

# Management Discussion and Analysis



**DATO' FOONG WEI KUONG**  
Managing Director

Dear Esteemed Shareholders,

On behalf of the Board of Directors (“Board”) of JF Technology Berhad (“JF Tech” or the “Group”), I am pleased to present to you the Management Discussion and Analysis (“MD&A”) for the financial year ended 30 June 2021 (“FYE2021”).

For FYE2021, the business operating environment was indeed challenging as the world continued to face the unprecedented challenges and chaos brought upon by the Coronavirus disease 2019 (“Covid-19”) pandemic. The resultant lockdowns or movement control orders (“MCOs”) in various countries, including Malaysia, along with travel restrictions had further exacerbated the business landscape. Thankfully, we were able to navigate through the difficult conditions and prevailed by tapping on our vast experience, established track record, and robust balance sheet as a leading innovator and high-performance test contacting solutions provider.

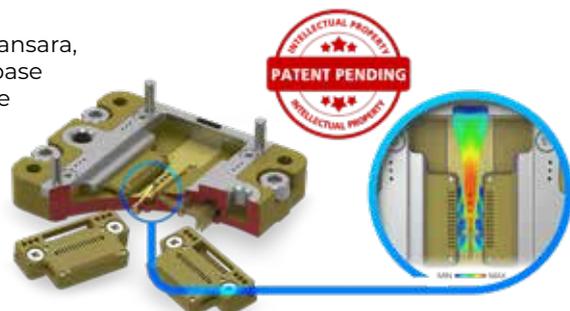
In fact, despite the exigent environment, the Group thrived and delivered another set of record-breaking top and bottom-line performance for FYE2021. Revenue jumped 42.9% year-on-year (“YoY”) to RM38.3 million while profit after tax and non-controlling interest (“PATNCI” or “net profit”) soared 89.1% YoY to RM15.2 million. With the excellent results, JF Tech declared a total dividend of RM9.2 million for the financial year under review, representing a 61.0% pay-out.

<b>RECORD-BREAKING TOP &amp; BOTTOM-LINE PERFORMANCE</b>		<b>FY2021 Dividend Payout:</b>	
	<b>FY2021 Revenue:</b> <b>RM38.3</b> MILLION		<b>FY2021 Net Profit:</b> <b>RM15.2</b> MILLION
			<b>61.0%</b> of Net Profit

## GROUP OVERVIEW

JF Tech is a leading innovator and manufacturer of high-performance test contacting solutions for global integrated circuit (“IC”) makers. The Group was established back in 1999 to manufacture and trade electronic products and components. Over the years, JF Tech has grown by leaps and bounds through innovation, having broken many barriers along the way and moving up the semi-conductor value chain. In 2005, the Group became an Original Design Manufacturing provider with our own in-house design and development team. We are listed on the ACE Market of Bursa Malaysia Securities Berhad since 2008.

Today, the Group operates from its headquarter in Kota Damansara, Selangor Darul Ehsan, Malaysia, and has a manufacturing base in Kunshan, China as well. With in-depth technical expertise backed by more than twenty (20) years of industry experience, we serve over hundred (100) of mostly multinational corporations (“MNCs”) worldwide. In addition, as a testament to our emphasis on innovation, we have filed a total of sixty-eight (68) patents in various countries relating to 5G and automotive testing applications.



## Management Discussion and Analysis (cont'd)

### BUSINESS AND OPERATIONAL REVIEW

Operationally, it was a demanding year for us due to pandemic and various versions of MCOs. Fortunately, we did not experience any major operational disruptions and was able to continue operating albeit with a reduced workforce in accordance with the standard operating procedures (“SOPs”) implemented by the authorities. This is credited to our highly capable operations team at JF Tech, who adjusted and adapted swiftly to the restrictions and ensured our production ran smoothly and uninterrupted.

### Venturing to China and Fortifying Our Relationship with Huawei Investment & Holding Co., Ltd.

Despite the pandemic, JF Tech reached yet another major breakthrough in the financial year under review by securing a partnership in October 2020 with Huawei Investment & Holding Co., Ltd. (“**Huawei**”) via its wholly-owned subsidiary, Hubble Technology Investment Co., Ltd. to design, develop, manufacture and supply high-performance test contactors in China.



