(c) Contribution and performance of the Audit Committee and each individual Audit Committee member; and
(d) Independence of Independent Non-Executive Directors.

The outcome of the abovementioned annual assessments is disclosed in the CG Report which is available on the Company's website at www.jftech.com.my.

2. 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
Datuk Phang Ah Tong *(Appointed on 1 January 2018)*	2/2
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 deliberation 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 Board Committees. The Chairman of the Board Committees is responsible to inform the Directors at Board meetings of any salient matter noted by the Board 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
Datuk Phang Ah Tong	- Mandatory Accreditation Programme
Dato' Foong Wei Kuong	- Blue Ocean Strategy - Talent Recruitment and Retention - Practical Branding for SME
Datin Wang Mei Ling	- Tax Planning, Tax Avoidance, Tax Audit and Investigation - Talent Recruitment and Retention
Koay Kah Ee	- Advocacy Session on Corporate Disclosure - Seminar on Implementing FRS 9,15 and 16 - Introduction to Insolvency Act, Section 66 of the Companies Act 2016 and CIPA Act - Leading Change @ the Brain
Dato' Philip Chan Hon Keong	- Lex Mundi Asia/Pacific Regional Conference - Legal Executive Briefing - Asia Pacific 2018
Goh Kok Sing	- BSI- ISO13483:2016 Transition - Introduction of Panasonic Programmable Logic Controller (PLC) Software FPWINGR 7 and FPWEB SERVER
Lew Jin Aun	- Blue Ocean Strategy - Talent Recruitment and Retention - Practical Branding for SME

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

3. REMUNERATION

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 : Datuk Phang Ah Tong *(Independent Non-Executive Director) (Appointed on 1 September 2018)*
Member : Dato' Philip Chan Hon Keong *(Independent Non-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 is 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 Company has in place a Remuneration Policy for Directors and senior management which sets out the criteria applied in recommending their remuneration packages.

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 details of remuneration of Directors of the Company comprising remuneration received/receivable from the Company and its subsidiaries during the financial year ended 30 June 2018 are disclosed in the CG Report which is available on the Company's website at www.jftech.com.my.

Remuneration of Top Five (5) Senior Management Staff

The top five (5) senior management's remuneration component including salary, bonus, benefit-in-kind and other emoluments in bands of RM50,000.00 is disclosed in the CG Report which is available on the Company's website at www.jftech.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE

Composition and Activities of Audit Committee

The composition and details of activities carried out by the Audit Committee during the financial year ended 30 June 2018 are set out in the Audit Committee Report of this Annual Report.

All the members of the Audit Committee are financially literate and have necessary skills, financial experience and expertise to discharge their duties effectively. Other than overseeing the financial reporting and performance of the Group, the Audit Committee also ensure that there is a proper co-ordination between both of the internal and external auditors in order for the Audit Committee to be fully informed on any significant financial matter that may impact the Group.

The qualification and experience of the individual Audit Committee member are further disclosed in the Directors' Profile of this Annual Report.

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.

Cooling period of a Former Key Audit Partner

The Board is aware of Practice 8.2 of the MCCG and has updated the terms of reference of the Audit Committee for the inclusion of a clause where a cooling-off period of at least two (2) years to be observed before the appointment of a former key audit partner as a member of the Audit Committee.

None of the members of the Board were former key audit partner and the Board has no intention to appoint any former key audit partner as a member of the Board.

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 Malaysia, 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 is satisfied with Messrs. Crowe Malaysia's technical competency and audit independence during the financial year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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. communicates regularly with and report directly to the Audit Committee. The internal audit function conducts regular audit to review and provide assurance to the Audit Committee on the adequacy and effectiveness of the Group's risk management, control and governance processes. The outsourced Internal Auditors' representatives attended two (2) meetings of the Audit Committee for the financial year ended 30 June 2018.

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.

The Statement on Risk Management and Internal Control is set out on pages 27 to 29 of this Annual report to provide an overview of the state of risk management and internal control within the Group during the financial year under review.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6. COMMUNICATION WITH STAKEHOLDERS

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-eight (28) 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 all the Directors are able to attend the AGM and 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.

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.

7. CONDUCT OF GENERAL MEETINGS

Shareholders' Participation at General Meetings

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

Poll Voting

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 conducted its voting on all resolutions at the 2017 AGM held on 7 December 2017 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.

This Corporate Governance Overview Statement is made in accordance with a resolution of the meeting of the Board of Directors on 21 September 2018.

ADDITIONAL COMPLIANCE **INFORMATION**

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

Utilisation of Proceeds

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

Audit and Non-Audit Fees

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

	Company (RM)	**Group (RM)**
Audit Fees	29,500	78,500
Non-Audit Fees	4,500	4,500

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**

INTRODUCTION

The Board of Directors ("**the Board**") of JF Technology Berhad ("**the Company**") is committed towards maintaining a sound system of internal control and risk management and is pleased to provide this Statement of Risk Management and Internal Control ("**this Statement**") which outlines the scope and nature of internal controls and risk management of the Company and its subsidiaries ("**the Group**") for the financial year ended 30 June 2018.

For the purpose of disclosure, this Statement is prepared pursuant to Rule 15.26 (b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and is guided by the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers.

RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises that the Board is responsible for the Group's system of risk management and internal control and to review 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 maintaining of a sound system of internal control.

However, in any system of internal control, 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 but not absolute assurance against any material misstatement, losses 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 2018 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 mitigation measures implemented by Management to address the key risks identified.

This review mechanism is oversee 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;

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

iii. Compare actual result against budget to monitor and track the Company's performance;

iv. ISO 9001:2015 Quality Management System forming the basis of operational procedures of the production processes and a reference point to Management in furthering their improvement on their operating procedures;

v. Clearly defined Terms of Reference of the Board Committee, i.e. Audit Committee, Nomination Committee and Remuneration Committee;

vi. Regular Management and Operation meetings are conducted to ensure activities and risk mitigation actions are executed; and

vii. There has been active participation by the Executive Directors in the day-to-day running of business operations and regular dialogue and reporting to the Board of Directors.

