

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 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31 Dec 2015 RM'000	Preceding year corresponding quarter 31 Dec 2014 RM'000	Current year to date 31 Dec 2015 RM'000	Preceding year corresponding period 31 Dec 2014 RM'000
Revenue	4,696	4,691	10,165	9,189
Cost of sales	(1,236)	(969)	(2,375)	(1,900)
Gross profit	3,460	3,722	7,790	7,289
Other operating income	3	375	604	474
Other operating expenses	(3,713)	(2,956)	(6,512)	(5,548)
Finance cost	(44)	(65)	(101)	(126)
Profit/ (Loss) before taxation	(294)	1,076	1,781	2,089
Tax Expense	(6)	-	(6)	(6)
Profit/ (Loss) for the period	(300)	1,076	1,775	2,083
Other comprehensive income	-	-	-	-
Total comprehensive profit/(loss) for the period	(300)	1,076	1,775	2,083
Attributable to:				
Owners of the company	(300)	1,076	1,775	2,083
Minority interests	-	-	-	-
	(300)	1,076	1,775	2,083
Basic Earnings/(Loss) Per Share (sen)	(0.24)	0.85	1.41	1.65

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 2015 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Financial Position As at 31 December 2015

	(Unaudited) As at 31 Dec 2015 RM'000	(Audited) As at 30 June 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,328	20,403
Intangible assets	-	-
	<u>20,328</u>	<u>20,403</u>
Current assets		
Inventories	1,331	1,187
Trade receivables	3,038	3,573
Other receivables, deposits and prepayments	249	162
Cash and cash equivalents	9,742	7,742
Current tax assets	-	-
	<u>14,360</u>	<u>12,664</u>
TOTAL ASSETS	<u>34,688</u>	<u>33,067</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	4,206	3,061
Total equity	<u>25,549</u>	<u>24,404</u>
Non-current liabilities		
Borrowings	3,676	4,184
Deferred Income	880	927
Deferred tax liabilities	897	897
	<u>5,453</u>	<u>6,008</u>
Current liabilities		
Trade payables	208	118
Other payables and accruals	2,538	1,612
Current tax liabilities	7	7
Borrowings	933	918
Total current liabilities	<u>3,686</u>	<u>2,655</u>
Total liabilities	<u>9,139</u>	<u>8,663</u>
TOTAL EQUITY AND LIABILITIES	<u>34,688</u>	<u>33,067</u>
Net assets per share (RM)	<u>0.20</u>	<u>0.19</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 2015 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 2015

	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
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
Balance as at 01 July 2015	12,600	8,743	3,061	24,404
Profit after taxation for the financial period	-	-	1,775	1,775
Dividend paid during the financial period	-	-	(630)	(630)
Balance as at 31 December 2015	12,600	8,743	4,206	25,549

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 2015 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 2015

	(Unaudited) As at 31 Dec 2015 RM'000	(Audited) As at 30 June 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,781	2,987
Adjustments for :		
Amortisation of product development cost		101
Depreciation of property, plant and equipment	650	1,152
Deposit written off		17
Gain on disposal of property, plant and equipment	(52)	(240)
Impairment of Product Development Cost		115
Amortisation of government grant	(47)	(83)
Inventories written down	-	98
Interest expense	101	219
Interest income from short term funds	(71)	(157)
Unrealised gain on foreign exchange	(157)	(300)
Operating profit before working capital changes	2,205	3,909
Changes in working capital:		
Decrease/(Increase) in inventories	(144)	(33)
Decrease/(Increase) in receivables	448	(680)
(Decrease) / Increase in payables	1,016	613
Cash generated from/(used in) operating activities	3,525	3,809
Income tax refund/(paid)	(6)	78
Net cash generated from/ (used in) operating activities	3,519	3,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	71	157
Purchase of property, plant and equipment	(580)	(1,717)
Proceeds from disposal of property, plant and equipment	56	241
Government grant received	-	852
Net cash from/ (used in) investing activities	(453)	(467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(101)	(219)
Repayment of hire-purchase payables	(95)	(98)
Repayment of term loans	(397)	(744)
Additional hire-purchase loan	-	-
Dividend paid	(630)	(1,260)
Net cash (used in)/ from financing activities	(1,223)	(2,321)
Net (decrease)/ increase in cash and cash equivalents	1,843	1,099
Cash and cash equivalents at beginning of period	7,742	6,376
Effects of exchange rate changes	157	267
Cash and cash equivalents at end of period	<u>9,742</u>	<u>7,742</u>
Cash and cash equivalents consist of:		
Money market unit trust fund	4,406	4,580
Cash and bank balances	5,336	3,162
	<u>9,742</u>	<u>7,742</u>

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 2015 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 2015

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 2015. 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 2015.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 30 June 2015.

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)		<u>Effective Date</u>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 & MFRS 128 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011)	Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative	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
Amendments to MFRS 127 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle		1 January 2016

The adoption of the above accounting standards and 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.

A3 Auditors' report on preceding annual financial statements

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

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 2015, dividend amounting to RM0.63 million, being the final single tier dividend of 5% (0.5 sen) per ordinary share for the financial year ended 30 June 2015 was paid on 28 December 2015.

