

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 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31 Dec 2016 RM'000	Preceding year corresponding quarter 31 Dec 2015 RM'000	Current year to date 31 Dec 2016 RM'000	Preceding year corresponding period 31 Dec 2015 RM'000
Revenue	5,646	4,696	11,897	10,165
Cost of sales	(1,519)	(1,236)	(2,893)	(2,375)
Gross profit	4,127	3,460	9,004	7,790
Other operating income	424	3	608	604
Other operating expenses	(3,020)	(3,713)	(6,449)	(6,512)
Finance cost	(45)	(44)	(90)	(101)
Profit/ (Loss) before taxation	1,486	(294)	3,073	1,781
Tax Expense	(315)	(6)	(411)	(6)
Profit/ (Loss) for the period	1,171	(300)	2,662	1,775
Other comprehensive income	-	-	-	-
Total comprehensive profit/(loss) for the period	1,171	(300)	2,662	1,775
Attributable to:				
Owners of the company	1,171	(300)	2,662	1,775
Minority interests	-	-	-	-
	1,171	(300)	2,662	1,775
Basic Earnings/(Loss) Per Share (sen)	0.93	(0.24)	2.11	1.41

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 2016 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 2016

	(Unaudited) As at 31 Dec 2016 RM'000	(Audited) As at 30 June 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,836	20,425
Intangible assets	-	-
	<u>20,836</u>	<u>20,425</u>
Current assets		
Inventories	1,500	1,465
Trade receivables	3,869	3,134
Other receivables, deposits and prepayments	344	450
Fixed deposit with a licensed bank	205	203
Cash and cash equivalents	9,654	7,191
Current tax assets	180	180
	<u>15,752</u>	<u>12,623</u>
TOTAL ASSETS	<u>36,588</u>	<u>33,048</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	5,505	2,843
Total equity	<u>26,848</u>	<u>24,186</u>
Non-current liabilities		
Borrowings	2,794	3,324
Deferred Income	2,153	1,673
Deferred tax liabilities	920	920
	<u>5,867</u>	<u>5,917</u>
Current liabilities		
Trade payables	214	141
Other payables and accruals	2,318	1,756
Current tax liabilities	398	120
Borrowings	943	928
Total current liabilities	<u>3,873</u>	<u>2,945</u>
Total liabilities	<u>9,740</u>	<u>8,862</u>
TOTAL EQUITY AND LIABILITIES	<u>36,588</u>	<u>33,048</u>
	-	-
Net assets per share (RM)	<u>0.21</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 2016 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 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 2015	12,600	8,743	3,061	24,404
Profit after taxation for the financial period	-	-	1,775	1,775
Other comprehensive income, net of tax	-	-	(630)	(630)
Balance as at 31 December 2015	12,600	8,743	4,206	25,549
Balance as at 01 July 2016	12,600	8,743	2,843	24,186
Profit after taxation for the financial period	-	-	2,662	2,662
Other comprehensive income, net of tax	-	-	-	-
Balance as at 31 December 2016	12,600	8,743	5,505	26,848

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 2016 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 2016

	(Unaudited) As at 31 Dec 2016 RM'000	(Audited) As at 30 June 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,073	1,172
Adjustments for :		
Depreciation of property, plant and equipment	655	1,330
Gain on disposal of property, plant and equipment	-	(53)
Amortisation of deferred income	(95)	(155)
Inventories written off	-	28
Interest expense	90	176
Interest income from short-term funds	(67)	(135)
Unrealised gain on foreign exchange	(220)	(29)
Unrealised loss on foreign exchange	17	6
Operating profit before working capital changes	3,453	2,340
Changes in working capital:		
Decrease/(Increase) in inventories	(35)	(306)
Decrease/(Increase) in receivables	(628)	145
(Decrease) / Increase in payables	635	167
Cash generated from/(used in) operating activities	3,425	2,346
Income tax refund/(paid)	(133)	(174)
Net cash generated from/ (used in) operating activities	3,292	2,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	67	135
Increase in pledged deposit with a licensed bank	(2)	(203)
Purchase of property, plant and equipment	(1,187)	(1,203)
Proceeds from disposal of property, plant and equipment	-	54
Government grant received	575	901
Net cash from/ (used in) investing activities	(547)	(316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(90)	(176)
Repayment of hire-purchase payables	(103)	(197)
Repayment of term loans	(412)	(803)
Additional hire-purchase loan	120	-
Dividend paid	-	(1,260)
Net cash (used in)/ from financing activities	(485)	(2,436)
Net (decrease)/ increase in cash and cash equivalents	2,260	(580)
Cash and cash equivalents at beginning of period	7,191	7,742
Effects of exchange rate changes	203	29
Cash and cash equivalents at end of period	9,654	7,191
Cash and cash equivalents consist of:		
Money market unit trust fund in Malaysia	4,595	3,607
Cash and bank balances	5,059	3,584
	9,654	7,191

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 2016 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 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 2016. 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 2016.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 30 June 2016, except for the adoption of the following Amendments and Annual Improvements to Standards which are effective for annual periods beginning on or after 1 January 2016 :

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 11 Accounting for Acquisition of Interest in Joint Operations
- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 101 : Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants
- Amendments to MFRS 127 Equity Method in Separate Financial Statements

The above standards, amendments and annual improvements do not have significant impact on the financial reporting of the Group.

