

JF Technology Berhad

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



Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the 2nd financial quarter ended 31 December 2014

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|---|--|--|
| | Current year quarter 31 Dec 2014 RM'000 | Preceding year corresponding quarter 31 Dec 2013 RM'000 | Current year to date 31 Dec 2014 RM'000 | Preceding year corresponding period 31 Dec 2013 RM'000 |
| Revenue | 4,691 | 2,411 | 9,189 | 4,689 |
| Cost of sales | (969) | (590) | (1,900) | (1,190) |
| Gross profit | 3,722 | 1,821 | 7,289 | 3,499 |
| Other operating income | 375 | 452 | 474 | 531 |
| Other operating expenses | (2,956) | (1,746) | (5,548) | (3,398) |
| Finance cost | (65) | (72) | (126) | (148) |
| Profit/ (Loss) before taxation | 1,076 | 455 | 2,089 | 484 |
| Tax Expense | - | (1) | (6) | (5) |
| Profit/ (Loss) for the period | 1,076 | 454 | 2,083 | 479 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive profit/(loss) for the period | 1,076 | 454 | 2,083 | 479 |
| Attributable to: | | | | |
| Owners of the company | 1,076 | 454 | 2,083 | 479 |
| Minority interests | - | - | - | - |
| | 1,076 | 454 | 2,083 | 479 |
| Basic Earnings/(Loss) Per Share (sen) | 0.85 | 0.36 | 1.65 | 0.38 |

Notes:

This Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to this interim financial statements.

JF Technology Berhad

(Company No. 747681-H)
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Unaudited Condensed Consolidated Statement of Financial Position As at 31 December 2014

| | (Unaudited) As at 31 Dec 2014 RM'000 | (Audited) As at 30 June 2014 RM'000 |
|---|---|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 20,228 | 19,319 |
| Intangible assets | 156 | 216 |
| | <u>20,384</u> | <u>19,535</u> |
| Current assets | | |
| Inventories | 1,211 | 1,252 |
| Trade receivables | 3,537 | 2,604 |
| Other receivables, deposits and prepayments | 188 | 815 |
| Cash and cash equivalents | 7,340 | 6,376 |
| Current tax assets | 50 | 71 |
| | <u>12,326</u> | <u>11,118</u> |
| TOTAL ASSETS | <u>32,710</u> | <u>30,653</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the company | | |
| Share capital | 12,600 | 12,600 |
| Share premium | 8,743 | 8,743 |
| Retained Earnings | 2,722 | 1,269 |
| Total equity | <u>24,065</u> | <u>22,612</u> |
| Non-current liabilities | | |
| Borrowings | 4,329 | 4,609 |
| Deferred Income | 523 | 540 |
| Deferred tax liabilities | 962 | 962 |
| | <u>5,814</u> | <u>6,111</u> |
| Current liabilities | | |
| Trade payables | 118 | 95 |
| Other payables and accruals | 1,889 | 1,020 |
| Current tax liabilities | 17 | - |
| Borrowings | 807 | 815 |
| Total current liabilities | <u>2,831</u> | <u>1,930</u> |
| Total liabilities | <u>8,645</u> | <u>8,041</u> |
| TOTAL EQUITY AND LIABILITIES | <u>32,710</u> | <u>30,653</u> |
| Net assets per share (sen) | <u>19.10</u> | <u>17.95</u> |

Notes:

This unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Annual Financial Statement for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements .

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 2nd financial quarter ended 31 December 2014

| | Share Capital RM'000 | Non Distributable Share Premium RM'000 | Distributable Retained Earnings RM'000 | Total Equity RM'000 |
|--|----------------------------|--|---|---------------------------|
| Balance as at 01 July 2013 | 12,600 | 8,743 | 184 | 21,527 |
| Profit after taxation for the financial period | - | - | 479 | 479 |
| Other comprehensive income, net of tax | - | - | - | - |
| Balance as at 31 December 2013 | 12,600 | 8,743 | 663 | 22,006 |
| Balance as at 01 July 2014 | 12,600 | 8,743 | 1,269 | 22,612 |
| Profit after taxation for the financial period | - | - | 2,083 | 2,083 |
| Dividend paid during the financial period | | | (630) | (630) |
| Balance as at 31 December 2014 | 12,600 | 8,743 | 2,722 | 24,065 |

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 2014 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Cash Flows For the 2nd financial quarter ended 31 December 2014

