

GLOBETRONICS TECHNOLOGY BHD (410285-W)

INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The figures have not been audited

	Note	3 months ended		3 months ended	
		31/03/2014	31/03/2013	31/03/2014	31/03/2013
Continuing operations		RM'000	RM'000	RM'000	RM'000
Revenue		83,422	77,475	83,422	77,475
Cost of sales		(58,465)	(58,380)	(58,465)	(58,380)
Gross profit		24,957	19,095	24,957	19,095
Administrative and operating expenses		(9,502)	(7,856)	(9,502)	(7,856)
Other operating income		1,182	720	1,182	720
Results from operating activities		16,637	11,959	16,637	11,959
Finance income		415	357	415	357
Finance costs		(16)	-	(16)	-
Net finance income		399	357	399	357
Share of profit of equity-accounted associate, net of tax		10	26	10	26
Profit before tax		17,046	12,342	17,046	12,342
Tax expense	8	(2,944)	(2,147)	(2,944)	(2,147)
Profit for the period		14,102	10,195	14,102	10,195
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(66)	162	(66)	162
Fair value of available-for-sale financial assets		102	(270)	102	(270)
Total other comprehensive income / (expense) for the period, net of tax		36	(108)	36	(108)
Total comprehensive income for the period		14,138	10,087	14,138	10,087

	3 months ended		3 months ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Profit attributable to :				
Owners of the Company	14,102	10,195	14,102	10,195
Profit for the period	14,102	10,195	14,102	10,195
Total comprehensive income attributable to :				
Owners of the Company	14,138	10,087	14,138	10,087
Total comprehensive income for the period	14,138	10,087	14,138	10,087
Earnings per ordinary share (sen)	20			
- Basic	5.04	3.73	5.04	3.73
- Diluted	5.03	3.70	5.03	3.70

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited Financial Statements as at 31 December 2013. The accompanying notes are an integral part of this Statement.

GLOBETRONICS TECHNOLOGY BHD (410285-W)
INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014
Condensed Consolidated Statement of Financial Position

The figures have not been audited

	Note	As at 31/03/2014 RM'000	As at 31/12/2013 RM'000
Assets			
Property, plant and equipment	6	84,674	87,315
Investment property		8,070	8,134
Investment in an associate		5,058	5,047
Other investments		7,002	6,054
Deferred tax assets	9	3,601	3,601
Total non-current assets		<u>108,405</u>	<u>110,151</u>
Inventories		11,118	14,053
Trade receivables		60,593	62,649
Other receivables, deposits and prepayments		4,838	5,243
Cash and cash equivalents		140,970	147,297
Total current assets		<u>217,519</u>	<u>229,242</u>
Total assets		<u>325,924</u>	<u>339,393</u>
Equity			
Share capital		140,203	139,626
Share premium		17,602	15,455
Reserves			
Share option reserve		1,014	1,014
Capital redemption reserve		-	24
Fair value reserve		83	(19)
Translation reserve		(1,411)	(1,345)
Retained earnings		114,953	120,447
Total equity		<u>272,444</u>	<u>275,202</u>
Liabilities			
Deferred income		234	262
Total non-current liability		<u>234</u>	<u>262</u>
Borrowings	22	9,852	5,242
Trade payables		9,901	15,602
Other payables and accruals		29,782	37,748
Current tax payable		3,711	5,337
Total current liabilities		<u>53,246</u>	<u>63,929</u>
Total liabilities		<u>53,480</u>	<u>64,191</u>
Total equity and liabilities		<u>325,924</u>	<u>339,393</u>
Net assets per share (RM)		0.97	0.99

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements as at 31 December 2013. The accompanying notes are an integral part of this Statement.