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 to be in line with the evolving business development. It should also be noted that the 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 assessment on 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 scope of works of the internal audit function includes but not limited to the following:

i. Review and assess the adequacy, efficiency and effectiveness of the Group's internal control system.

ii. Review the extent of compliance of the Group with the policies, standard operating procedures and other laws and regulations which possibly cause significant impact to the business operations of the Group.

iii. Report significant issues in relation to the business operations and activities of the Group and make recommendations for improvements in the internal audit reports to the Audit Committee.

iv. Conduct follow-up visits to ensure that all agreed corrective action plans are satisfactorily implemented by the respective Management and report the same to the Audit Committee.

v. Highlight any irregularities to the Audit Committee.

During the financial year under review, there were no material losses, incurred as a result of weaknesses in the internal control system that would require disclosure in this Annual Report. The Board will continue to improve and enhance the existing risk management and internal control system to ensure its adequacy and relevance in safeguarding the shareholders' interest and the Group's assets.

The costs incurred for the internal audit function in respect of the financial year 2018 was RM34,400.00.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies to be set out, nor is factually incorrect.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board is of the view that the risk management and internal control system is sound and adequate to safeguard the Group's operations and assets at the existing level of operations of the Group. No material weakness and/or reported shortfall in the risk management and internal control system has resulted and/or give rise to any material loss, contingency and/or uncertainty during the financial year under review.

This Statement was made in accordance with the resolution of the meeting of the Board on 21 September 2018.

AUDIT COMMITTEE **REPORT**

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

COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

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

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

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

FORMATION

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

TERMS OF REFERENCE

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

SUMMARY OF WORKS DURING THE FYE 2018

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

1) Financial Reporting

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
25 August 2017	Fourth quarter results for the financial year ended 30 June 2017 ("FYE 2017")
28 November 2017	First quarter results for the FYE 2018
23 February 2018	Second quarter results for the FYE 2018
25 May 2018	Third quarter results for the FYE 2018

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

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

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

2) External Audit

a) Reviewed and discussed with the External Auditors at the meetings held on 25 August 2017 and 7 September 2017 on the Audit Completion Report for the FYE 2017, Audit Review Memorandum for the FYE 2017 and Audited Financial Statements for the FYE 2017 respectively. On 25 May 2018, reviewed the Audit Planning Memorandum for the financial year ending 30 June 2018 presented by the External Auditors. Discussed and considered the significant accounting adjustments and auditing issues arising from the final audit with the External Auditors. The Audit Committee also had two (2) private discussions with the External Auditors without the presence of Management and Executive Directors to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.

b) Messrs. Crowe Malaysia, the External Auditors declared their independence and confirmed that they were not aware of any relationship between Messrs. Crowe Malaysia and the Group that, in their professional judgement, might reasonably be thought to impair their independence.

c) Evaluated the performance of the External Auditors covering areas such as calibre, quality processes, independence, audit team, audit scope and audit communication as well as the audit fees. Based on the evaluation, the Audit Committee had recommended to the Board for approval, the re-appointment of the External Auditors for the ensuring financial year of 30 June 2018 at its meeting held on 7 September 2017.

3) Internal Audit

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

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

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

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

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

4) Risk Management Progress Report

The Audit Committee also reviewed and discussed on the Risk Management Report for the period from October 2017 to March 2018 and April 2018 to September 2018 which covered the Principal Risks (Strategic, Project and Product Risks) and Non- Principal Risks (Operational, Strategic and Financial Risks) of the Company during the meetings held on 28 November 2017 and 25 May 2018, respectively.

AUDIT COMMITTEE REPORT
(CONT'D)

5) Other Activities

a) Reviewed the related parties and related party transactions to ensure that it follows Bursa Securities ACE LR.

b) Reviewed and recommended to the Board for approval, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report.

INTERNAL AUDIT FUNCTION

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

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

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

STATEMENT OF
DIRECTORS' RESPONSIBILITY
IN RELATION TO THE FINANCIAL STATEMENTS

Pursuant to the Companies Act 2016, Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("Bursa Securities ACE LR") and the applicable approved accounting policies, the Directors are required to ensure that the financial statements prepared for each financial year 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, Bursa Securities 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.

FINANCIAL **STATEMENTS**

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 2018.

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/(Loss) after tax for the financial year	328	(216)
Attributable to:-		
Owners of the Company	328	(216)
Non-controlling interests	-	-
	328	(216)

DIVIDEND

The Company paid a final dividend of 2.0 sen per ordinary share amounting to RM2,520,000 for the financial year ended 30 June 2017 on 29 December 2017.

The directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company issued 83,999,685 new ordinary shares arising from the bonus issue on the basis of 2 bonus shares for every 3 existing shares held. The new ordinary shares issued ranked pari passu with the existing ordinary shares of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT
(CONT'D)

DIRECTORS

The names of directors of the Company who served during the financial year and up to 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
Datuk Phang Ah Tong *(Appointed on 1.1.2018)*

The name of the director of the Company's subsidiary who served during the financial year and up to 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 1.7.2017	**Addition**	**Bonus Issue**	**Sold**	**Balance as at 30.6.2018**
Direct Interests in the Company					
Dato' Foong Wei Kuong	63,917,594	2,232,000	41,945,928	(3,230,700)	104,864,822
Datin Wang Mei Ling	13,455,387	-	8,970,258	-	22,425,645
Goh Kok Sing	75,000	-	50,000	-	125,000
Lew Jin Aun	1,000,000	-	666,666	-	1,666,666
Koay Kah Ee	300,000	-	200,000	-	500,000
Dato' Philip Chan Hon Keong	300,000	-	133,333	(100,000)	333,333
Datuk Phang Ah Tong	10,000	-	6,666	-	16,666
Indirect Interests in the Company					
Dato' Foong Wei Kuong	13,455,387	-	8,970,258	-	22,425,645
Datin Wang Mei Ling	63,917,594	2,232,000	41,945,928	(3,230,700)	104,864,822
Lew Jin Aun	720,000	-	333,333	(220,000)	833,333

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' BENEFITS

Since the end of the previous financial year, no Director has 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 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 given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

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 be realised 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.