This demonstrated another testament to JF Tech’s innovation, capability, and dependability as Huawei, one (1) of the largest private companies globally as well as one (1) of the world’s largest telecommunications equipment makers and leader in the game-changing 5G network technology, has chosen to work with JF Tech, a homegrown Malaysian company.

The JF Tech-Huawei partnership culminates in the establishment of a manufacturing plant in Kunshan, China where the Group believes it is the first Malaysian manufacturer of high-performance test contacting solutions to set up a manufacturing facility in China. This provides us with the first-mover advantage and allows us to develop our network to better serve our customers in China by reducing lead times and enhancing supply chain efficiency.

The collaboration enables JF Tech to establish a long-term synergistic business partnership with Huawei where we will leverage on each other’s strengths. This will also enable JF Tech to ride on China’s large-scale semi-conductor localisation plan and capture the tremendous sales opportunities. Timing could not be more apt as China is aggressively pushing forward its plan to invest USD1.4 trillion to develop next-generation technologies, as reported by Bloomberg and many other major publications in May 2020.



### Continuously Moving Up the Semi-conductor Value Chain



As part of the Group’s efforts to continue moving up the semi-conductor value chain, we have expanded our business to include test engineering solutions. Through our wholly-owned subsidiary, JF TestSense Sdn. Bhd. (“**JF TestSense**”), we are now able to provide total turnkey test contacting, interfacing and test program engineering services to semi-conductor companies globally. Our solutions range from productivity improvement, increase in parallelism, tester and/or handler platform migration, to full turnkey test solution development for new silicon. These value-added services provided to our customers complement JF Tech’s core business of design, development and manufacturing of test contacting products.

## Management Discussion and Analysis (cont'd)

### BUSINESS AND OPERATIONAL REVIEW (CONT'D)

#### Synergistic Partnership

Not resting on our laurels, we struck another partnership arrangement in August 2021 and this time with ISC Co., Ltd. (“ISC”) of Korea, the leading global test solution provider. Through the agency agreement entered, we are appointed as the agent for the sale and distribution of ISC’s test contacting solution products in China (the world’s biggest semi-conductor market), Malaysia and ASEAN. This is a significant accomplishment as we have now become a one-stop shop for test contacting solutions.

We see strong synergies arising from this arrangement. There are four (4) essential segments in the overall test socket market space currently valued at over USD1 billion and continues to grow at a very aggressive pace. JF Tech is one (1) of the world’s leading companies in two (2) of the four (4) essential segments – the Short Rigid Pin Sockets catering for 5G and other High Frequency test applications and Cantilever Sockets for Automotive and High-Power test applications. On the other hand, ISC is the world leader for remaining two (2) major segments – the Silicone Rubber Sockets for Memory and Spring Probes Sockets for Micro Processors and Universal Test Applications.

Types of Sockets	Provider	Application
Short Rigid	JF Tech	5G/RF/mmWave
Cantilever	JF Tech	Automotive, High Current High Temperature
Elastomeric or Rubber	ISC	Memory
Spring Probes	ISC	Micro Processor and Universal Test

EVERY SEMICONDUCTOR MANUFACTURING COMPANY IS NOW A POTENTIAL CUSTOMER

Today, with all four (4) major test socket offerings under one (1) roof, we can provide complete and seamless one-stop solutions to our MNC customers. We can cross-sell ISC’s Rubber or Spring Probe sockets to our current customers who are likely existing users of these products. More importantly, every semi-conductor manufacturing company is now a potential customer.

At the same time, we can boost our sales and generate yet another income flow through the test consumables, which is recurring in nature. We are excited as the market size is massive with high demand for these products. To put in perspective, the two (2) product lines (Rubber and Spring Probes) have more than ten (10) times the market size as compared to Short Rigid Pin and Cantilever combined. We are thrilled with this latest partnership with ISC and expect it to contribute positively to our earnings from financial year ending 30 June 2022 (“**FYE2022**”) onwards.