| | (Unaudited) As at 31 Dec 2014 RM'000 | (Audited) As at 30 June 2014 RM'000 |
|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/ (Loss) before tax | 2,089 | 1,202 |
| Adjustments for : | | |
| Amortisation of product development cost | 60 | 121 |
| Depreciation of property, plant and equipment | 549 | 1,012 |
| Gain on disposal of property, plant and equipment | (59) | (23) |
| Amortisation of government grant | (29) | (67) |
| Inventories written down | - | 102 |
| Interest expense | 126 | 263 |
| Interest income from short term funds | (83) | (139) |
| Reverse of deposit written off | - | (34) |
| Reversal of impairment loss on trade receivables | - | (118) |
| Unrealised loss on foreign exchange | - | 12 |
| Unrealised gain on foreign exchange | (233) | (9) |
| Operating profit before working capital changes | 2,420 | 2,322 |
| Changes in working capital: | | |
| Decrease/(Increase) in inventories | 41 | (342) |
| Decrease/(Increase) in receivables | (675) | (564) |
| (Decrease) / Increase in payables | 891 | 348 |
| Cash generated from/(used in) operating activities | 2,677 | 1,764 |
| Income tax refund/(paid) | 32 | (39) |
| Net cash generated from/ (used in) operating activities | 2,709 | 1,725 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 83 | 139 |
| Purchase of property, plant and equipment | (1,459) | (859) |
| Proceeds from disposal of property, plant and equipment | 59 | 24 |
| Government grant received | 382 | 225 |
| Net cash from/ (used in) investing activities | (935) | (471) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (126) | (263) |
| Repayment of hire-purchase payables | (43) | (105) |
| Repayment of term loans | (361) | (717) |
| Additional hire-purchase loan | 117 | - |
| Dividend paid | (630) | - |
| Net cash (used in)/ from financing activities | (1,043) | (1,085) |
| Net (decrease)/ increase in cash and cash equivalents | 731 | 169 |
| Cash and cash equivalents at beginning of period | 6,376 | 6,198 |
| Effects of exchange rate changes | 233 | 9 |
| Cash and cash equivalents at end of period | 7,340 | 6,376 |
| <u>Cash and cash equivalents consist of:</u> | | |
| Money market unit trust fund | 5,336 | 5,073 |
| Cash and bank balances | 2,004 | 1,303 |
| | 7,340 | 6,376 |

Notes:

This unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Annual Financial Statement for the year ended 30 June 2014 and the explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134") : INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with MFRS 134 : Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2014. 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 2014.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 30 June 2014.

A2 Adoption of New and Revised Accounting Policies

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

| MFRS and IC Interpretations (Including The Consequential Amendments) | | Effective Date |
|--|--|-----------------------|
| MFRS 9 (2009) | Financial Instruments | 1 January 2018 |
| MFRS 9 (2010) | Financial Instruments | 1 January 2018 |
| MFRS 9 | Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139) | 1 January 2018 |
| Amendments to MFRS 9 & MFRS 7 | Mandatory Effective Date of MFRS 9 and Transition Disclosures | 1 January 2018 |
| MFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2017 |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in joint Operations | 1 January 2016 |
| Amendments to MFRS 116 & MFRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 & MFRS 141 | Agriculture - Bearer Plants | 1 January 2016 |

The above accounting standards and interpretations (including the consequential amendments, if any) are not relevant to the Group's operations except as follows :-

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relates to the classification and measurement of financial instruments.

MFRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirements.

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An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no material financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 10, MFRS 12 and MFRS 127 (2011) require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Company is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

Accordingly, the Group will deconsolidate its subsidiaries upon the initial application of these amendments and to fair value the investments in accordance with MFRS 139. There will be no material financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no material financial impact on the financial statements of the Group upon its initial application.

A3 Auditors' report on preceding annual financial statements

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

A4 Seasonal or cyclical factors

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

A5 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.

A6 Material changes in estimates

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

A7 Debt and equity securities

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

A8 Dividend declared or paid

During the current quarter ended 31 December 2014, dividend amounting to RM0.63 million, being the final tax exempt dividend of 5% (0.5 sen) per ordinary share for the financial year ended 30 June 2014 was paid on 18 December 2014.

A9 Segmental information

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 system.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

The Group does not have any non-current assets that are located in countries other than Malaysia. The chief operating decision maker reviews the business performance of the Group as a whole and management monitor the operating results of its business for the purpose of making decisions on resources allocation and performance assessment.

Geographical information

For the purpose of disclosing geographical information, revenue is based on the geographical location of the customers.

| Revenue from external customers | Current year quarter 31 Dec 2014 RM'000 | Current year to date 31 Dec 2014 RM'000 |
|---------------------------------|--|--|
| | Malaysia | 2,258 |
| Outside Malaysia | 2,433 | 5,030 |
| | 4,691 | 9,189 |

A10 Valuation of property, plant and equipment

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

A11 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.

A12 Changes in the composition of the Group

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

A13 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.

A14 Capital commitments

| Capital expenditure approved and contracted for : | RM'000 |
|---|--------|
| - purchase of property, plant and equipment | 25 |

A15 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 31 December 2014, the Group recorded a turnover of RM4.69 million and profit before tax ("PBT") of RM1.08 million as compared with the preceding year corresponding quarter turnover of RM2.41 million and PBT of RM0.46 million. The increase in revenue and PBT was due to increase in export sales and unrealised gain on foreign exchange.

