

# 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 2020 ("FYE2020").

## COMPOSITION OF THE AUDIT COMMITTEE AND MEETINGS

During the FYE2020, 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	Member/Independent Non-Executive Director	5/5

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

## FORMATION

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

## TERMS OF REFERENCE

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

## SUMMARY OF ACTIVITIES DURING THE FYE2020

The activities undertaken by the Audit Committee in the discharge of its functions and duties during the FYE2020 are summarised as follows:

### 1) Financial Reporting

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

Date of Meetings	Review of Quarterly Financial Statements
23 August 2019	Fourth quarter results for the financial year ended 30 June 2019 ("FYE2019")
29 November 2019	First quarter results for the FYE2020
21 February 2020	Second quarter results for the FYE2020
15 May 2020	Third quarter results for the FYE2020

The review was to verify 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.

# Audit Committee Report

## SUMMARY OF ACTIVITIES DURING THE FYE2020 (CONT'D)

### 1) Financial Reporting (cont'd)

- b) Reviewed and recommended to the Board of Directors in respect of the Audited Financial Statements of the Company and the Group for the FYE2019 at its meeting held on 30 September 2019 and assessed whether the aforesaid Audited Financial Statements of the Company and the Group for the FYE2019 presented a true and fair view of the Company's financial position and performance and complied with all the regulatory requirements.

### 2) External Audit

- a) Reviewed and deliberated with the External Auditors at the meetings held on 23 August 2019 and 30 September 2019 on the Audit Completion Report for the FYE2019 and Audit Review Memorandum for the FYE2019.
- b) Reviewed the Audit Planning Memorandum for the FYE2020 presented by the External Auditors on 15 May 2020.
- c) Deliberated 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 the financial controls and operational efficiencies of the Company and its subsidiaries.
- d) Crowe Malaysia PLT, the External Auditors declared their independence and confirmed that they were not aware of any relationship between Crowe Malaysia PLT and the Group that, in their professional judgement, might reasonably be thought to impair their independence.
- e) 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 of Directors for approval, the re-appointment of the External Auditors for the ensuring financial year of 30 June 2020 at its meeting held on 30 September 2019.

### 3) Internal Audit

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

For the FYE2020, the internal audit function has successfully conducted the following audits in accordance with their Internal Audit Plan for the FYE2020 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 the Group's policies and procedures over Research and Development	J Foong Technologies Sdn. Bhd. JF Microtechnology Sdn. Bhd.
Assess the adequacy and effectiveness of the system of internal control and compliance with the Group's policies and procedures over Inventory Management and Procurement	J Foong Technologies Sdn. Bhd.

The Audit Committee reviewed the significant audit findings and recommendations in the Internal Auditors' Reports to improve any weaknesses or non-compliance, and the respective Management's responses thereto during the meetings held on 29 November 2019 and 15 May 2020.

## Audit Committee Report

### SUMMARY OF ACTIVITIES DURING THE FYE 2020 (CONT'D)

#### 4) Risk Management Progress Report

The Audit Committee reviewed and deliberated on the Risk Management Reports for the period from October 2019 to March 2020 and April 2020 to September 2020 which covered the Principal Risks (Strategic, Project and Product Risks) and Non-Principal Risks (Operational and Financial Risks) of the Group during the meetings held on 29 November 2019 and 15 May 2020, respectively.

#### 5) Other Activities

- a) Reviewed the related party transactions to ensure that it complies with Bursa Securities ACE LR.
- b) Reviewed and recommended to the Board of Directors in respect of the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the 2019 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 FYE2020, 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 FYE2020 amounted to RM34,400.00.