GLOBETRONICS TECHNOLOGY BHD (410285-W)
INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014
Condensed Consolidated Statement of Changes in Equity

The figures have not been audited

	← Non-distributable →				Distributable →			
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
3 months ended 31/03/2014								
At 1 January 2014	139,626	15,455	1,014	24	(19)	(1,345)	120,447	275,202
Foreign currency translation differences for foreign operations	-	-	-	-	-	(66)	-	(66)
Fair value of available-for-sale financial assets	-	-	-	-	102	-	-	102
Profit for the period	-	-	-	-	-	-	14,102	14,102
Total comprehensive income / (expense) for the period	-	-	-	-	102	(66)	14,102	14,138
Contributions by and distributions to owners								
Issuance of new ordinary shares pursuant to ESOS III	577	2,147	-	-	-	-	-	2,724
Share-based payment transactions	-	-	-	-	-	-	-	-
Dividends to owners	-	-	-	-	-	-	(19,620)	(19,620)
Capital redemption reserve	-	-	-	(24)	-	-	24	-
Total contribution from / (to) owners	577	2,147	-	(24)	-	-	(19,596)	(16,896)
At 31 March 2014	140,203	17,602	1,014	-	83	(1,411)	114,953	272,444

GLOBETRONICS TECHNOLOGY BHD (410285-W)
INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014
Condensed Consolidated Statement of Changes in Equity

The figures have not been audited

	← Non-distributable →				Distributable			
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
3 months ended 31/03/2013								
At 1 January 2013	136,135	10,470	1,505	10	392	(2,330)	114,955	261,137
Foreign currency translation differences for foreign operations	-	-	-	-	-	162	-	162
Fair value of available-for-sale financial assets	-	-	-	-	(270)	-	-	(270)
Profit for the period	-	-	-	-	-	-	10,195	10,195
Total comprehensive income / (expense) for the period	-	-	-	-	(270)	162	10,195	10,087
Contributions by and distributions to owners								
Issuance of new ordinary shares pursuant to ESOS III	633	720	-	-	-	-	-	1,353
Share-based payment transactions	-	-	76	-	-	-	-	76
Dividends to owners	-	-	-	-	-	-	(13,673)	(13,673)
Capital redemption reserve	-	-	-	(10)	-	-	10	-
Total contribution from / (to) owners	633	720	76	(10)	-	-	(13,663)	(12,244)
At 31 March 2013	136,768	11,190	1,581	-	122	(2,168)	111,487	258,980

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Group's audited Financial Statements as at 31 December 2013. The accompanying notes are an integral part of this Statement.

GLOBETRONICS TECHNOLOGY BHD (410285-W)
INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014
Condensed Consolidated Statement of Cash Flows

The figures have not been audited

		3 months ended 31/03/2014	3 months ended 31/03/2013
	Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		17,046	12,342
Adjustments for:-			
Depreciation of property, plant and equipment		9,458	11,769
Depreciation of investment property		64	64
Plant and equipment written off		-	2
Gain on disposal of property, plant and equipment		-	(1)
Interest income		(598)	(502)
Amortisation of deferred income		(28)	(80)
Share of profit of equity-accounted associate, net of tax		(10)	(26)
Loss / (Gain) on disposal of other investments	10	52	(125)
Share-based payments		-	76
Finance costs		16	-
Operating profit before changes in working capital		26,000	23,519
Change in working capital:			
Trade and other receivables		2,398	8,738
Inventories		2,956	1,813
Trade and other payables		(13,599)	(13,400)
Cash generated from operations		17,755	20,670
Tax paid		(4,571)	(2,596)
Net cash generated from operating activities		13,184	18,074
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(6,818)	(3,143)
Acquisition of other investments	10	(1,061)	-
Proceeds from disposal of property, plant and equipment		-	1
Interest received		598	502
Proceeds from disposal of other investments	10	141	385
Net cash used in investing activities		(7,140)	(2,255)

	3 months ended 31/03/2014 RM'000	3 months ended 31/03/2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners	(19,620)	(13,673)
Drawdown of bank borrowings (net)	4,610	-
Proceeds from issue of shares	2,724	1,352
Interest paid	(16)	-
Net cash used in financing activities	(12,302)	(12,321)
Net (decrease) / increase in cash and cash equivalents	(6,258)	3,498
Effect of exchange rate fluctuations on cash held	(69)	98
Cash and cash equivalents as at 1 January	147,297	106,142
Cash and cash equivalents as at 31 March	140,970	109,738