#### Innovation at Our Core

At JF Tech, we place a huge emphasis on the importance of intellectual properties (“IP”). The Group continuously invest in research and development (“R&D”) for the creation of IPs. Therefore, we are incredibly proud that the Group has been granted six (6) new patents in FYE2021. Of the six (6) new patents, two (2) are related to the invention of high frequency IC test contacting solutions mainly for 5G applications while the remaining four (4) patents are related to the invention of IC test contacting solutions for automotive applications. Currently, JF Tech has filed for a total of sixty-eight (68) patents in various countries, of which thirty-three (33) patents have been granted with the remaining thirty-five (35) pending approval.

For products that fall under these six (6) new patents, JF Tech will enjoy exclusive rights for many years to come. Furthermore, by enhancing our IP, we shall remain at the forefront of our industry and strengthen our competitive advantages. It significantly increases the value proposition to our existing and prospective customers. The Group also plans to monetise our IP through licensing, which is one (1) of our growth drivers as well.



**33**  
Granted



**35**  
Pending Approval

68 PATENTS FILED IN VARIOUS COUNTRIES

## Management Discussion and Analysis (cont'd)

### CORPORATE DEVELOPMENTS

On the corporate front, the Group had in February 2021 completed the bonus issue of shares with free warrants on the basis of three (3) bonus shares together with two (2) free warrants for every existing one (1) share held in JF Tech. We are grateful for the support from all our shareholders who have been with us through thick and thin, therefore, we believe that this is another avenue for us to reward our shareholders in addition to dividends. It is an expression of our gratitude towards the trust and patience of our valued shareholders as we embark on our next phase of growth. This exercise is expected to improve the marketability and trading liquidity of our shares and encourage greater participation by investors as well as potentially broadening the shareholder base.

Meanwhile, the free warrants, which are issued at no cost to our shareholders, serves to reward the shareholders by providing them with the option to further increase their equity participations in the Group by exercising the warrants at a pre-determined price over the tenure of the warrants. Our shareholders may also benefit from the potential capital appreciation arising from the exercise of warrants based on the future growth prospects of JF Tech. From the Group's perspective, this exercise would potentially provide additional funds to the Group for working capital needs as and when the warrants are exercised without the need of incurring interest costs in the case of bank borrowings.

### FINANCIAL REVIEW

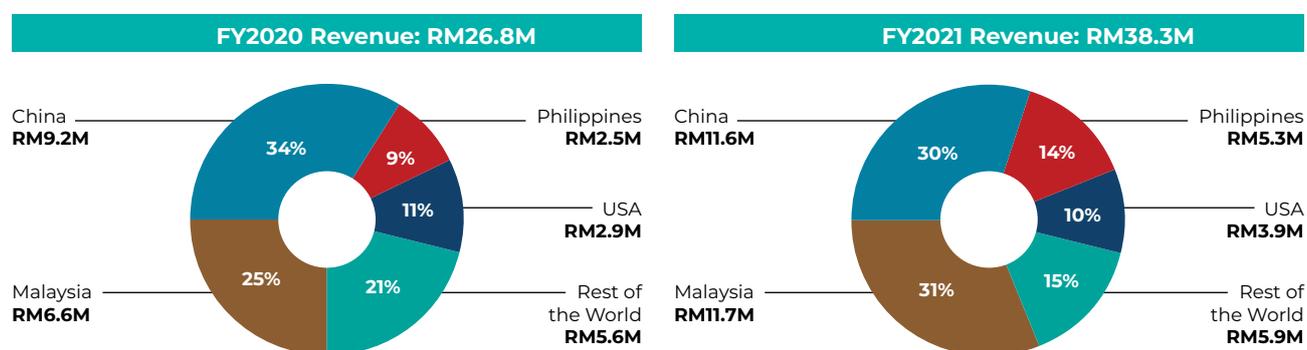
#### Revenue

We are delighted to have kept up the positive momentum from the previous year and delivered successive record top-line performance notwithstanding the challenging environment stemming from the Covid-19 pandemic and macroeconomic conditions.

For the financial year under review, we posted our highest-ever revenue of RM38.3 million. This was an increase of 42.9% YoY from RM26.8 million a year ago. The double-digit improvement was mainly driven by sustained robust demand from our customers.

