

JF Technology Berhad

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



Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the 1st financial quarter ended 30 September 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year 1st Quarter 01-07-2017 to 30-09-17 RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-date 01-07-2017 to 30-09-17 RM'000	Preceding Year Corresponding Period RM'000
Revenue	7,005	6,251	7,005	6,251
Cost of sales	(1,539)	(1,373)	(1,539)	(1,373)
Gross profit	5,466	4,878	5,466	4,878
Other operating income	66	152	66	152
Operating expenses	(3,112)	(3,429)	(3,112)	(3,429)
Profit from operations	2,420	1,601	2,420	1,601
Finance cost	(25)	(45)	(25)	(45)
Interest Income	42	31	42	31
Profit before taxation	2,437	1,587	2,437	1,587
Tax Expense	(124)	(96)	(124)	(96)
Profit for the period	2,313	1,491	2,313	1,491
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	2,313	1,491	2,313	1,491
Attributable to:				
Owners of the company	2,313	1,491	2,313	1,491
Minority interests	-	-	-	-
	2,313	1,491	2,313	1,491
Basic Earnings Per Share (sen)	1.84	1.18	1.84	1.18

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 2017 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 30 September 2017

	(Unaudited) As at 30-09-17 RM'000	(Audited) As at 30-06-17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	19,982	20,156
Intangible assets	-	-
	19,982	20,156
Current assets		
Inventories	1,639	1,562
Trade receivables	5,098	5,253
Other receivables, deposits and prepayments	358	183
Fixed deposit with a licensed bank	211	209
Cash and cash equivalents	13,220	10,803
Current tax assets	416	377
	20,942	18,387
TOTAL ASSETS	40,924	38,543
EQUITY AND LIABILITIES		
Equity attributable to owners of the company		
Share capital	12,600	12,600
Share premium	8,743	8,743
Retained Earnings	11,535	9,222
Total equity	32,878	30,565
Non-current liabilities		
Borrowings	2,098	2,376
Deferred Income	1,998	2,049
Deferred tax liabilities	979	979
	5,075	5,404
Current liabilities		
Trade payables	181	176
Other payables and accruals	1,570	1,183
Current tax liabilities	257	258
Borrowings	963	957
Total current liabilities	2,971	2,574
Total liabilities	8,046	7,978
TOTAL EQUITY AND LIABILITIES	40,924	38,543
	-	-
Net assets per share (RM)	0.26	0.24

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 2017 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 1st financial quarter ended 30 September 2017

	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Balance as at 01 July 2016	12,600	8,743	2,843	24,186
Profit after taxation for the financial period	-	-	1,491	1,491
Dividend paid during the financial period	-	-	-	-
Balance as at 30 September 2016	12,600	8,743	4,334	25,677
Balance as at 01 July 2017	12,600	8,743	9,222	30,565
Profit after taxation for the financial period	-	-	2,313	2,313
Dividend paid during the financial period	-	-	-	-
Balance as at 30 September 2017	12,600	8,743	11,535	32,878

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 2017 and the accompanying explanatory notes attached to this interim financial statements.

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Unaudited Condensed Consolidated Statement of Cash Flows For the 1st financial quarter ended 30 September 2017