DIRECTORS' REPORT
(CONT'D)

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 Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 September 2018

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 43 to 95 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 2018 and of their financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 21 September 2018

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 43 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur this 21 September 2018

Datin Wang Mei Ling

Before me:
Lai Din (No. W-668)
Commisioner 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 2018 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 43 to 95.

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 2018, 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 of the 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.

Litigation Refer to Note 35 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
A patent infringement was filed against the Group by Johnstech International Corp ("JTI") 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 report was received on 6 August 2018. The Court has awarded JTI a sum of USD1,514,299 and refusing JTI's motion of attorney fees to be paid to JTI. JFM has given instructions to its US counsel to appeal against the judgement of the Court and, if necessary, to apply for a stay of enforcement of the judgement.	We discussed the litigation with Board of Directors and external legal counsels to understand the status of the litigation. We reviewed the judgement report received and correspondences from external legal counsels on the litigation by obtaining direct confirmations from them. We have assessed the provision made by the management through reviewing the judgement report received from the Court and confirmations received from the external counsels. We reviewed the appropriateness of the related disclosures in Notes 19 and 35 to the financial statements.

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 scepticism 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)

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 scepticism throughout the audit. We also (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 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 Malaysia
Firm No: AF 1018
Chartered Accountants

Ngiam Mia Teck
Approval No: 03000/07/2020 J
Chartered Accountant

21 September 2018

Kuala Lumpur

STATEMENTS OF **FINANCIAL POSITION**

AT 30 JUNE 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	20,522	20,156	33	34
Intangible asset	6	-	-	-	-
Investments in subsidiaries	7	-	-	17,801	17,801
		20,522	20,156	17,834	17,835
Current assets					
Inventories	8	1,914	1,562	-	-
Trade and other receivables	9	5,008	5,436	13	3,013
Current tax assets		447	377	-	1
Fixed deposit with a licensed bank	10	216	209	216	209
Cash and cash equivalents	11(b)	12,976	10,803	3,604	3,411
		20,561	18,387	3,833	6,634
TOTAL ASSETS		41,083	38,543	21,667	24,469
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	21,000	12,600	21,000	12,600
Reserves	13	7,283	17,965	564	11,790
TOTAL EQUITY		28,283	30,565	21,564	24,390

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

STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2018
(CONT'D)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Borrowings	14	1,482	2,376	-	-
Deferred income	17	1,843	2,049	-	-
Deferred tax liabilities	18	967	979	-	-
		4,292	5,404	-	-
Current liabilities					
Trade and other payables	19	7,549	1,359	103	78
Borrowings	14	904	957	-	-
Current tax liabilities		55	258	-	1
		8,508	2,574	103	79
TOTAL LIABILITIES		12,800	7,978	103	79
TOTAL EQUITY AND LIABILITIES		41,083	38,543	21,667	24,469

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 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	20	24,929	24,670	-	3,000
Cost of sales	21	(6,038)	(6,000)	-	-
Gross profit		18,891	18,670	-	3,000
Other income	22	601	744	118	114
Administrative expenses	23	(17,635)	(11,319)	(333)	(307)
Other expenses	24	(1,234)	(990)	-	-
Profit/(Loss) from operations		623	7,105	(215)	2,807
Finance costs	25	(40)	(141)	-	-
Profit/(Loss) before tax		583	6,964	(215)	2,807
Tax expense	26	(255)	(585)	(1)	-
Profit/(Loss) after tax		328	6,379	(216)	2,807
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/ (expenses)		328	6,379	(216)	2,807
Profit/(Loss) after tax attributable to:-					
Owners of the Company		328	6,379	(216)	2,807
Non-controlling interests		-	-	-	-
		328	6,379	(216)	2,807
Total comprehensive income/ (expenses) attributable to:-					
Owners of the Company		328	6,379	(216)	2,807
Non-controlling interests		-	-	-	-
		328	6,379	(216)	2,807

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 2018

(CONT'D)

		Group	
	Note	2018 RM'000	2017 RM'000
Earnings per ordinary share (sen)*	27		
- Basic		0.16	3.04
- Diluted		0.16	3.04

* The comparatives have been restated to account for the effects of the bonus issue.

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

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Group	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 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 2017/1 July 2017		12,600	8,743	9,222	30,565
Contributions by and distributions to owners of the Company:					
- Issuance of ordinary shares pursuant to bonus issue	12	8,400	(8,400)	-	-
- Bonus issue expenses		-	(90)	-	(90)
- Dividend paid during the financial year	28	-	-	(2,520)	(2,520)
Total transactions with owners		8,400	(8,490)	(2,520)	(2,610)
Profit after tax/Total comprehensive Income		-	-	328	328
Balance as at 30 June 2018		21,000	253	7,030	28,283

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
(CONT'D)

Company	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 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 2017/1 July 2017		12,600	8,743	3,047	24,390
Contributions by and distributions to owners of the Company:					
- Issuance of ordinary shares pursuant to bonus issue	12	8,400	(8,400)	-	-
- Bonus issue expenses		-	(90)	-	(90)
- Dividend paid during the financial year	28	-	-	(2,520)	(2,520)
Total transactions with owners		8,400	(8,490)	(2,520)	(2,610)
Loss after tax/Total comprehensive expenses		-	-	(216)	(216)
Balance as at 30 June 2018		21,000	253	311	21,564

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

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before tax		583	6,964	(215)	2,807
Adjustments for:-					
Depreciation of property, plant and equipment		1,337	1,317	1	1
Dividend income		-	-	-	(3,000)
Interest expenses		40	141	-	-
Inventories written off		26	31	-	-
Unrealised loss on foreign exchange		79	19	-	-
Property, plant and equipment written off		3	49	-	-
Provision for damages	19	6,115	-	-	-
Amortisation of deferred income		(206)	(199)	-	-
Gain on disposal of property, plant and equipment		(59)	(112)	-	-
Interest income		(205)	(140)	(118)	(114)
Unrealised gain on foreign exchange		(35)	(14)	-	-
Operating profit/(loss) before working capital changes		7,678	8,056	(332)	(306)
Increase in inventories		(378)	(128)	-	-
Decrease/(Increase) in trade and other receivables		489	(1,876)	3,000	(2,992)
Increase/(Decrease) in trade and other payables		75	(537)	25	5
Cash generated from/(for) operating activities		7,864	5,515	2,693	(3,293)
Tax paid		(540)	(585)	(1)	#
Net cash from/(for) operating activities		7,324	4,930	2,692	(3,293)