#### Revenue Breakdown by Geographical Markets

Sales from Malaysia and China jumped 77.3% YoY and 26.1% YoY to RM11.7 million and RM11.6 million respectively in FYE2021. This was also the first time the aggregate contribution from the two (2) countries exceeded the RM11 million mark. Turnover from the Philippines and the United States also experienced strong growth of 112% YoY and 34.5% YoY to RM5.3 million and RM3.9 million respectively. Malaysia and China remained the Group anchor revenue contributors, accounting for 60.6% of FYE2021 turnover.



#### Profit After Tax and Non-Controlling Interest ("Net Profit")

Parallel with the record-breaking revenue, JF Tech's FYE2021 net profit almost doubled to an all-time high of RM15.2 million versus RM8 million a year ago. The larger-than-proportionate growth of 89% YoY was chiefly attributed to lower operating cost to revenue ratio in addition to stronger sales. Net profit margin also surged to 39.6% in FYE2021 from 29.9% a year ago.

## Management Discussion and Analysis (cont'd)

### FINANCIAL REVIEW (CONT'D)

#### Capital Structure and Capital Resources

The Group's total assets amounted to RM131.9 million as at 30 June 2021 as compared to RM45.1 million a year ago. The strong increase was primarily due to much higher cash and cash equivalents following the private placement exercise in FYE2021 as well as an increase in property, plant and equipment. At the close of the financial year, the total cash and cash equivalent (including fixed deposits and liquid financial assets) stood at RM88.7 million.

On the other hand, JF Tech's total liabilities amounted to RM11.4 million as at 30 June 2021 versus RM6.8 million a year ago. The increase mainly stemmed from higher long-term borrowings and lease liabilities. Overall, the Group's total borrowings and lease liabilities remained low at RM6.5 million.

#### Net Gearing and Cash Per Share

As at end-June 2021, JF Tech remained in a net cash position with net cash per share of 8.9 sen.

#### Net Operating Cash Flow

The Group generated a positive net operating cash flow ("**NOCF**") of RM12 million in FYE2021. JF Tech has consistently generated positive NOCF since our listing in 2008.

### BALANCE SHEET HIGHLIGHTS AS AT 30 JUNE 2021



Total Assets:  
**RM131.9**  
MILLION



Total Equity:  
**RM120.5**  
MILLION



Net Assets:  
**13.0 sen**  
per share



Net Cash:  
**8.9 sen**  
per share

### ANTICIPATED OR KNOWN RISKS

#### Competition Risk

The semi-conductor industry is highly competitive and undergoes rapid technological changes. Continuous innovation and the creation of IPs are crucial to protect and enhance competitive advantages. Hence, we put great emphasis on R&D and IPs. This would not only boost our competitive advantages and enable us to remain at the forefront of technology but also allow the Group to develop new cutting-edge products that are highly customised for our customers. In turn, this increases customer stickiness given our enhanced value proposition. The Group will continuously invest in R&D and creation of IPs as well as filing for more patents.

#### Supply Chain Disruptions

Our business is exposed to risk of interruptions to our supply chain, which could disrupt our operations and negatively impact our financial performance. The Group manages this risk by keeping in constant contact with our suppliers to closely monitor the possibility of disruptions. We have also established good long-term relationships with some of our key suppliers. Apart from that, we maintain healthy levels of raw materials and inventory as part of our risk management plan.

## Management Discussion and Analysis (cont'd)

### ANTICIPATED OR KNOWN RISKS (CONT'D)

#### Operational Disruptions

The Group is dependent on our production to run smoothly and efficiently. Any disruptions or unplanned shutdowns of our manufacturing facilities may have an adverse impact on our operations. We have taken up insurance policies to provide coverage against the risk of fire, burglary and personal accidents for our workers. However, external business risks such as natural disasters, pandemics, riots and general strikes are beyond our control, and this may materially and negatively affect our operations. On operational risk with regards to Covid-19, we ensure that we comply with the strict SOPs imposed by the authorities and continue to take extra precautionary measures to minimise disruptions.

