

JF Technology Berhad

(Company No. 747681-H)
(Incorporated in Malaysia)



Unaudited Condensed Consolidated Statement of Comprehensive Income For the 4th financial quarter ended 30 June 2011

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|---|--|--|
| | Current year quarter 30 Jun 2011 RM'000 | Preceding year corresponding quarter 30 Jun 2010 RM'000 | Current year to date 30 Jun 2011 RM'000 | Preceding year corresponding period 30 Jun 2010 RM'000 |
| Revenue | 2,499 | 2,974 | 10,824 | 8,671 |
| Cost of sales | (798) | (727) | (3,008) | (2,646) |
| Gross profit | 1,701 | 2,247 | 7,816 | 6,025 |
| Other operating income | 11 | 29 | 135 | 158 |
| Other operating expenses | (1,750) | (1,616) | (5,555) | (4,487) |
| Finance cost | (80) | (103) | (452) | (436) |
| Profit before taxation | (118) | 557 | 1,944 | 1,260 |
| Tax (Expense) / Income | 395 | (560) | (115) | (557) |
| Profit for the period | 277 | (3) | 1,829 | 703 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | 277 | (3) | 1,829 | 703 |
| Attributable to: | | | | |
| Owners of the company | 277 | (3) | 1,829 | 703 |
| Minority interests | - | - | - | - |
| | 277 | (3) | 1,829 | 703 |
| Basic Earnings Per Share (sen) | 0.22 | (0.00) | 1.45 | 0.56 |

Notes:

This unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 30 June 2010.

The accompanying notes are an integral part of this quarterly report.

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Unaudited Condensed Consolidated Statement of Financial Position As at 30 June 2011

| | As at 30 Jun 2011 RM'000 | (Audited) As at 30 June 2010 RM'000 |
|---|--------------------------------|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 21,777 | 21,390 |
| Intangible assets | 1,380 | 1,467 |
| | <u>23,157</u> | <u>22,857</u> |
| Current assets | | |
| Inventories | 1,016 | 976 |
| Trade receivables | 2,084 | 2,607 |
| Other receivables, deposits and prepayments | 442 | 437 |
| Deposits, cash and bank balances | 8,764 | 6,504 |
| Tax recoverable | 95 | |
| | <u>12,401</u> | <u>10,524</u> |
| TOTAL ASSETS | <u>35,558</u> | <u>33,381</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the company | | |
| Share capital | 12,600 | 12,600 |
| Share premium | 8,743 | 8,742 |
| Retained Profits | 4,390 | 3,191 |
| Total equity | <u>25,733</u> | <u>24,533</u> |
| Non-current liabilities | | |
| Borrowings | 6,694 | 5,429 |
| Deferred taxation | 810 | 577 |
| | <u>7,504</u> | <u>6,006</u> |
| Current liabilities | | |
| Trade payables | 109 | 230 |
| Other payables and accruals | 1,073 | 1,524 |
| Tax payable | - | 4 |
| Borrowings | 1,139 | 1,084 |
| Total current liabilities | <u>2,321</u> | <u>2,842</u> |
| Total liabilities | <u>9,825</u> | <u>8,848</u> |
| TOTAL EQUITY AND LIABILITIES | <u>35,558</u> | <u>33,381</u> |
| Net assets per share (sen) | <u>20.42</u> | <u>19.47</u> |

Notes:

Net assets per share for the current year is arrived at based on the Group's net assets of RM25.733 million over the number of ordinary shares of 126,000,000 shares of RM0.10 each.

This unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Annual Financial Statements for the year ended 30 June 2010.

The accompanying notes are an integral part of this quarterly report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 4th financial quarter ended 30 June 2011

| | Share Capital RM'000 | Non Distributable Share Premium RM'000 | Distributable Retained Earnings RM'000 | Total Equity RM'000 |
|--|----------------------------|--|---|---------------------------|
| Balance as at 01 July 2009 | 12,600 | 8,743 | 2,457 | 23,800 |
| Crystallisation of deferred tax liabilities | | | 31 | 31 |
| Profit after taxation for the financial period | - | - | 703 | 703 |
| Balance as at 30 June 2010 | <u>12,600</u> | <u>8,743</u> | <u>3,191</u> | <u>24,534</u> |
| Balance as at 01 July 2010 | 12,600 | 8,743 | 3,191 | 24,534 |
| Profit after taxation for the financial period | - | - | 1,829 | 1,829 |
| Dividend paid during the financial year | - | - | (630) | (630) |
| Effect of adopting FRS 139 | - | - | - | - |
| Balance as at 30 June 2011 | <u>12,600</u> | <u>8,743</u> | <u>4,390</u> | <u>25,733</u> |
| Notes: | - | - | - | - |

This unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Annual Financial Statements for the year ended 30 June 2010

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Unaudited Condensed Consolidated Statement of Cash Flows For the period ended 30 June 2011

| | As at 30 Jun 2011 RM'000 | (Audited) As at 30 Jun 2010 RM'000 |
|--|--------------------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 1,944 | 1,260 |
| Adjustments for : | | |
| Amortisation of development expenditure | 208 | 91 |
| Amortisation of prepaid land lease payments | | 46 |
| Impairment loss on Research & Development | 228 | - |
| Depreciation of property, plant and equipment | 1,199 | 1,041 |
| Gain on disposal of property, plant and equipment | (4) | (12) |
| Property, plant & equipment written off | | 21 |
| Loss on disposal of non-current assets held for sale | | 17 |
| Interest expense | 453 | 435 |
| Interest income | (111) | (134) |
| Inventories written off | 61 | - |
| Patent written off | 13 | - |
| Operating profit before working capital changes | 3,991 | 2,765 |
| Changes in working capital: | | |
| Decrease/(Increase) in inventories and receivables | 403 | (1,060) |
| (Decrease) / Increase in payables | (571) | (1,266) |
| Cash generated from/(used in) operating activities | 3,823 | 439 |
| Income tax refund/(paid) | 20 | (29) |
| Net cash generated from/(used in) operating activities | 3,843 | 410 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 111 | 134 |
| Purchase of property, plant and equipment | (1,591) | (1,262) |
| Payment of capitalised development expenditure | (349) | (400) |
| Proceed from disposal of fixed assets | 10 | 360 |
| Proceed from disposal of non-current asset held for sale | | 813 |
| Net cash (used in)/generated from investing activities | (1,819) | (355) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (476) | (435) |
| Dividend paid | (630) | - |
| Proceed from refinancing of term loan | 8,000 | - |
| Repayment of hire-purchase payables | (208) | (529) |
| Repayment of term loans | (6,450) | (706) |
| Net cash generated from/(used in) financing activities | 236 | (1,670) |
| Net increase/(decrease) in cash and cash equivalents | 2,260 | (1,615) |
| Cash and cash equivalents at beginning of period | 6,504 | 8,119 |
| Cash and cash equivalents at end of period | 8,764 | 6,504 |
| Cash and cash equivalents consist of: | | |
| Money market unit trust fund | 799 | 5,799 |
| Cash and bank balances | 7,965 | 705 |
| | 8,764 | 6,504 |

Notes:

This unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Annual Financial Statements for the year ended 30 June 2010.

The accompanying notes are an integral part of this quarterly report.

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A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") No. 134: Interim Financial Reporting, and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2010.

The accounting policies and methods of computation adopted by the group in the preparation of this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2010 except for the adoption of the following new/revised standards, amendments and interpretations:

| | |
|-----------------------|--|
| FRS 7 | Financial Instruments: Disclosure |
| FRS 101 | Presentation of Financial Statements (Revised) |
| FRS 123 | Borrowing Costs |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate. |
| Amendments to FRS 2 | Share-based Payment - Vesting Conditions and Cancellations |
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 117 | Leases |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement FRS 7: Financial Instruments: Disclosure and IC Interpretation 9 : Reassessment of Embedded Derivatives. |
| IC Interpretation 10 | Interim Financial reporting and Impairment |
| IC Interpretation 11 | FRS 2 - Group and Treasury Share Transactions |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 - the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| Amendments to FRSs | Improvements to FRSs (2009) |

The adoption of the new and revised FRSs and IC Interpretations and amendments to FRSs does not have any significant financial impact on the Group. The principal effects of the changes in accounting resulting from the adoption of FRS 101, FRS 139 and Amendments to FRS 117 are summarised below:

a) FRS 101 - Presentation of Financial Statements (revised)

The revised FRS 101 prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The group has elected to present the statement of comprehensive income in single statement.

b) Amendments to FRS 117 Leases

The amendments to FRS 117 require entities with existing leases of land to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows :

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A NOTES TO THE INTERIM FINANCIAL REPORT

| | Previously stated as RM'000 | Effects of restatement RM'000 | As restated RM'000 |
|-------------------------------|-----------------------------------|-------------------------------------|-----------------------|
| Property, plant and equipment | 16,915 | 4,475 | 21,390 |
| Prepaid land lease payments | 4,475 | (4,475) | - |

c) FRS 139 - Financial Instruments: Recognition and Measurement

With the adoption of FRS 139, a financial instrument is recognised in the financial statements when , and only when, the Group becomes a party to the contractual provisions of the instruments. The Group classified its financial assets in the following categories: at the fair value through profit or loss, loan and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. The Group applied the new policies in relation to the financial instruments in accordance with the transitional provision in FRS 139 by recognising and re-measuring all financial assets and liabilities as at 1 July 2010 as appropriate. There is no related adjustment required. Comparatives are not restated.