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 2018
(CONT'D)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Dividend received		-	-	-	3,000
Government grant received		-	575	-	-
Increase in pledged fixed deposit with a licensed bank		(7)	(6)	(7)	(6)
Interest received		205	140	118	114
Proceeds from disposal of property, plant and equipment		342	200	-	-
Purchase of property, plant and equipment	5(b)	(1,589)	(1,065)	-	(34)
Net cash (for)/from investing activities		(1,049)	(156)	111	3,074
CASH FLOWS FOR FINANCING ACTIVITIES ACTIVITIES					
Dividends paid	28	(2,520)	-	(2,520)	-
Interest paid	11(a)	(40)	(141)	-	-
Repayment of borrowing principal	11(a)	(1,347)	(1,039)	-	-
Payment of expenses related to bonus issue		(90)	-	(90)	-
Net cash for financing activities		(3,997)	(1,180)	(2,610)	-
Net increase/(decrease) in cash and cash equivalents		2,278	3,594	193	(219)
Cash and cash equivalents at beginning of financial year		10,803	7,191	3,411	3,630
Effects of exchange rate changes		(105)	18	-	-
Cash and cash equivalents at end of financial year	11(b)	12,976	10,803	3,604	3,411

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

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 2018 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 21 September 2018.

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)

Amendments to MFRS 107: Disclosure Initiative
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

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 except as follows:-

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. A reconciliation between opening and closing balances of these items is provided in Note 11 to the financial statements.

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 MASB but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 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 9: Prepayment Features with Negative Compensation	1 January 2019
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 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

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 MASB but are not yet effective for the current financial year (cont'd):-

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

MFRS 15 Revenue from Contracts with Customers

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 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial statements, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

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. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(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. The carrying amount of product development costs as at the reporting date is disclosed in Note 6 to the financial statements.

(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. The carrying amount of current tax assets/(liabilities) of the Group and of the Company as at the reporting date are:-

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax assets	447	377	-	1
Current tax liabilities	(55)	(258)	-	(1)

(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. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the financial statements.

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. The carrying amount of trade and other receivables as at the reporting date is disclosed in Note 9 to the financial statements.

(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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (cont'd)

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

Financial assets at fair value through profit or loss 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 assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

As at the end of the reporting period, there were no financial assets classified under this category.

(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.

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

As at the end of the reporting period, there were no financial assets classified under this category.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (cont'd)

(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.

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.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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 Company, 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
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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 a 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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (cont'd)

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 an assets is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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

4.9 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 of completion and the estimated costs 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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 INCOME TAXES

(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.

4.15 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 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.

4.17 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.

4.18 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.

4.19 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.

NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 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

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(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.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Balance as at 1.7.2017 RM'000	Additions RM'000	Disposal RM'000	Written off RM'000	Balance as at 30.6.2018 RM'000
Cost					
Long-term leasehold land	4,601	-	-	-	4,601
Building	11,997	-	-	-	11,997
Computer and software	1,165	107	-	-	1,272
Furniture and fittings	533	4	-	-	537
Motor vehicles	1,929	518	(585)	-	1,862
Office equipment	467	29	-	(10)	486
Plant and machinery	7,583	1,291	-	(7)	8,867
Renovation	257	-	-	-	257
Signboard	34	-	-	-	34
Tools and equipment	1,924	40	-	(4)	1,960
	30,490	1,989	(585)	(21)	31,873

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
Accumulated depreciation					
Long-term leasehold land	451	46	-	-	497
Building	1,913	240	-	-	2,153
Computer and software	1,021	83	-	-	1,104
Furniture and fittings	407	47	-	-	454
Motor vehicles	1,204	264	(302)	-	1,166
Office equipment	299	41	-	(10)	330
Plant and machinery	2,856	479	-	(4)	3,331
Renovation	119	26	-	-	145
Signboard	1	1	-	-	2
Tools and equipment	1,131	110	-	(4)	1,237
	9,402	1,337	(302)	(18)	10,419

Group 2018	Balance as at 1.7.2017 RM'000	Disposal RM'000	Balance as at 30.6.2018 RM'000
Accumulated impairment losses			
Plant and machinery	759	-	759
Tools and equipment	173	-	173
	932	-	932

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018
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5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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
Cost					
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
	29,487	1,185	(116)	(66)	30,490

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
Accumulated depreciation					
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
	8,130	1,317	(28)	(17)	9,402

Group 2017	Balance as at 1.7.2016 RM'000	Disposal RM'000	Balance as at 30.6.2017 RM'000
Accumulated impairment losses			
Plant and machinery	759	-	759
Tools and equipment	173	-	173
	932	-	932

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

Company 2018	**Balance as at 1.7.2017 RM'000**	**Addition RM'000**	**Balance as at 30.6.2018 RM'000**
Cost			
Computer and software	20	-	20
Furniture and fittings	2	-	2
Signboard	34	-	34
	56	-	56

Company 2018	**Balance as at 1.7.2017 RM'000**	**Depreciation charges for the financial year RM'000**	**Balance as at 30.6.2018 RM'000**
Accumulated depreciation			
Computer and software	20	-	20
Furniture and fittings	1	#	1
Signboard	1	1	2
	22	1	23

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

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**
Accumulated depreciation			
Computer and software	20	-	20
Furniture and fittings	1	#	1
Signboard	-	1	1
	21	1	22

Note:
- Amount below RM1,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018
(CONT'D)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Carrying amount				
Long-term leasehold land	4,104	4,150	-	-
Building	9,844	10,084	-	-
Computer and software	168	144	-	-
Furniture and fittings	83	126	1	1
Motor vehicles	696	725	-	-
Office equipment	156	168	-	-
Plant and machinery	4,777	3,968	-	-
Renovation	112	138	-	-
Signboard	32	33	32	33
Tools and equipment	550	620	-	-
	20,522	20,156	33	34

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Carrying amount		
Motor vehicles	656	704

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchase of property, plant and equipment	1,989	1,185	-	34
Financed by hire purchase arrangements (Note 11(a))	(400)	(120)	-	-
Cash payments to purchase property, plant and equipment	1,589	1,065	-	34

(c) As at 30 June 2018, the long-term leasehold land and a building of a subsidiary with a carrying amount of approximately RM13,948,000 (2017: RM14,234,000) have been charged to a financial institution for a term loan facility granted to the Group as disclosed in Note 15 to the financial statements.