#### Changes in Regulations and Government Policies

Like all businesses, we are subjected to various laws, regulations and policies set by the authorities in the countries we operate in – Malaysia and China. The potential impact could arise from issues such as minimum wages, quota and levies on hiring foreign labour, foreign exchange controls, export restrictions and tariffs, as well as foreign exchange controls, to name a few. As mitigation efforts, the Group constantly engages with the respective local authorities and relevant business associations to keep abreast on the latest development. On top of that, we closely monitor any prospective changes in regulations and policies.



### LOOKING AHEAD

While we expect the business operating environment to remain challenging in the immediate term as a result of the Covid-19 pandemic, we are keeping an upbeat view of our prospects going forward due to continued strong growth in the semi-conductor industry.

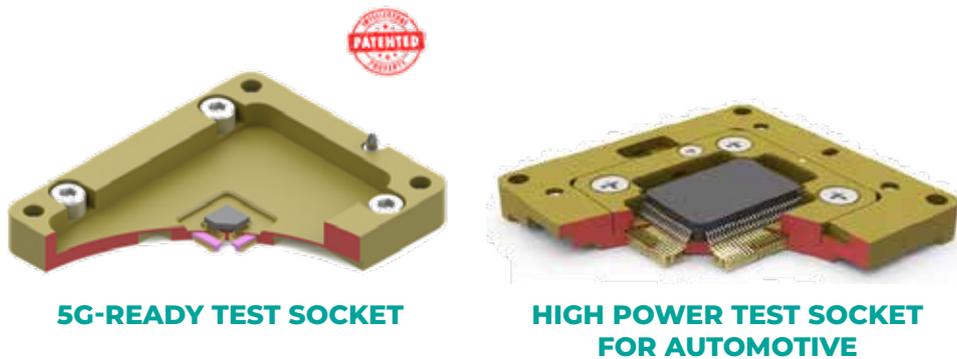
The global semi-conductor market is expected to continue its upward trajectory with multi-year growth trend. The imminent deployment of the game-changing 5G globally will create a paradigm shift through the developments of artificial intelligence, autonomous driving, and healthcare advancement, amongst others, which will lead to pent-up demand for the next-generation semi-conductors. According to the Global 5G Market (2019-2025) report, the world's 5G market is expected to reach USD277 billion in 2025 at a compound annual growth rate of 111% between 2019-2025.

## Management Discussion and Analysis (cont'd)

### LOOKING AHEAD (CONT'D)

On the other hand, the electric vehicle (“EV”) penetration is accelerating worldwide. Based on the International Energy Agency Global EV Outlook report, the global electric car stock reached ten point two (10.2) million in 2020, which was an increase of 43% YoY. This figure is expected to hit fifty (50) million by 2025 and close to one hundred and forty (140) million by 2030. More important for us is that EV models require higher semi-conductor content value as compared to traditional internal combustion engine models.

The abovementioned factors bode well for us as they would create a new wave of demand for our products. At the same time, we are thinking and planning ahead by continuously developing even new innovative products in line with technological advancement in the future such as from 5G to 6G.



For the upcoming financial year and beyond, our key focus remains on the execution of our six (6) growth drivers. The Group has been planting the seeds of growth over the past few years and we will continue to grow and cultivate them to further strengthen the foundation for our future.



## Management Discussion and Analysis (cont'd)

### LOOKING AHEAD (CONT'D)

#### New Manufacturing Facility in China

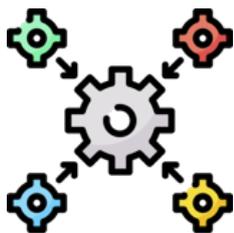
Our new manufacturing facility in Kunshan, China was completed recently following the conclusion of the equipment installation and qualification works. With this, production shall commence soon. The collaboration with Huawei also enables us to work closely with the telecommunication equipment giant in adopting our 5G test contacting solutions and to co-develop 6G test contacting technology for the future. As there will be technological know-how and knowledge transfer through this relationship, it allows JF Tech to move up the value chain of the semi-conductor industry while developing local talents amongst Malaysians. At the same time, we will also bring along our Malaysian partners in the semi-conductor ecosystem to participate in the China market.