A2 Auditors' report on preceding annual financial statements

The preceding year annual audited financial statements were not subject to any qualification.

A3 Seasonal or cyclical factors

The Group's operations are not materially affected by seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter to date.

A5 Material changes in estimates

There were no changes in estimates of amounts reported that have a material effect in the current quarter under review.

A6 Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasury shares for the current quarter under review.

A7 Dividend declared or paid

There were no dividends declared or paid by the company during the current quarter.

A8 Segmental information

The Group is primarily engaged in only one business segment which is the design, development, manufacture and sales of test probes and test sockets for use in the semiconductor industry. The Group's operations are currently conducted predominantly in Malaysia.

A9 Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter.

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A NOTES TO THE INTERIM FINANCIAL REPORT

A10 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements.

A11 Changes in the composition of the Group

There were no material changes in the composition of the Group for the current quarter.

A12 Contingent liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at reporting date.

A13 Capital commitments

As at 30 June 2011, the Group has no material capital commitments in respect of property, plant and equipment.

A14 Significant related party transactions

The Group has no related party transactions which would have a significant impact on the financial position and business of the Group during the current financial quarter under review and current financial year-to-date.

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B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

B1 Review of performance

For the current quarter ended 30 June 2011, the Group recorded a turnover of RM2.5 million and loss before tax "LPT" of RM0.118 million as compared to a turnover of RM2.97 million and a profit before tax "PBT" of RM0.56 million respectively in the corresponding quarter of the preceding year. The decrease in revenue was mainly due to decreased demand and sales of G2 Kelvin test probes while the decrease in PBT was mainly caused by the write-off of certain deferred research and development expenditure and also increase in sales and marketing expenses.

For the current year to date as at 30 June 2011, the Group achieved a turnover of RM10.8 million and PBT of RM1.9 million as compared to RM8.7 million and RM1.3 million respectively in the preceding year, representing an increase of 24% in turnover and an increase of 54% in PBT respectively. The increase in both sales and PBT were mainly due to an increase in demand of higher margin products resulting in higher production volumes for these products, thus enabling the Group to achieve economies of scale.

B2 Variation of results against immediate preceding quarter

| | Current Quarter 30 Jun 2011 RM'000 | Preceding Quarter 31 Mar 2011 RM'000 |
|---------|---|---|
| Revenue | <u>2,499</u> | <u>2,537</u> |
| PBT | <u>(118)</u> | <u>570</u> |

When compared to the preceding quarter, the Group's revenue declined slightly by 1.5% from RM2.54 million to RM2.50 million and PBT decreased by 120% from a profit of RM0.57 million to a loss of RM0.118 million respectively. The decrease in revenue and PBT were mainly due to the reasons as mentioned in Note B1.

B3 Prospects for the financial year ending 30 June 2012.

Barring any unforeseen circumstances, the Board is of the opinion that the Group's performance will remain positive for the financial year of 2012

B4 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee or internal targets in any publicly available document or announcement.

B5 Taxation

| | Current quarter 30 Jun 2011 RM'000 | Cumulative quarter 30 Jun 2011 RM'000 |
|--------------|---|--|
| Current tax | 118 | 118 |
| Deferred tax | <u>277</u> | <u>(233)</u> |
| | <u>395</u> | <u>(115)</u> |

The effective tax rate of the Group remained low due to the 100% tax exemption granted to a subsidiary company, JF Microtechnology Sdn Bhd, under its pioneer status for high technology companies for a period of 5 years, commencing 1 April 2011 to 31 March 2016.

B6 Unquoted investments and properties

There were no changes in the unquoted investments and properties of the Group for the current quarter under review.

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B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

B7 Quoted securities

There were no acquisitions or disposals of quoted securities during the current quarter under review.

B8 Group's borrowings and debt securities

The Group's borrowings as at 30 June 2011 all of which are secured are as follows.