6. INTANGIBLE ASSET – PRODUCT DEVELOPMENT COSTS

	Group	
	2018	**2017**
	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	
	2018	**2017**
	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.

The details of the subsidiaries are as follows:-

Name of Subsidiaries	**Principal Place of Business/ Country of Incorporation**	**Percentage of Issued Share Capital Held by Parent**		**Principal activities**
		2018	**2017**	
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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018
(CONT'D)

8. INVENTORIES

	Group	
	2018	**2017**
	RM'000	**RM'000**
At cost		
Raw materials	653	661
Work-in-progress	252	163
Finished goods	1,008	737
	1,913	1,561
At net realisable value		
Raw materials	1	1
	1,914	1,562
Recognised in profit or loss:-		
Inventories recognised as cost of sales	1,040	1,048
Amount written off	26	31

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables				
Third parties	4,775	5,253	-	-
Other receivables, deposits and prepayments				
Other receivables	-	3	-	-
Deposits	108	96	-	-
Prepayments	69	84	13	13
Goods and services tax receivable	56	#	-	-
Dividend receivable	-	-	-	3,000
	233	183	13	3,013
	5,008	5,436	13	3,013

Trade receivables are non-interest bearing and the normal credit terms granted by the Group range from 30 to 90 days (2017: 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

9. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
United States Dollar	2,834	3,587

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Neither past due nor impaired	4,652	4,714
Past due, not impaired		
91 to 120 days	96	441
More than 120 days	27	98
	123	539
	4,775	5,253

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 are 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% (2017: 3.15%) per annum. The fixed deposit has a maturity period of 30 days (2017: 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 a subsidiary.

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11. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:-

	Hire Purchase Creditors RM'000	Term Loan RM'000	Total RM'000
The Group			
At 1 July 2017	572	2,761	3,333
Changes in Financing Cash Flows			
Repayment of borrowing interests	(24)	(16)	(40)
Repayment of borrowing principal	(417)	(930)	(1,347)
Drawdown of facility (Note 5(b))	400	-	400
	(41)	(946)	(987)
Non-cash Changes			
Finance charges recognised in profit or loss	24	16	40
At 30 June 2018	555	1,831	2,386

Comparative information is not presented by virtue of the exemption given in MFRS 107.

(b) The cash and cash equivalents comprise the following:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash in hand	37	37	-	-
Bank balances	6,995	6,041	115	83
Cash and bank balances	7,032	6,078	115	83
Short-term funds:				
- Money market unit trust funds in Malaysia	5,944	4,725	3,489	3,328
Cash and cash equivalents	12,976	10,803	3,604	3,411

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.

11. CASH FLOW INFORMATION (CONT'D)

(b) The cash and cash equivalents comprise the following (cont'd):-

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
United States Dollar	4,626	4,577	-	-

12. SHARE CAPITAL

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

	Group/Company			
	2018		2017	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and Fully Paid-Up				
Ordinary shares with No Par Value				
At 1 July 2017/2016	126,000	12,600	126,000	12,600
Bonus issue	84,000	8,400	-	-
At 30 June 2018/2017	210,000	21,000	126,000	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.

(iii) During the financial year, the Company has utilised approximately RM8,400,000 from the share premium for the issuance of new ordinary shares arising from the bonus issue on the basis of 2 bonus shares for every 3 existing shares held. The new ordinary shares issued ranked pari passu with the existing ordinary shares of the Company.

13. RESERVES

Included in reserves is a share premium of approximately RM253,000 (2017: RM8,743,000) that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (twenty-four (24) months from the commencement of Section 74 of the Companies Act 2016).

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14. BORROWINGS

		Group	
		2018	2017
	Note	RM'000	RM'000
Current liabilities			
Term loan	15	739	739
Hire purchase creditors	16	165	218
		904	957
Non-current liabilities			
Term loan	15	1,092	2,022
Hire purchase creditors	16	390	354
		1,482	2,376
		2,386	3,333
Total borrowings			
Term loan	15	1,831	2,761
Hire purchase creditors	16	555	572
		2,386	3,333

15. TERM LOAN

	Group	
	2018	2017
	RM'000	RM'000
Term loan	1,831	2,761
Analysed by:-		
Current liability (Note 14)	739	739
Non-current liability (Note 14)	1,092	2,022
	1,831	2,761

15. TERM LOAN (CONT'D)

The term loan was drawn down 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 4.97% (2017: 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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Minimum hire purchase payments:		
- not later than one (1) year	172	257
- later than one (1) year but not later than five (5) years	420	385
Total minimum hire purchase payments	592	642
Less: Future interest charges	(37)	(70)
Present value of hire purchase payments	555	572
Analysed by:-		
Current liabilities (Note 14)	165	218
Non-current liabilities (Note 14)	390	354
	555	572

The hire purchase creditors of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 5 to the financial statements. The hire purchase arrangements are expiring from 2 to 5 (2017: 1 to 5) years.