#### JF TestSense – A New Dimension of Growth

Our new engineering team for JF TestSense, who is highly experienced, has hit the ground running at our state-of-the-art test lab. We are happy to share that we have secured new orders, the contribution of which shall be reflected in the coming first (1st) quarter of FYE2022. We are actively prospecting new customers and potential partners to scale our business. The Group is excited by the prospects of this test engineering business that is equipping JF Tech with a new dimension of growth.

Besides providing full turnkey test engineering solutions, JF TestSense also focuses on talent development. We are collaborating with local universities to offer test engineering as an elective for final year undergraduates. The Group has top-notch expertise that provides comprehensive training for up-skilling engineers in the industry and prepare graduates for employment in the semi-conductor test industry. Ultimately, our goal is to address the skills mismatch between the industry and individuals so that we can move Malaysia and its talent up the semi-conductor value chain.



#### A One-Stop Shop for Test Contacting Solutions

Now that JF Tech is a one-stop shop for test contacting solutions in partnership with ISC, we can further seize opportunities from China – the world's biggest semi-conductor market with large-scale semi-conductor localisation plan, and the global semi-conductor growth. Looking beyond the agency arrangement, this partnership also brings more possibilities for us. We expect to manufacture the spring probe test sockets housing and integration at our Malaysia plant as well as our manufacturing facility in Kunshan, China.

#### Expanding Facility to Seize More Opportunities

In order to capture the exciting growth from the semi-conductor industry, we are expanding our facility in Kota Damansara, Selangor Darul Ehsan, Malaysia. We are in the midst of doubling our built-up space by adding another fifty thousand (50,000) square feet ("sf.") to the existing forty-six thousand (46,000) sf., bringing the total area to ninety-six thousand (96,000) sf. Construction of the new facility is ongoing with completion slated to be in the third (3rd) quarter of 2022.

In the new building, besides achieving overall production capacity expansion, we will be establishing our Malaysia Test Contacting Centre of Excellence that will produce new test contactor products and IP for various applications such as 5G/6G and EV related products, among many other applications. Twinning our Malaysia Centre of Excellence with our China Centre of Excellence in Kunshan, we expect to accelerate technology transfer and exchange tapping on one (1) of the largest R&D resources in the world, which is our joint venture partner. Both these Centres of Excellence will enable the Group to accelerate product development and new IP generation to capitalise on the robust semi-conductor growth in the coming years.

## Management Discussion and Analysis (cont'd)

### LOOKING AHEAD (CONT'D)



### Expanding Facility to Seize More Opportunities (cont'd)

It is noteworthy to mention that our record-breaking performance thus far was anchored by only one (1) growth driver. For FYE2022, we will have three (3) additional new growth drivers – new manufacturing facility in China, JF TestSense and potential partnerships and mergers and acquisitions. Beyond FYE2022, we will also have another two (2) additional growth drivers. Therefore, we believe that with all six (6) growth drivers in place, they would elevate JF Tech to greater heights. Ultimately, it will empower us to realise our vision to be the number one (1) provider of high-performance test interface solutions in the world by maximising values for all our stakeholders. All in all, the outlook of the Group remains bright underpinned by the aforementioned factors.

### DIVIDEND

For the financial year under review, JF Tech declared a total dividend amounting to RM9.2 million. This represents a 61% pay-out based on FYE2021 net profit of RM15.2 million, and much higher than the 39.3% pay-out in FYE2020.

### APPRECIATION

First and foremost, I would like to express my sincere gratitude to the members of the Board for the contribution and wise counsel, without whom we would not have been able to reach such great heights.

To our team at JF Tech, thank you for your commitment and immense efforts. Your contribution, particularly in a year as challenging as FYE2021, were pivotal and the results that you have delivered have been truly remarkable and worthy of a second mention.

I would also like to show my appreciation to all other stakeholders including our valued shareholders, customers, business partners, bankers, lawyers, investment bankers and suppliers for the trust they have put in us and look forward to their continued support in the future.

In closing, I strongly believe that under the stewardship of our Board together with the dedication of our team at JF Tech, we can certainly bring more possibilities to actualisation, and taking us to the next level!

**Dato' Foong Wei Kuong**  
Managing Director