Cash and cash equivalents

Cash and cash equivalents included in the Condensed Consolidated Statement of Cash Flows comprise :

Funds placed with financial institutions:

- Short term investment funds	58,706	43,441
- Short term deposits	28,326	17,263
Cash and bank balances	53,938	49,034
	140,970	109,738

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited Financial Statements as at 31 December 2013. The accompanying notes are an integral part of this Statement.

GLOBETRONICS TECHNOLOGY BHD (410285-W)
INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014
Notes to the condensed consolidated interim financial statements

1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January, 2014. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group.

2. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2013.

3. Audit Report of Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements for the year ended 31 December 2013 was not qualified.

4. Changes in Estimates

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2013.

There were no changes in estimates of amounts reported in the prior financial years that have a material effect in the current quarter.

5. Comparative Figures

Certain comparative figures have been reclassified to conform with current period's presentation.

6. **Property, Plant and Equipment**

The carrying amount of land and buildings has been brought forward, without amendment from the previous audited financial statements.

(a) Acquisitions

During the three months ended 31 March 2014, the Group acquired assets with a cost of RM6.82 million (Three months ended 31 March 2013: RM3.14 million).

(b) Capital commitments

During the three months ended 31 March 2014, the Group entered into contracts to purchase property, plant and equipment for RM1.62 million (Three months ended 31 March 2013: RM6.3 million).

(c) Disposals

Assets with a carrying amount of RM2 were disposed of during the three months ended 31 March 2014 (Three months ended 31 March 2013: RM6), resulting in a gain on disposal of RM12 (Three months ended 31 March 2013: gain of RM795), which is included as other income in the income statement.

7. **Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

During the financial period under review, there were no items affecting assets, liabilities, equity, net income, or cash flow that are unusual because of their nature, size, or incidence.

8. **Tax Expense**

	3 months ended		3 months ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - current	2,944	2,147	2,944	2,147
- prior period	-	-	-	-
	<u>2,944</u>	<u>2,147</u>	<u>2,944</u>	<u>2,147</u>
Deferred tax (asset) / expense				
Malaysian	-	-	-	-
	<u>2,944</u>	<u>2,147</u>	<u>2,944</u>	<u>2,147</u>

The effective tax rate of the Group is lower than the statutory tax rate in the quarter mainly due to tax incentives enjoyed by certain subsidiaries in the Group.

9. **Deferred Tax Assets**

Deferred tax assets of the Group are in relation to the following:-

- i) Unutilised investment tax allowance of a subsidiary; and
- ii) Other temporary timing differences arising from accounting depreciation and capital allowances.

The Board of Directors is of the view that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

10. **Quoted Securities and Bond**

There were purchases and disposals of quoted investments during the financial period under review, as disclosed below:

	3 months ended
	31/03/2014
	RM'000
Purchases	1,061
Sales	141
Loss on disposal of investments	52

11. **Unquoted Investments**

During the financial period to date, there was no disposal of unquoted investment by the Group.

12. **Corporate Proposals**

There were no corporate proposals by the Company during the financial period to date except for the proposed establishment of a new Employees Share Option Scheme to the eligible directors and employees, to subscribe for up to ten per cent of the total and issued paid up capital of the Company, on 24 March 2014.

All requisite approvals had been obtained from Bursa Malaysia Securities Berhad on 3 April 2014 and an Extraordinary General Meeting will be held on 20 May 2014 immediately after the conclusion of the Annual General Meeting of the Company for the resolutions to be tabled and approved by the shareholders.

13. **Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial period to date.