For the current year to date as at 31 December 2014, the Group achieved a turnover of RM9.19 million and PBT of RM2.09 million as compared to RM4.69 million turnover and PBT of RM0.48 million in the preceding year, representing an increase of 96% in turnover and 335% in PBT respectively. The increase in the year-to-date PBT was mainly from increase in export sales and unrealised gain on foreign exchange

B2 Variation of results against immediate preceding quarter

| | Current Quarter 31 Dec 2014 RM'000 | Preceding Quarter 30 Sept 2014 RM'000 |
|---------|---|--|
| Revenue | <u>4,691</u> | <u>4,499</u> |
| PBT | <u>1,076</u> | <u>1,013</u> |

When compared to the preceding quarter, the Group's revenue increased by 4% from RM4.50 million to RM4.69 million and increase of PBT from RM1.01 million to RM1.08 million. The increase in PBT was mainly due to increase in export sales and unrealised gain on foreign exchange.

B3 Prospects for the financial year ending 30 June 2015.

The Board anticipates that the grant of a Patent No. 8,952,714 by the United States Patent and Trademark Office ("USPTO") for an invention titled "Electrical Interconnect Assembly", and various product development and intensive sales and marketing efforts would help the Group to maintain the profitable performance for the current financial year.

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 Notes to the statement of comprehensive income

PBT is arrived at after charging/(crediting) :

| | Current quarter 31 Dec 2014 RM'000 | Cumulative quarter 31 Dec 2014 RM'000 |
|---|---|--|
| Other Income - Amortisation of government grant | (14) | (29) |
| Amortisation of product development cost | 30 | 60 |
| Depreciation of property, plant and equipment | 283 | 549 |
| Gain on disposal of property, plant and equipment | (59) | (59) |
| Interest expense | 64 | 126 |
| Interest income from short term funds | (45) | (83) |
| Net gain on unrealised foreign exchange | (197) | (233) |
| Net gain on realised foreign exchange | (60) | (11) |

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

B6 Taxation

| | Current quarter 31 Dec 2014 RM'000 | Cumulative quarter 31 Dec 2014 RM'000 |
|---------------------------|---|--|
| Current tax | - | (6) |
| Deferred tax | - | - |
| In respect of prior years | - | - |
| | <u>-</u> | <u>(6)</u> |

Current tax is provided for profitable subsidiary as there is no claiming of the tax group relief over the loss making companies within the Group

B7 The Group's borrowings as at 31 December 2014 all of which are secured is as follows.

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|----------------------|-------------------|---------------------|-----------------|
| Short term borrowing | 807 | - | 807 |
| Long term borrowing | 4,329 | - | 4,329 |
| | <u>5,136</u> | <u>-</u> | <u>5,136</u> |

The Group does not have any foreign currency borrowings.

B8 Dividends

In view of the Group's financial performance for the financial period ended 31 December 2014, the Board approve an interim single tier dividend of 5% (0.5 sen) per ordinary share of RM0.10 each.

B9 Material litigations

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

Information on the Complaint for Patent Infringement

The Company - Complaint for Patent Infringement, Jury Trial Demanded

Plaintiff : Johnstech International Corp. ("JTI")

Defendants : JF Technology Berhad, JF Microtechnology Sdn Bhd and J Foong Technologies Sdn Bhd

(hereinafter collectively referred to as "The Company" or "the Defendants")

On 20 June 2014, an action for patent infringement ("Complaint") was filed against JF Technology Berhad, JF Microtechnology Sdn Bhd and J Foong Technologies Sdn Bhd. (collectively referred as "the Group") by Johnstech International Corp. ("JTI") in the United States District Court for the Northern District of California, Case No. : 3:14-cv-02864. 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 "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 respectively.

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

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

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 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

The Group has through its US lawyers filed the motion to dismiss and related papers in the court. The hearing on the motion was on 12 November 2014. The court has dismissed the suit against J Foong Technologies Sdn Bhd for lack of jurisdiction.

As directed by the Court, parties proceeded with the discovery process and are in the midst of collating and compiling relevant documents and information.

The Company has completed and duly served the invalidity contentions. The Company had also attended the deposition in United States on 23 January 2015 and is now awaiting further direction from the court.

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

B10. Earnings per share

| | Current year quarter 31 Dec 2014 | Current year to date 31 Dec 2014 |
|---|---|---|
| Profit after taxation (RM'000) | 1,076 | 2,083 |
| Weighted average number of shares in issue ('000) | 126,000 | 126,000 |
| Basic Earnings per share (sen) | <u>0.85</u> | <u>1.65</u> |

Diluted (loss)/earnings per share is not computed as the Company does not have any convertible financial instruments as at 31 December 2014

B11. Realised and Unrealised Profit/Losses

| | Current Quarter 31 Dec 2014 RM'000 | Preceding Quarter 30 Sept 2014 RM'000 |
|---|---|--|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries : | | |
| - Realised | 3,684 | 3,238 |
| - Unrealised | (962) | (962) |
| Total group retained profits / (accumulated losses) as per consolidated accounts | <u>2,722</u> | <u>2,276</u> |

B12. Status of Corporate Proposals Announced

There are no corporate proposals announced but not completed as at 13 February 2015.

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

B13. 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 13 February 2015.

On Behalf of the Board

Dato' Foong Wei Kuong

Group Managing Director

Date: 16-02-2015