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30 JUNE 2018
(CONT'D)

17. DEFERRED INCOME

	Group	
	2018 RM'000	2017 RM'000
Balance as at 1 July 2017/2016	2,049	1,673
Additions during the financial year	-	575
Recognised in profit or loss (Note 22)	(206)	(199)
Balance as at 30 June 2018/2017	1,843	2,049

In previous financial years, the Group received government grants 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:-

	Group	
	2018 RM'000	2017 RM'000
Balance as at 1 July 2017/2016	979	920
Recognised in profit or loss (Note 26)	(12)	59
Balance as at 30 June 2018/2017	967	979

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

	Group	
	2018 RM'000	2017 RM'000
<u>Deferred tax asset:-</u>		
Unutilised tax losses	(63)	(63)
<u>Deferred tax liabilities:-</u>		
Accelerated capital allowances over depreciation	1,039	1,043
Others	(9)	(1)
	1,030	1,042
	967	979

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables				
Third parties	157	176	-	-
Other payables and accruals				
Other payables	891	230	3	5
Accruals	345	883	100	73
Provision for damages (Note 23 and 35)	6,115	-	-	
Goods and services tax payable	41	70	-	-
	7,392	1,183	103	78
	7,549	1,359	103	78

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days) from date of invoice.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	6,873	136	-	-

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

20. REVENUE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sale of electronic products, components and test probes	24,929	24,670	-	-
Dividend income from subsidiaries	-	-	-	3,000

NOTES TO THE FINANCIAL STATEMENTS
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21. COST OF SALES

	Group	
	2018	**2017**
	RM'000	**RM'000**
Included in cost of sales are:-		
Depreciation of property, plant and equipment	589	549
Inventories written off	26	31
Rental of premises	29	29

22. OTHER INCOME

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Included in other income are:-				
Amortisation of deferred income	206	199	-	-
Gain on disposal of property, plant and equipment	59	112	-	-
Interest income from				
- fixed deposit	6	6	6	6
- short-term funds	199	134	112	108
Realised gain on foreign currency transactions	77	266	-	-
Unrealised gain on foreign exchange	35	14	-	-

23. ADMINISTRATIVE EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Included in administrative expenses are:-				
Auditors' remuneration:				
- audit fees	79	64	30	24
- non audit fees	5	3	5	3
Directors' remuneration:				
- fees	107	89	107	89
- emoluments other than fees	1,486	1,404	20	18
Rental of premises	42	34	-	-
Provision for damages (Note 19)	6,115	-	-	-

24. OTHER EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Included in other expenses are:-				
Depreciation of property, plant and equipment	748	768	1	1
Property, plant and equipment written off	3	49	-	-
Loss on disposal of plant and equipment	-	#	-	#
Realised loss on foreign currency transactions	403	153	-	#
Unrealised loss on foreign exchange	79	19	-	-

Note:
- Amount below RM1,000

25. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses:				
- hire purchase	24	31	-	-
- term loan	16	110	-	-
	40	141	-	-

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26. TAX EXPENSE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax:				
- for the financial year	317	528	1	-
- overprovision in the previous financial year	(50)	(2)	-	-
	267	526	1	-
Deferred tax (Note 18):				
- relating to origination and reversal of temporary differences	(6)	158	-	-
- overprovision in prior years	(6)	(99)	-	-
	(12)	59	-	-
	255	585	1	-

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.

26. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) before tax	583	6,964	(215)	2,807
Tax at statutory tax rate of 24% (2017: 24%)	140	1,671	(52)	674
Tax effects in respect of:-				
Non-allowable expenses	2,090	123	53	46
Non-taxable income	(91)	(81)	-	(720)
Tax-exempt income from Pioneer Status	(1,828)	(1,029)	-	-
	311	684	1	-
Overprovision in prior years:				
- income tax	(50)	-	-	-
- deferred tax	(6)	(99)	-	-
	255	585	1	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

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.

	Group	
	2018	**2017**
Earnings for the financial year attributable to equity holders of the parent (RM'000)	328	6,379
Weighted average number of ordinary shares in issue ('000)	210,000	210,000
Basic earnings per ordinary share (sen)	0.16	3.04*

* The comparative has been restated to account for the effects of the bonus issue.

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27. EARNINGS PER ORDINARY SHARE (CONT'D)

(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. DIVIDEND

	Group/Company	
	2018	**2017**
	RM'000	**RM'000**
Final single tier dividend of 2.0 (2017: Nil) sen per ordinary share in respect of the previous financial year, paid on 29 December 2017	2,520	-

29. EMPLOYEE BENEFITS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and allowances	6,054	5,613	-	-
Defined contribution plan	759	722	-	-
Other employee benefits	1,179	1,153	20	18
	7,992	7,488	20	18

Included in employee benefits of the Group and of the Company are Directors' other emoluments amounting to RM1,593,000 (2017: RM1,493,000) and RM20,000 (2017: RM18,000) 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.

30. RELATED PARTY DISCLOSURES (CONT'D)

(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	**2018 RM'000**	**2017 RM'000**
Dividend received/receivable from a subsidiary	-	3,000

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 executive directors and non-executive directors of the Company.

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

	Group		**Company**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Executive Directors:				
Short-term employee benefits:				
- salaries and allowances	1,181	1,071	-	-
- defined contribution plan	228	216	-	-
- others	57	99	-	-
Non-executive Directors:				
Short-term employee benefits:				
- allowances	20	18	20	18
- fee	107	89	107	89
Key Management Personnel:				
Short-term employee benefits:				
- salaries and allowances	122	99	-	-
- defined contribution plan	17	14	-	-
- others	9	9	-	-
Total	1,741	1,615	127	107

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM65,736 (2017: RM71,492).

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31. SEGMENTAL INFORMATION

(a) Segmental information

The revenue from external customers in Malaysia amounted to approximately RM8,225,000 (2017: approximately RM8,595,000), and the total revenue from external customers from other countries amounted to approximately RM16,704,000 (2017: RM16,075,000).

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.

