

# JF Technology Berhad

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



## Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the 3rd financial quarter ended 31 March 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31 Mar 2016 RM'000	Preceding year corresponding quarter 31 Mar 2015 RM'000	Current year to date 31 Mar 2016 RM'000	Preceding year corresponding period 31 Mar 2015 RM'000
Revenue	4,072	3,799	14,237	12,989
Cost of sales	(1,176)	(1,083)	(3,551)	(2,983)
Gross profit	2,896	2,716	10,686	10,006
Other operating income	(77)	436	527	910
Other operating expenses	(3,525)	(2,842)	(10,037)	(8,391)
Finance cost	(52)	(62)	(153)	(188)
Profit/ (Loss) before taxation	(758)	248	1,023	2,337
Tax Expense	(3)	-	(9)	(6)
Profit/ (Loss) for the period	(761)	248	1,014	2,331
Other comprehensive income	-	-	-	-
Total comprehensive profit/(loss) for the period	(761)	248	1,014	2,331
Attributable to:				
Owners of the company	(761)	248	1,014	2,331
Minority interests	-	-	-	-
	(761)	248	1,014	2,331
<b>Basic Earnings/(Loss) Per Share (sen)</b>	<b>(0.60)</b>	<b>0.20</b>	<b>0.80</b>	<b>1.85</b>

### 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.

# JF Technology Berhad

(Company No. 747681-H)  
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## Unaudited Condensed Consolidated Statement of Financial Position As at 31 March 2016

	(Unaudited) As at 31 Mar 2016 RM'000	(Audited) As at 30 June 2015 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	20,729	20,403
Intangible assets	-	-
	<u>20,729</u>	<u>20,403</u>
<b>Current assets</b>		
Inventories	1,440	1,187
Trade receivables	2,627	3,573
Other receivables, deposits and prepayments	619	162
Cash and cash equivalents	7,339	7,742
Current tax assets	-	-
	<u>12,025</u>	<u>12,664</u>
<b>TOTAL ASSETS</b>	<b><u>32,754</u></b>	<b><u>33,067</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the company</b>		
Share capital	12,600	12,600
Share premium	8,743	8,743
Retained Earnings	2,815	3,061
<b>Total equity</b>	<b><u>24,158</u></b>	<b><u>24,404</u></b>
<b>Non-current liabilities</b>		
Borrowings	3,564	4,184
Deferred Income	1,412	927
Deferred tax liabilities	897	897
	<u>5,873</u>	<u>6,008</u>
<b>Current liabilities</b>		
Trade payables	157	118
Other payables and accruals	1,600	1,612
Current tax liabilities	24	7
Borrowings	942	918
<b>Total current liabilities</b>	<b><u>2,723</u></b>	<b><u>2,655</u></b>
<b>Total liabilities</b>	<b><u>8,596</u></b>	<b><u>8,663</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>32,754</u></b>	<b><u>33,067</u></b>
<b>Net assets per share (RM)</b>	<b><u>0.19</u></b>	<b><u>0.19</u></b>

### 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 3rd financial quarter ended 31 March 2016

	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	-	-	2,331	2,331
Dividend paid during the financial period	-	-	(1,260)	(1,260)
Balance as at 31 March 2015	<b>12,600</b>	<b>8,743</b>	<b>2,340</b>	<b>23,683</b>
Balance as at 01 July 2015	12,600	8,743	3,061	24,404
Profit after taxation for the financial period	-	-	1,014	1,014
Dividend paid during the financial period	-	-	(1,260)	(1,260)
Balance as at 31 March 2016	<b>12,600</b>	<b>8,743</b>	<b>2,815</b>	<b>24,158</b>

### 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 3rd financial quarter ended 31 March 2016

	(Unaudited) As at 31 Mar 2016 RM'000	(Audited) As at 30 June 2014 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,023	2,987
Adjustments for :		
Amortisation of product development cost		101
Depreciation of property, plant and equipment	998	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	(81)	(83)
Inventories written down	20	98
Interest expense	152	219
Interest income from short term funds	(107)	(157)
Unrealised gain on foreign exchange	-	(300)
Unrealised loss on foreign exchange	137	
Operating profit before working capital changes	2,090	3,909
Changes in working capital:		
Decrease/(Increase) in inventories	(273)	(33)
Decrease/(Increase) in receivables	489	(680)
(Decrease) / Increase in payables	27	613
Cash generated from/(used in) operating activities	2,333	3,809
Income tax refund/(paid)	9	78
Net cash generated from/ (used in) operating activities	2,342	3,887
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	107	157
Purchase of property, plant and equipment	(1,328)	(1,717)
Proceeds from disposal of property, plant and equipment	56	241
Government grant received	566	852
Net cash from/ (used in) investing activities	(599)	(467)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(152)	(219)
Repayment of hire-purchase payables	(145)	(98)
Repayment of term loans	(602)	(744)
Additional hire-purchase loan	150	-
Dividend paid	(1,260)	(1,260)
Net cash (used in)/ from financing activities	(2,009)	(2,321)
Net (decrease)/ increase in cash and cash equivalents	(266)	1,099
Cash and cash equivalents at beginning of period	7,742	6,376
Effects of exchange rate changes	(137)	267
Cash and cash equivalents at end of period	7,339	7,742
<u>Cash and cash equivalents consist of:</u>		
Money market unit trust fund	3,050	4,580
Cash and bank balances	4,289	3,162
	7,339	7,742

### 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 MARCH 2016

### 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 :-

<b>MFRS and IC Interpretations ( Including The Consequential Amendments)</b>		<b><u>Effective Date</u></b>
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 MARCH 2016

### 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 March 2016, dividend amounting to RM0.63 million, being the interim single tier dividend of 5% (0.5 sen) per ordinary share for the financial year ended 30 June 2016 was paid on 25 March 2016.