	(Unaudited) As at 30-09-17 RM'000	(Audited) As at 30-06-17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,437	6,964
Adjustments for :		
Depreciation of property, plant and equipment	332	1,317
Gain on disposal of property, plant and equipment	(6)	(112)
Property, plant and equipment written off	-	49
Amortisation of deferred income	(52)	(199)
Inventories written off	-	31
Interest expense	25	141
Interest income from short-term funds	(42)	(140)
Unrealised gain on foreign exchange	-	(14)
Unrealised loss on foreign exchange	78	19
Operating profit before working capital changes	2,772	8,056
Changes in working capital:		
Decrease/(Increase) in inventories	(77)	(128)
Decrease/(Increase) in receivables	(20)	(1,876)
(Decrease) / Increase in payables	390	(537)
Cash generated from/(used in) operating activities	3,065	5,515
Income tax refund/(paid)	(163)	(585)
Net cash generated from/ (used in) operating activities	2,902	4,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	42	140
Increase in pledged deposit with a licensed bank	-	(6)
Purchase of property, plant and equipment	(159)	(1,065)
Proceeds from disposal of property, plant and equipment	6	200
Government grant received	-	575
Net cash from/ (used in) investing activities	(111)	(156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(25)	(141)
Repayment of hire-purchase payables	(52)	(203)
Repayment of term loans	(219)	(836)
Net cash (used in)/ from financing activities	(296)	(1,180)
Net (decrease)/ increase in cash and cash equivalents	2,495	3,594
Cash and cash equivalents at beginning of period	10,803	7,191
Effects of exchange rate changes	(78)	18
Cash and cash equivalents at end of period	13,220	10,803

Cash and cash equivalents consist of:

Money market unit trust fund in Malaysia
Cash and bank balances

6,805	4,725
6,415	6,078
13,220	10,803

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 2017 and the explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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 2017. 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 2017.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 30 June 2017, except for the adoption of the following new MFRSs and Interpretations which are effective for annual periods beginning on or after 1 January 2017 :

	Effective Date
Amendments to MFRS 1: Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 : Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140 : Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16 Leases	1 January 2019

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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.

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 chief operating decision maker reviews the business performance of the Group as a whole and management monitors 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 from which the sales transactions originated.

Revenue by countries

	Current year quarter 30-09-17 RM'000	Current year to date 30-09-17 RM'000
Malaysia	1,808	1,808
United States	1,934	1,934
China	1,818	1,818
Others	1,445	1,445
Total	7,005	7,005

The Group does not have any non-current assets that are located in countries other than Malaysia.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

A14 Capital commitments

Property, plant and equipment	RM'000
Authorised and contracted for	10
Authorised and not contracted for	1,218

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

	INDIVIDUAL PERIOD		Changes %	CUMULATIVE PERIOD		Changes %
	Current year 1st Quarter 01-07-2017 to 30-09-17 RM'000	Preceding Year Corresponding Quarter RM'000		Current Year To-date 01-07-2017 to 30-09-17 RM'000	Preceding Year Corresponding Quarter RM'000	
Revenue	7,005	6,251	12%	7,005	6,251	12%
Operating profit	2,420	1,601	51%	2,420	1,601	51%
Profit before tax	2,437	1,587	54%	2,437	1,587	54%
Profit after tax	2,313	1,491	55%	2,313	1,491	55%
Profit attributable to ordinary equity holders of the parent	2,313	1,491	55%	2,313	1,491	55%
EBITDA	2,783	1,944	43%	2,783	1,944	43%

For the current quarter ended 30 September 2017, the Group recorded a turnover of RM7.01 million and profit before tax ("PBT") of RM2.44 million as compared with the preceding year corresponding quarter turnover of RM6.25 million and PBT of RM1.59 million. The strong improvement of 54% increase in PBT was mainly due to increase in export sales, higher USD sales achieved from the appreciation of US Dollar against Ringgit Malaysia ("USD/MYR") exchange rate and lower legal fees incurred for the on-going material litigation with Johnstech International Corp. ("JTI") in United States during the quarter under review.

B2 Financial review for current quarter compared with immediate preceding quarter

	Current year 1st Quarter 01-07-2017 to 30-09-17 RM'000	Immediate Preceding Quarter 01-04-2017 to 30-06-17 RM'000	Changes %
Revenue	7,005	6,680	5%
Operating profit	2,420	2,239	8%
Profit before tax	2,437	2,230	9%
Profit after tax	2,313	2,162	7%
Profit attributable to ordinary equity holders of the parent	2,313	2,162	7%
EBITDA	2,783	2,598	7%
Legal fees for the material litigations with JTI	192	201	-4%

When compared to the preceding quarter, the Group's revenue increase by 5% from RM6.68 million to RM7.01 million and 9% in PBT from RM2.23 million to RM2.44 million. The increase in sales and PBT was mainly due to increase in export sales during the 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

B3 Prospects for the financial year ending 30 June 2018.