Revenue from external customers	2018 RM'000	2017 RM'000
Malaysia	8,225	8,595
China	6,356	2,344
United States	3,650	6,609
Philippines	2,065	2,640
Others	4,633	4,482
Total	24,929	24,670

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	
	2018 RM'000	2017 RM'000
Customer A	5,799	3,306
Customer B	3,032	2,857

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	**2018 RM'000**	**2017 RM'000**
Financial Assets		
Loans and Receivables Financial Assets		
Trade and other receivables	4,775	5,256
Fixed deposit with a licensed bank	216	209
Cash and bank balances	7,032	6,078
	12,023	11,453
Fair Value through Profit or Loss		
Short-term funds	5,944	4,725
Financial Liabilities		
Other Financial Liabilities		
Borrowings	2,386	3,333
Trade and other payables	1,393	1,289
	3,779	4,622

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32. FINANCIAL INSTRUMENTS (CONT'D)

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

Company	**2018 RM'000**	**2017 RM'000**
Financial Assets		
Loans and Receivables Financial Assets		
Other receivable	-	3,000
Fixed deposit with a licensed bank	216	209
Cash and bank balances	115	83
	331	3,292
Fair Value through Profit or Loss		
Short-term funds	3,489	3,328
Financial Liability		
Other Financial Liability		
Other payables	103	78

(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.

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**
2018				
Financial Asset				
Short-term funds	5,944	-	5,944	5,944
Financial Liabilities				
Hire purchase creditors	-	533	533	555
Term loan	-	1,831	1,831	1,831

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) FAIR VALUE INFORMATION (CONT'D)

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 (cont'd).

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**
2017				
Financial Asset				
Short-term funds	4,725	-	4,725	4,725
Financial Liabilities				
Hire purchase creditors	-	576	576	572
Term loan	-	2,761	2,761	2,761
Company				
2018				
Financial Asset				
Short-term funds	3,489	-	3,489	3,489
2017				
Financial Asset				
Short-term funds	3,328	-	3,328	3,328

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:-

	2018 %	**2017 %**
Hire purchase payables	5.37	4.61 - 5.64
Term loan	4.97	4.72

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.

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.

<u>Exposure to credit risk</u>

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 are disclosed in Note 9 to the financial statements.

<u>Credit risk concentration profile</u>

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

As at 30 June 2018, other than the amounts owing by three (3) (2017: two (2)) major customers of the Group constituting 45% (2017: 27%) 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 2018	Weighted Average Effective Rate %	Carryin Amount RM'000	Contractual Cash Flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
Group					
Financial Liabilities:-					
Trade and other payables	-	1,393	1,393	1,393	-
Term loan	4.97	1,831	1,831	739	1,092
Hire purchase creditors	5.37	555	592	172	420
Total undiscounted financial liabilities		3,779	3,816	2,304	1,512
Company					
Financial Liabilities:-					
Other payables	-	103	103	103	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	1,831	1,831	-
Total undiscounted financial liability		103	1,934	1,934	-

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 2017	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
Group					
Financial Liabilities:-					
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
Company					
Financial Liabilities:-					
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	-

(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.

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

(c) Interest rate risk (cont'd)

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 currency giving rise to this risk is 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:-

		Group	
		2018 RM'000 Profit after tax	**2017 RM'000 Profit after tax**
USD/RM	- strengthened by 5%	+22	+305
	- weakened by 5%	-22	-305

(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 2018
(CONT'D)

34. CAPITAL COMMITMENT

	Group	
	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	-	131

35. 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" and "Defendant") 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 Complaint").

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

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

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

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

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

35. MATERIAL LITIGATION (CONT'D)

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. The Group was informed by its 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 to meet and confer on a proposed schedule for such motions. The proposed schedule was 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 Plantiff 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 was heard on 26 April 2018, and on 19 June 2018, the motion was dismissed by the Court, and the jury verdict finding infringement against the Defendant is sustained.

In its judgement on 19 June 2018, the Court also made an order permanently enjoining the Defendant from infringing or inducing the infringement of the United States Patent No. 7,059,866, ("US'866 Patent") until the expiration of the patent, by:-

1. Making, using, offering to sell or importing into the United States any product that infringes the US's Patent, including the Zigma product, and those no more colorably different from the Zigma product ("Enjoined Products"); and

2. Assisting others in advertising, marketing, promoting, licensing, designing, making, using, offering to sell, importing into the United States, any Enjoined Products.

In its order, the Court also retains its jurisdiction to enforce, modify, extend or dissolve this injunction and to decide all disputes about whether a specific product or feature is more than colorably different from the Zigma product.

The Court had made an order dated 6 August 2018 awarding JTI damages in the sum of USD1,514,429 and refusing JTI's motion for attorney's fees to be paid to JTI.

The Defendant has given instructions to its US counsel to appeal against the judgement of the Court and, if necessary, to apply for a stay of enforcement of the judgement.

The Group had made a provision of damages for the amount of USD1,514,429, equivalent to RM6,114,507 as at 30 June 2018.

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

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.	JF Microtechnology Sdn. Bhd. H.S. (D) 241029, PT No. PT9918, Mukim of Pekan Baru Sungai Buloh, District of Petaling, State of Selangor Bearing postal address: 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 and factory	99 years Leasehold (88 years)*	2106	13,948	92,783	9	18 September 2007 §

Note
* Balance of leasehold tenure
§ Date of acquisition

ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 AUGUST 2018

Total Number of Issued Shares	:	209,999,685 Ordinary Shares
Class of Shares	:	Ordinary shares
Number of Shareholders	:	1,159
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	64	5.52	2,610	0.00
100-1,000	141	12.17	77,349	0.04
1,001-10,000	544	46.94	2,652,584	1.26
10,001-100,000	323	27.87	10,335,627	4.92
100,001-10,499,983 (*)	84	7.25	75,694,381	36.05
10,499,984 and above (**)	3	0.26	121,237,134	57.73
Total	**1,159**	**100.00**	**209,999,685**	**100.00**

Remark: * Less than 5% of issued shares
** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

		Direct		Indirect	
No.	**Name**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Dato' Foong Wei Kuong	104,864,822	49.94	-	-
2.	Datin Wang Mei Ling	22,425,645	10.68	-	-

DIRECTORS' SHAREHOLDINGS

		No. of Shares			
No.	**Name**	**Direct**	**(%)**	**Indirect**	**(%)**
1.	Dato' Foong Wei Kuong	104,864,822	49.94	-	-
2.	Datin Wang Mei Ling	22,425,645	10.68	-	-
3.	Datuk Phang Ah Tong	56,666	0.03	-	-
4.	Goh Kok Sing	125,000	0.06	-	-
5.	Dato' Philip Chan Hon Keong	333,333	0.16	-	-
6.	Koay Kah Ee	500,000	0.24	-	-
7.	Lew Jin Aun	1,666,666	0.79	833,333*	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 30 AUGUST 2018
(CONT'D)