### 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 Mar 2016 RM'000	Current year to date 31 Mar 2016 RM'000
Malaysia	1,678	5,320
Outside Malaysia	2,394	8,917
	<b>4,072</b>	<b>14,237</b>

### 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 MARCH 2016

### 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	600

### 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 March 2016, the Group recorded a turnover of RM4.07 million and loss before tax ("LBT") of RM0.76 million as compared with the preceding year corresponding quarter turnover of RM3.80 million and profit before tax ("PBT") of RM0.25 million. The LBT was mainly from the unrealised loss of foreign exchange due to strengthening of RM against USD and increase in legal fees for the on-going material litigations with Johnstech International Corp. ("JTI") in United States which amounting to RM1.20 million during the quarter under review.

For the current year to date as at 31 March 2016, the Group achieved a turnover of RM14.24 million and PBT of RM1.02 million as compared to RM12.99 million turnover and PBT of RM2.34 million in the preceding year, representing an increase of 10% in turnover and decrease in PBT of 56% respectively. The decrease in the year-to-date PBT was mainly from the unrealised loss of foreign exchange due to strengthening of RM against USD and increase in legal fees for the on-going material litigations with JTI in United States which amounting to RM2.36 million for the current financial year.

### **B2 Variation of results against immediate preceding quarter**

	<b>Current Quarter 31 Mar 2016 RM'000</b>	<b>Preceding Quarter 31-Dec-15 RM'000</b>
Revenue	<u>4,072</u>	<u>4,696</u>
LBT	<u>(758)</u>	<u>(294)</u>

When compared to the preceding quarter, the Group's revenue decreased by 13% from RM4.70 million to RM4.07 million and increased in LBT from RM0.29 million to RM0.76 million. The decrease in sales was from decrease in export sales and the increase in LBT was mainly from the unrealised loss of foreign exchange due to strengthening of RM against USD and increase in legal fees which amounting to RM1.20 million during the quarter under review.

### **B3 Prospects for the financial year ending 30 June 2016.**

The Board will continue to focus on escalating up various product developments, intensive sales and marketing activities and expect the performance of the Group will remain satisfactory till the end of the 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.



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

### **B5 Notes to the statement of comprehensive income**

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

	<b>Current quarter 31 Mar 2016 RM'000</b>	<b>Cumulative quarter 31 Mar 2016 RM'000</b>
Other Income - Amortisation of government grant	(34)	(81)
Gain on disposal of property, plant and equipment	0	(52)
Depreciation of property, plant and equipment	348	998
Inventories written down	20	20
Interest expense	51	152
Interest income from short term funds	(36)	(107)
Net loss/(gain) on unrealised foreign exchange	294	137
Net loss/(gain) on realised foreign exchange	65	(104)

### **B6 Taxation**

	<b>Current quarter 31 Mar 2016 RM'000</b>	<b>Cumulative quarter 31 Mar 2016 RM'000</b>
Current tax	(3)	(9)
Deferred tax	-	-
In respect of prior years	-	-
	<u>(3)</u>	<u>(9)</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 March 2016 all of which are secured is as follows.**

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowing	942	-	942
Long term borrowing	3,564	-	3,564
	<u>4,506</u>	<u>-</u>	<u>4,506</u>

The Group does not have any foreign currency borrowings.

### **B8 Dividends**

There was no dividend declared or recommended 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**

### **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.

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.

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

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 summary judgement was filed on 4 March 2016. Both Parties had attended the hearing on 7 April 2016. No definitive rulings were made. However, the Court has directed the Plaintiff to file additional briefing on the discovery issue and sanctions. Both parties proceeded with further discussions and the Defendant agreed to withdraw its damages expert's report filed on 2 December 2015 on counterclaim damages in its entirety. Both parties had updated the Court on the agreement to resolve the issues but the Plaintiff proceeded to file its motion where the only issue raised in the motion is that Plaintiff is asking the judge to preclude the Defendant from seeking general/ assumed damages for reputational harm. The Defendant had filed its reply on 18 May 2016.

The mediation was held with Judge Gonzalez in San Diego on 21 April 2016. Both parties had attended the mediation with the appointed representative and their respective counsels. The mediation concluded with no settlement. The trial is scheduled to begin on 27 June 2016.

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

### **B10. (Loss)/ Earnings per share**

	<b>Current year quarter 31 Mar 2016</b>	<b>Current year to date 31 Mar 2016</b>
Profit after taxation (RM'000)	(761)	1,014
Weighted average number of shares in issue ('000)	126,000	126,000
Basic (Loss)/ Earnings per share (sen)	<u>(0.60)</u>	<u>0.80</u>

Diluted (loss)/earnings per share is not computed as the Company does not have any convertible financial instruments as at 31 March 2016.

### **B11. Realised and Unrealised Profit/Losses**

	<b>Current Quarter 31 Mar 2016 RM'000</b>	<b>Preceding Quarter 31 Dec 2015 RM'000</b>
Total retained profits/(accumulated losses) of the Company and its subsidiaries :		
- Realised	3,712	5,103
- Unrealised	(897)	(897)
Total group retained profits / (accumulated losses) as per consolidated accounts	<u>2,815</u>	<u>4,206</u>

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

### **B12. Status of Corporate Proposals Announced**

There are no corporate proposals announced but not completed as at 20 May 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 20 May 2016.

On Behalf of the Board

**Dato' Foong Wei Kuong**  
Group Managing Director

Date: 23 May 2016