The Group continues to place utmost emphasis and commitment on expansion of our product line, advances in our technology, continuing growth and opportunities in overseas market. The Group is aligned with the market's high growth applications in the automotive, internet of things, smartphones and medical segments. Barring any unforeseen circumstances, the Board anticipate the Group achieves a satisfactory performance for the financial year 2018.

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 year 1st Quarter 01-07-2017 to 30-09-17 RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-date 01-07-2017 to 30-09-17 RM'000	Preceding Year Corresponding Period RM'000
Other Income - Amortisation of government grant	(52)	(44)	(52)	(44)
Gain on disposal of property, plant and equipment	(6)	0	(6)	0
Depreciation of property, plant and equipment	332	321	332	321
Interest expense	25	45	25	45
Interest income from short term funds	(42)	(31)	(42)	(31)
Net loss/(gain) on unrealised foreign exchange	78	(91)	78	(91)
Net loss/(gain) on realised foreign exchange	108	19	108	19
Legal fees for the material litigations with JTI	192	993	192	993
Sales Commission	426	283	426	283

B6 Taxation

	Current quarter 30-09-17 RM'000	Cumulative quarter 30-09-17 RM'000
Current tax	(124)	(124)
Deferred tax	-	-
In respect of prior years	-	-
Total	(124)	(124)

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

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

B7 The Group's borrowings as at 30 September 2017 all of which are secured is as follows.

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowing	963	-	963
Long term borrowing	2,098	-	2,098
Total	3,061	-	3,061

The Group does not have any foreign currency borrowings.

B8 Dividends

There was no dividend declared or recommended 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 Defendant")

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.

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.

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

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 would 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 was to be filed by 4 October 2016. It was 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 had ordered 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 and there was no final judgment entered.

Judge Donato had another mandatory mediation with both parties on 18 May 2017 and there was no final judgment entered yet. He had ordered both the Plaintiff and Defendant to submit and exchange the post-trial motions and responses on the briefings to Judge Donato latest by 13 July 2017. The post-trial motions hearing had originally been set on 28 September 2017 but the date has been adjourned by the Court. The Court now has further rescheduled the motions hearing to 18 January 2018.

The Board will make an announcement upon pronouncement of final judgment or in the event any settlement is reached prior to the hearing for final judgment.

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

B10. Earnings/(Loss) per share

	Current Quarter 30-09-17	Preceding Year Corresponding Quarter 30-09-16	Current Year To-date 30-09-17	Preceding Year Corresponding Period 30-09-16
Profit after taxation (RM'000)	2,313	1,491	2,313	1,491
Weighted average number of shares in issue ('000)	126,000	126,000	126,000	126,000
Basic Earnings per share (sen)	1.84	1.18	1.84	1.18

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 September 2017.

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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 30-09-17 RM'000	Preceding Quarter 30-06-17 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries :		
Realised	12,514	10,201
Unrealised	(979)	(979)
Total group retained profits / (accumulated losses) as per consolidated accounts	11,535	9,222

B12. Status of Corporate Proposals Announced

On 26 September 2017, M&A Securities Sdn Bhd had on behalf of the Board announced that the Company proposed to undertake a bonus issue of 84,000,000 new ordinary shares of Bonus Shares to be credited as fully paid-up on the basis of two (2) Bonus Share for every three (3) existing shares of the Company held on an entitlement date to be determined later. The proposal was approved by Bursa Malaysia Securities Berhad on 24 October 2017 via its letter dated 24 October 2017. The Company had issued a Circular to Shareholders on the proposed Bonus Issues and an Addendum of the Notice of Annual General Meeting (AGM) on 1st November 2017. The Company will be seeking shareholders' approval in the coming AGM on 07 December 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 28 November 2017.

On Behalf of the Board

Dato' Foong Wei Kuong
Group Managing Director

28 November 2017