TOP THIRTY SECURITIES ACCOUNT HOLDERS

No.	Name	Shareholdings	%
1.	Dato' Foong Wei Kuong	82,819,823	39.44
2.	Datin Wang Mei Ling	22,425,645	10.68
3.	AMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account – Ambank (M) Berhad for Dato' Foong Wei Kuong (Smart)*	15,991,666	7.62
4.	Kok Kean Loon	7,547,766	3.59
5.	Sim Ah Yoong	6,463,333	3.08
6.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Dato' Foong Wei Kuong (Margin)*	6,053,333	2.88
7.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)*	4,913,700	2.34
8.	Chong Toh Wee	4,108,000	1.96
9.	Low Wan Choon	3,294,433	1.57
10.	Affin Hwang Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)*	2,993,333	1.43
11.	TASEC Nominees (Tempatan) Sdn. Bhd. *TA Investment Management Berhad for Pembangunan Sumber Manusia Berhad (PSMB)*	2,950,000	1.40
12.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd.*	2,439,200	1.16
13.	Ong Kian Huat	1,707,166	0.81
14.	Lew Jin Aun	1,666,666	0.79
15.	Tam Juat Hong	1,610,000	0.77
16.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Kok Kean Loon*	1,522,033	0.72
17.	Zakaria Bin Arshad	1,300,000	0.62
18.	SRM Integration (Malaysia) Sdn. Bhd.	1,250,500	0.60
19.	Universal Trustee (Malaysia) Berhad *- TA Islamic Fund*	1,246,833	0.59
20.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *- CIMB Commerce Trustee Berhad for Philip Master Equity Growth Fund (50144 TR01)*	1,013,400	0.48
21.	Maybank Nominees (Tempatan) Sdn. Bhd. *- Lim Yoke Cho*	982,166	0.47
22.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd.*	981,533	0.47
23.	Global Asset Trustee (M) Berhad *- Ronfield Limited*	958,333	0.46
24.	Chow Hong Lit	850,000	0.40
25.	Ng Chor Kuan	833,333	0.40
26.	Kenanga Nominees (Tempatan) Sdn. Bhd. *- Hiew Kem Chon (PCS)*	825,000	0.39
27.	Lee Eng Kiat	808,900	0.39
28.	TASEC Nominees (Tempatan) Sdn. Bhd. *- Exempt An for TA Investment Management Berhad (Clients)*	791,167	0.38
29.	Oon Soon Keat	791,000	0.38
30.	Ng Poh Chan	728,000	0.35

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company shall be held at Greens II, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 6 December 2018 at 9:00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon. **(Please refer Note 1)**

2. To approve the payment of Directors' fees amounting to RM106,800.00 for the financial year ended 30 June 2018. **Resolution 1**

3. To approve an amount of up to RM30,000.00 as benefits payable to the Non-Executive Directors from 7 December 2018 until the next Annual General Meeting of the Company to be held in 2019. **Resolution 2**

4. 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) Mr. Koay Kah Ee **Resolution 3**
   (b) Mr. Lew Jin Aun **Resolution 4**

5. To re-elect Datuk Phang Ah Tong who shall retire pursuant to Article 134 of the Company's Articles of Association and being eligible, has offered himself for re-election. **Resolution 5**

6. To re-appoint Messrs. Crowe Malaysia 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 **Resolution 7**
   - AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

   "**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."

(d) **ORDINARY RESOLUTION NO. 4** **Resolution 10**
- RETENTION OF MR. LEW JIN AUN AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"**THAT** approval be and is hereby given to retain Mr. Lew Jin Aun 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.

By Order of the Board

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

Kuala Lumpur
9 October 2018

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 fundraising 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 Eleventh Annual General Meeting held on 7 December 2017 and which will lapse at the conclusion of the Twelfth 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 ten (10) years and nine (9) 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 ten (10) years and nine (9) 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.

c) The proposed adoption of the Ordinary Resolution No. 4 is to retain Mr. Lew Jin Aun ("**Mr. Lew**") as an Independent Non-Executive Director of the Company.

Mr. Lew was appointed as an Independent Non-Executive Director of the Company on 2 January 2009, 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 nine (9) 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 29 November 2018 (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.

JFTECH

JF TECHNOLOGY BERHAD
(747681-H)

FORM OF PROXY

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. ____________________) of ____________________

____
(full address)

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

(NRIC/Passport 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 Twelfth Annual General Meeting of the Company, to be held at Greens II, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 6 December 2018 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 2018 together with the Reports of the Directors and the Auditors thereon.			
No.	**Resolutions**		**For**	**Against**
2.	To approve the payment of Directors' fees amounting to RM106,800.00 for the financial year ended 30 June 2018.	(Resolution 1)		
3.	To approve an amount of up to RM30,000.00 as benefits payable to the Non-Executive Directors from 7 December 2018 until the next Annual General Meeting of the Company to be held in 2019.	(Resolution 2)		
4(a).	To re-elect Mr. Koay Kah Ee, who shall retire pursuant to Article 129 of the Company's Articles of Association and being eligible, has offered himself for re-election.	(Resolution 3)		
4(b).	To re-elect Mr. Lew Jin Aun, 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.	To re-elect Datuk Phang Ah Tong, who shall retire pursuant to Article 134 of the Company's Articles of Association and being eligible, has offered himself for re-election.	(Resolution 5)		
6.	To re-appoint Messrs. Crowe Malaysia 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)		
	As Special Business:			
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)		
7(d).	Retention of Mr. Lew Jin Aun as an Independent Non-Executive Director	(Resolution 10)		

Dated this __________ day of ____________________ 2018

____
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		
Total		**100**

Fold this flap for sealing

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 29 November 2018 (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
Wilayah Persekutuan

1st fold here

JFTECH

We Bring Possibilities

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Kota Damansara
47810 Petaling Jaya
Selangor, Malaysia.
Tel: 603-6140 8668
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