14. Debt and Equity Securities

There were no issuance and repayments of debt and equity securities, share buy back, shares held as treasury stocks and resale of treasury shares for the financial period to date except for the issuance of the following ordinary shares of RM0.50 each exercised by the eligible employees pursuant to the Company's ESOS III :

ESOS Option Price RM per share	Number of Shares '000
0.51	27.0
1.52	39.1
1.09	31.4
1.08	28.9
0.90	40.2
1.10	42.3
1.46	146.5
1.75	155.8
3.14	642.1

15. Changes in Contingent Liabilities

The Company has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiaries up to a limit of RM30.63 million of which RM12.79 million has been utilized as at 31 March 2014, an increase of RM4.63 million as compared to 31 December 2013.

16. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2013.

17. Changes In Material Litigation

To date, the Company has no material litigation case pending.

18. **Operating Segments**

The Group's operating segment comprises of only one key business activities, which is the manufacture, assembly, testing and sales of integrated circuits, chip carrier quartz crystal products, optoelectronic products, LED lighting system, LED components and modules, small outline components, sensors and optical products and technical plating services for the semiconductor and electronics industries.

The Group's geographical segmental report for the financial period-to-date is as follows:-

Analysis By Geographical Segments

3 months ended 31/03/2014

	Malaysia	China	United States	Singapore	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit before taxation	13,304	58	312	2,893	(103)	16,464
Revenue from external customers	55,424	350	2,879	24,767	2	83,422

3 months ended 31/03/2013

	Malaysia	China	United States	Singapore	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit before taxation	8,129	186	1,084	2,330	111	11,840
Revenue from external customers	51,682	1,049	3,509	21,215	20	77,475

	31/03/2014	31/03/2013
	RM'000	RM'000
Reconciliation of segment profit:		
Reportable segments	16,464	11,840
Finance costs	(16)	-
Interest income	598	502
Consolidated profit before taxation	<u>17,046</u>	<u>12,342</u>
Tax expense	(2,944)	(2,147)
Consolidated profit after taxation	<u><u>14,102</u></u>	<u><u>10,195</u></u>

19. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

19.1. Controlling related party relationships are as follows :

- i) Subsidiaries and associate of the Company as disclosed in Note 5 and Note 6 of the audited Consolidated Financial Statements of the Group as at and for the year ended 31 December 2013.
- ii) Companies in which Mr. Ng Kweng Chong is deemed to have substantial financial interest:
 - Ng Kweng Chong Holdings Sdn. Bhd. (Company No: 51580 - M)
 - Wiserite Sdn. Bhd. (Company No: 410593 - W)
 - Glencare Sdn. Bhd. (Company No: 549058 - U)
- iii) Directors of the Group

19.2. Significant related party transactions are as follows:

	3 months ended
	31/03/2014
	RM'000
i) Transactions with an associate <i>Nippon Steel & Sumikin Globetronics Technology Sdn. Bhd.</i>	
Rental of premises	471
Provision of management support services	<u>48</u>

20. Earnings Per Share

(a) Basic earnings per share

		3 months ended		3 months ended	
		31/03/2014	31/03/2013	31/03/2014	31/03/2013
Net profit for the period	(RM'000)	14,102	10,195	14,102	10,195
Issued ordinary shares at beginning of the period	('000)	279,252	272,271	279,252	272,271
Effect of shares issued during the period	('000)	546	839	546	839
Weighted average number of ordinary shares	('000)	279,798	273,110	279,798	273,110
Basic earnings per share	(sen)	5.04	3.73	5.04	3.73

(b) Diluted earnings per share

		3 months ended		3 months ended	
		31/03/2014	31/03/2013	31/03/2014	31/03/2013
Net profit for the period	(RM'000)	14,102	10,195	14,102	10,195
Issued ordinary shares at beginning of the period	('000)	279,252	272,271	279,252	272,271
Effect of shares issued during the period	('000)	546	839	546	839
Effect of share option-ESOS	('000)	800	2,711	800	2,711
Weighted average number of ordinary shares (diluted)		280,598	275,821	280,598	275,821
Diluted earnings per share	(sen)	5.03	3.70	5.03	3.70