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.

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 2015 RM'000	Current year to date 31 Dec 2015 RM'000
Malaysia	1,538	3,641
Outside Malaysia	3,158	6,524
	4,696	10,165

A10 Valuation of property, plant and equipment

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

A11 Material events subsequent to the end of the quarter

There are 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	396

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 2015, the Group recorded a turnover of RM4.70 million and loss before tax ("LBT") of RM0.29 million as compared with the preceding year corresponding quarter turnover of RM4.69 million and PBT of RM1.08 million. The LBT was mainly due to increase in legal fees for the on-going material litigations with Johnstech International Corp. ("JTI") in United States and consultancy fees during the quarter under review.

For the current year to date as at 31 December 2015, the Group achieved a turnover of RM10.17 million and PBT of RM1.78 million as compared to RM9.19 million turnover and PBT of RM2.09 million in the preceding year, representing an increase of 11% in turnover and decrease in PBT of 15% respectively. The decrease in the year-to-date PBT was mainly due to increase in legal fees for the on-going material litigations with JTI in United States, consultancy fees and professional fees.

B2 Variation of results against immediate preceding quarter

	Current Quarter 31 Dec 2015 RM'000	Preceding Quarter 30 Sept 2015 RM'000
Revenue	<u>4,696</u>	<u>5,469</u>
PBT	<u>(294)</u>	<u>2,076</u>

When compared to the preceding quarter, the Group's revenue decreased by 14% from RM5.47 million to RM4.70 million and PBT from RM2.08 million to LBT of RM0.29 million. The decrease in sales was from decrease in export sales and the decrease in PBT was mainly from an increase in legal fees amounting to RM0.89 million during the quarter under review.

B3 Prospects for the financial year ending 30 June 2016.

The Board remains focused on various product developments, intensive sales and marketing activities and anticipate the financial performance will continue delivering positive performance for the remaining quarters ending 30 June 2016.

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

(LBT)/ PBT is arrived at after charging/(crediting) :

	Current quarter 31 Dec 2015 RM'000	Cumulative quarter 31 Dec 2015 RM'000
Other Income - Amortisation of government grant	(24)	(47)
Gain on disposal of property, plant and equipment	(52)	(52)
Depreciation of property, plant and equipment	328	650
Interest expense	45	101
Interest income from short term funds	(35)	(71)
Net loss/(gain) on unrealised foreign exchange	173	(157)
Net loss/(gain) on realised foreign exchange	16	(169)

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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 2015 RM'000	Cumulative quarter 31 Dec 2015 RM'000
Current tax	(6)	(6)
Deferred tax	-	-
In respect of prior years	-	-
	<u>(6)</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 30 June 2015 all of which are secured is as follows.

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowing	933	-	933
Long term borrowing	3,676	-	3,676
	<u>4,609</u>	<u>-</u>	<u>4,609</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 2015, the Board approve an interim single tier dividend of 5% (0.5 sen) per ordinary share of RM0.10 each amounting to RM630,000.

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.

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

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.

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 now had dismissed the Complaint against JF Technology Berhad and 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.

The Complaint will proceed only against JF Microtechnology Sdn Bhd.

Both parties had therefore filed their respective amended complaints again. The discovery process is still ongoing and pending from the court for further direction.

JTI filed their reply claim construction brief and this closes the briefing on claim construction. Case Management Conference was held on 24 June 2015. The Court has set for the claim constructions tutorial and hearing to be held on 29 September 2015 and 8 October 2015 respectively. Both parties are working to finalise a selection of expert witness candidates who are available and clear of conflicts. Mediation between both parties will only be held about 45-60 days after 8 October 2015 claim construction hearing.

Claim constructions tutorial and hearing were completed as per scheduled. Both parties are waiting for the decision from the Court. Deposition on the relevant witnesses from the Company were conducted in Kuala Lumpur and completed on 5 November 2015. Deposition on the Plaintiff's witnesses were conducted in United States from 11 to 13 November 2015. Both parties are also working to finalise the selection of the damages expert.

Both parties had appointed their respective damages experts. Both parties had also served their respective technical and damages report. The Court had also issued the Claim Construction Order and the next action will be the summary judgement of non-infringement

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

B10. (Loss)/ Earnings per share

	Current year quarter 31 Dec 2015	Current year to date 31 Dec 2015
Profit after taxation (RM'000)	(300)	1,775
Weighted average number of shares in issue ('000)	126,000	126,000
Basic Earnings per share (sen)	<u>(0.24)</u>	<u>1.41</u>

Diluted (loss)/earnings per share is not computed as the Company does not have any convertible financial instruments as at 31 December 2015.

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

B11. Realised and Unrealised Profit/Losses

	Current Quarter 31 Dec 2015 RM'000	Preceding Quarter 30 Sept 2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries :		
- Realised	5,103	6,034
- Unrealised	(897)	(897)
Total group retained profits / (accumulated losses) as per consolidated accounts	4,206	5,137

B12. Status of Corporate Proposals Announced

There are no corporate proposals announced but not completed as at 23 February 2016.

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 23 February 2016.

On Behalf of the Board

Dato' Foong Wei Kuong
Group Managing Director

Date: 24 February 2016