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|--------------------------|-------------------|---------------------|-----------------|
| Short term borrowings: - | 1,139 | - | 1,139 |
| Long term borrowings: - | 6,694 | - | 6,694 |
| | <u>7,833</u> | <u>-</u> | <u>7,833</u> |

The Group does not have any foreign currency borrowings.

B9 Off balance sheet financial instruments

As at reporting date, the Group does not have any off balance sheet financial instruments.

B10 Material litigations

Save as disclosed below, the Group does not have any material litigation as at the date of this quarterly report:

- i) On 22 October 2009, JF Microtechnology Sdn Bhd ("JFM") commenced legal action against BME Industries (M) Sdn Bhd and Henko (S) Pte. Ltd. ("Henko") (collectively "the Defendants") at the Shah Alam High Court ("SAHC") under suit No. 22-1592-2009 for the refund of a deposit paid by JFM to the Defendants amounting to approximately Japanese Yen 2,000,000.00 which is equivalent to RM62,280 ("Deposit"), an order from the court to compel the Defendants to collect the machine called Tsugami CNC Precision Automatic Lathe Machine, Model: P01 ("Machine") from the premises of JFM, together with damages for all loss and damage suffered by JFM to be assessed by the court, plus interest and costs. JFM's claim relates to the purchase of the Machine by JFM where the purchase was conditional upon the Machine being able to produce 5,000 pieces each for Plunger A and Plunger B ("Buy-Off Condition"). JFM is suing the Defendants for breach of contract and that the Machine had failed to satisfy the Buy-Out Condition at all times.

On 6 January 2010, Henko counter-claimed against JFM for a sum of Japanese Yen 8,000,000 which is equivalent to RM294,296 being the balance of the purchase price of the Machine together with interest and costs.

The court has fixed 21 November 2011 for case management for parties to exchange witness statements. The court further fixed 1 December 2011 and 2 December 2011 for trial.

- ii) On 6 September 2010, the Company has been served with a Writ and Statement of Claim (Kuala Lumpur High Court Suit No. D-22IP-52-2010) whereby Kabushiki Kaisha Nihon Micronics and ZMC Technologies (M) Sdn. Bhd. ("the Plaintiffs") have commenced an action against the Company, the Company's wholly-owned subsidiaries, namely J Foong Technologies Sdn. Bhd. and JF Microtechnology Sdn. Bhd., and the Director of the Company, Foong Wei Kuong ("the Defendants"). The Plaintiffs allege infringement of Patent No. MY-114589-A and seek relief for the same, including an injunction, damages or an account of profit. No specific amount in damages has been sought by the Plaintiffs.

The Defendants have entered appearance in the action, and the Company has filed its Statement of Defence on 13 October 2010 and the Plaintiffs have filed their Reply to the Statement of Defence on 27 October 2010. The Defendants have also put in an application to Court for leave to include a counterclaim to invalidate the Plaintiff's Patent No. MY-114589-A.

The Defendants have entered appearance in the action, and the Company has filed an Amended Defence and Counterclaim on 26 May 2011 and the Plaintiffs have filed their Reply to the Amended Defence to Counterclaim on 21 June 2011.

Trial has been fixed from 1 August 2011 to 4 August 2011.

Date has been adjourned. The parties are still in the midst of Case Management and no trial dates have been fixed pending the resolution of the various interlocutory applications.

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B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

B11 Dividends

In view of the Group's financial performance for the financial ended 30 June 2011, the Board recommends a final tax exempt dividend of 1 sen per ordinary share of RM0.10 each.

B12 Earnings per share

| | Current Quarter 30 Jun 2011 | Current Year To Date 30 Jun 2011 |
|---|--|---|
| Profit after taxation (RM'000) | 277 | 1,829 |
| Weighted average number of shares in issue ('000) | 126,000 | 126,000 |
| Basic earnings per share (sen) | <u>0.22</u> | <u>1.45</u> |

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 June 2011.

B13 Realised and Unrealised Profit/Losses

| | Current Quarter 30 June 2011 RM'000 | Preceding Quarter 31 Mar 2011 RM'000 |
|---|--|---|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries : | | |
| - Realised | 5,200 | 5,195 |
| - Unrealised | (810) | (1,087) |
| Total group retained profits / (accumulated losses) as per consolidated accounts | <u>4,390</u> | <u>4,108</u> |

B14 Status of Corporate Proposals Announced

There are no corporate proposals announced but not completed as at 26 August 2011

B16 Authorisation for issue

The interim financial report has been authorised for issue by the Board of Directors ("Board") in accordance with a resolution of the Board on 26 August 2011.

On Behalf of the Board

Foong Wei Kuong

Managing Director

Date: 26 August 2011