21. **Profit Before Tax**

	Current Year Quarter 31/03/2014 RM'000	Current Year To-date 31/03/2014 RM'000
Profit before tax is arrived at after charging / (crediting):-		
Depreciation of property, plant and equipment	9,458	9,458
Depreciation of investment property	64	64
Rental of office equipment	49	49
Rental of premises	(318)	(318)
Amortization of deferred income	(28)	(28)
Interest income	(598)	(598)
Finance expense	16	16
Loss on disposal of other investments	52	52
Foreign exchange (gain) or loss – realised	(447)	(447)
– unrealised	724	724
	<u>724</u>	<u>724</u>

22. **Borrowings**

Borrowings denominated in foreign currency:

	As at 31/03/2014 USD'000	As at 31/03/2014 RM'000 Equivalent
Current		
Term loans - unsecured	3,010	9,852
	<u>3,010</u>	<u>9,852</u>

The term loans are backed by a corporate guarantee of a subsidiary of the Group.

23. **Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter**

The Group's revenue for quarter under review was RM83.4 million, an increase of 8% from the preceding quarter of RM78.5 million while the net profit of the Group for the quarter was RM14.1 million as compared to RM13.1 million for the preceding quarter. Revenue from the Singapore segment, increase from RM22.6 million to RM24.8 million (increase of 9.5%). Malaysia segment recorded the highest revenue of RM55.4 million for the quarter, an increase of 4.4% as compared to the last quarter.

The higher net profit achieved (8% improvement quarter-on-quarter) was mainly due to higher volume loadings from most of the Group's customers, better economy of scale coupled with productivity improvement / cost control programme carried out in the Group.

24. **Review of Performance of the Company and its Principal Subsidiaries**

For the period under review, the Group recorded a revenue and net profit of RM83.4 million and RM14.1 million as compared to RM77.5 million and RM10.2 million respectively in the corresponding period last year (8% and 38% increase respectively). The Malaysia and Singapore segments recorded healthy sales and net profit improvement as compared to the last corresponding period.

The higher net profit achieved was mainly due to higher volume loadings from most of the Group's customers, better economy of scale coupled with productivity improvement / cost control programme carried out in the Group.

25. **Events Subsequent to the Balance Sheet Date**

There were no material events subsequent to the balance sheet date.

26. **Seasonal / Cyclical Factors**

The business operations of the Group are not affected by any major seasonal or cyclical factors.

27. **Prospects**

Moving forward, the Group will continue to focus on escalating up the value chain and riding on the R&D initiatives in new products' design and development. The Group will also continue to step up efforts in improving the efficiency and cost reduction measures in its Group's operations to achieve the necessary competitive edge in the market.

Premised on the above and barring any unforeseen circumstances, the Group is optimistic of achieving better performance and growth in financial year 2014.

28. **Variance of Actual Profit from Forecast Profit**

Not Applicable.

29. **Dividends**

A first interim single tier ordinary dividend of 4% (2013: 4%) per share and a single tier special dividend of 10% (2013: 6%) per share, totalling RM19.62 million in respect of the financial year ending 31 December 2014 was paid on 26 March 2014.

A final single tier ordinary dividend of 4% (2012: 4%) per share and a single tier special dividend of 4% (2012: 2%) per share have been recommended by the Directors in respect of the financial year ended 31 December 2013, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

30. **Supplementary information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings of the Group as at 31 March 2014 and 31 December 2013, into realised and unrealised profits, pursuant to the paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:-

	As At End of Current Quarter 31/03/2014 RM'000	As At End of Preceding Quarter 31/12/2013 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- Realised	120,219	122,920
- Unrealised	<u>2,877</u>	<u>5,704</u>
	123,096	128,624
Add: Consolidation adjustments	<u>(8,143)</u>	<u>(8,177)</u>
Total retained earnings	<u>114,953</u>	<u>120,447</u>

By Order of the Board

Lee Peng Loon (MACS 01258)
P'ng Chiew Keem (MAICSA 7026443)

Joint Secretaries

Dated this 29 April 2014