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

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 Dec 2016 RM'000	Current year to date 31 Dec 2016 RM'000
	Malaysia	2,169
Outside Malaysia	3,477	7,562
	5,646	11,897

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 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

	RM'000
Property, plant and equipment	
- Authorised and contracted for	123
- Authorised and not contracted for	nil

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 2016, the Group recorded a turnover of RM5.65 million and profit before tax ("PBT") of RM1.49 million as compared with the preceding year corresponding quarter turnover of RM4.69 million and a loss before tax ("LBT") of RM0.30 million. The increase in PBT was mainly due to increase in export sales and strengthening of the US Dollar against Ringgit Malaysia during the quarter under review.

For the current year to date as at 31 December 2016, the Group achieved a turnover of RM11.90 million and PBT of RM3.07 million as compared to RM10.16 million turnover and PBT of RM1.78 million in the preceding year, representing an increase of 17% in turnover and PBT of 72% respectively. The increase in the year-to-date PBT was mainly due to increase in export sales and strengthening of the US Dollar against Ringgit Malaysia.

B2 Variation of results against immediate preceding quarter

	Current Quarter 31 Dec 2016 RM'000	Preceding Quarter 30-Sep-16 RM'000
Revenue	<u>5,646</u>	<u>6,251</u>
Profit Before Tax	<u>1,486</u>	<u>1,587</u>

When compared to the preceding quarter, the Group's revenue decrease by 10% from RM6.25 million to RM5.65 million and decrease in PBT from RM1.59 million to RM1.49 million. The decrease in sales and PBT was mainly due to decrease in export sales during the quarter under review.

B3 Prospects for the financial year ending 30 June 2017.

The Group 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 2017.

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 2016 RM'000	Cumulative quarter 31 Dec 2016 RM'000
Other Income - Amortisation of government grant	(51)	(95)
Gain on disposal of property, plant and equipment	0	0
Depreciation of property, plant and equipment	334	655
Interest expense	45	90
Interest income from short term funds	(36)	(67)
Net loss/(gain) on unrealised foreign exchange	(112)	(203)
Net loss/(gain) on realised foreign exchange	(188)	(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 2016 RM'000	Cumulative quarter 31 Dec 2016 RM'000
Current tax	(315)	(411)
Deferred tax	-	-
In respect of prior years	-	-
	<u>(315)</u>	<u>(411)</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 2016 all of which are secured is as follows.

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowing	943	-	943
Long term borrowing	2,794	-	2,794
	<u>3,737</u>	<u>-</u>	<u>3,737</u>

The Group does not have any foreign currency borrowings.

B8 Dividends

There is no dividend declare or recommend for the current quarter under review.

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")

Defendant : JF Microtechnology 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 asserted 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.

On 3 October 2014, the Group had 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 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 proceeded only against JF Microtechnology Sdn Bhd.

An application for summary judgement was filed on 4 March 2016. Both Parties had attended the hearing on 7 April 2016.

Before the hearing of the application for summary judgment 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.

In relation to the Company's application for summary judgements on a finding of non-infringement of USA Patent No 7,059,866, the Court ordered summary judgment on its finding that there is no literal infringement of the said patent. The Court also made a finding and ordered summary judgment against JTI's claim for pre-suit damages based on JTI's failure to mark its products with the '866 patent number or to provide sufficient notice of infringement of the '866 patent. However, the Court refused to order summary judgment on the issue of infringement under the doctrine of equivalents and on inducement, and it also deferred its ruling on willfulness. The Court ordered that these issues go to trial. This does not mean that the Court ruled against the Company on these issues. Rather, it means that the Court determined that there are facts material to these issues that are genuinely disputed and as such these issues should be decided by the jury. The trial date was set on 19 September 2016.

In relation to JTI's application for summary judgment against the Company's counterclaims in the United States, the Court ordered summary judgment against the Company's defamation claims and related counterclaims in the United States.

The Board wishes to inform that the trial of the above suit was heard from 19 September 2016 to 27 September 2016. On the 27 September 2016, the jury returned a verdict that all 4 claims of the JTI '866 Patent were infringed by Zigma product. The jury awarded damages of USD636,807 against the Defendant. We were informed by our attorneys in the United States that the jury's verdicts regarding willfulness and obviousness are advisory only, as these are issues the Court will decide.

The presiding judge, Judge Donato, indicated that he will not enter a final judgment in the case until after all post-trial motions are resolved and ordered JTI and the Defendant ("the parties") to meet and confer on a proposed schedule for such motions. The proposed schedule is to be filed by 4 October 2016. It is anticipated that it may be early 2017 when the post-trial motions are decided and final judgment is entered. The damages award will not be required to be paid until final judgment is entered, at the soonest.

Judge Donato further ordered the parties to participate in another mandatory mediation before the hearing on the post-trial motions. Both parties attended the mediation hearing before Judge Conley on 14 November 2016. The mediation process is still on-going and has not been finalised yet.

The Board will make an announcement in the event settlement is reached

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

B10. Earnings/(Loss) per share

	Current year quarter 31 Dec 2016	Current year to date 31 Dec 2016
Profit after taxation (RM'000)	1,171	2,662
Weighted average number of shares in issue ('000)	126,000	126,000
Basic Earnings per share (sen)	<u>0.93</u>	<u>2.11</u>

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

B11. Realised and Unrealised Profit/Losses

	Current Quarter 31 Dec 2016 RM'000	Preceding Quarter 30 Sept 2016 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries :		
- Realised	6,425	5,254
- Unrealised	(920)	(920)
Total group retained profits / (accumulated losses) as per consolidated accounts	<u>5,505</u>	<u>4,334</u>

B12. Status of Corporate Proposals Announced

There are no corporate proposals announced but not completed as at 22 February 2017.

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 22 February 2017.

On Behalf of the Board

Dato' Foong Wei Kuong
Group Managing Director

Date: 22 February 2017