



JCY INTERNATIONAL BERHAD

[200501031285 (713422 X)]
(Incorporated in Malaysia)

Interim Financial Statements
31 Dec 2019



JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME For The Period Ended 31 December 2019 (Unaudited)

	Individual Quarter 3 Months Ended		Cumulative 3 Months Ended	
	31 Dec 2019 Unaudited RM'000	31 Dec 2018 Unaudited RM'000	31 Dec 2019 Unaudited RM'000	31 Dec 2018 Unaudited RM'000
Revenue	277,827	306,115	277,827	306,115
Cost of sales	(265,171)	(292,668)	(265,171)	(292,668)
Gross profit	12,656	13,447	12,656	13,447
Other operating income	2,452	1,176	2,452	1,176
Foreign exchange gain	(3,746)	(1,688)	(3,746)	(1,688)
General and administrative expenses	(6,682)	(11,131)	(6,682)	(11,131)
Other operating expenses	-	-	-	-
Profit from operations	4,680	1,804	4,680	1,804
Finance costs	(574)	(748)	(574)	(748)
Profit before taxation	4,106	1,056	4,106	1,056
Income tax credit	(136)	(367)	(136)	(367)
Net Profit for the period	3,970	689	3,970	689
Other comprehensive loss:				
- Foreign currency translation	(191)	214	(191)	214
Total comprehensive income / (loss) for the period	3,779	903	3,779	903
Net profit / (loss) attributable to:				
- Equity holders of the Company	3,970	689	3,970	689
Basic earning / (loss) per share (Sen)	0.19	0.03	0.19	0.03
Diluted earning / (loss) per share (Sen)	0.19	0.03	0.19	0.03
Total comprehensive income / (loss) attributeable to:				
- Equity holders of the Company	3,779	903	3,779	903
Basic total comprehensive income / (loss) per share for the period (sen)	0.18	0.04	0.18	0.04
Diluted total comprehensive income / (loss) per share for the period (sen)	0.18	0.04	0.18	0.04

This statement should be read in conjunction with the Company's audited financial statements for the year ended 30 September 2019 and the accompanying explanatory notes attached to the interim financial statements.

JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019 (Unaudited)

	As At 31 Dec 2019 Unaudited RM'000	As At 30 Sep 2019 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	275,460	278,452
Land use rights	24,991	25,143
Deferred tax assets	-	-
Restricted bank deposits	1,767	1,769
	<u>302,218</u>	<u>305,364</u>
Current assets		
Inventories	202,198	192,202
Trade and other receivables	260,352	285,913
Non-current assets held for sales	-	-
Other current assets	6,429	6,605
Tax recoverable	894	894
Cash and bank balances	308,161	287,632
	<u>778,034</u>	<u>773,246</u>
TOTAL ASSETS	<u><u>1,080,252</u></u>	<u><u>1,078,610</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	536,732	536,732
Reserves	345,647	351,948
Total equity	<u>882,379</u>	<u>888,680</u>
Non-current liabilities		
Deferred tax liabilities	1,040	1,040
Long term employees benefits	6,507	5,248
	<u>7,547</u>	<u>6,288</u>
Current liabilities		
Trade and other payables	131,994	135,812
Short term borrowings	47,882	47,517
Tax payable	145	313
Dividends payable	10,305	-
	<u>190,326</u>	<u>183,642</u>
Total liabilities	<u>197,873</u>	<u>189,930</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,080,252</u></u>	<u><u>1,078,610</u></u>

This statement should be read in conjunction with the Company's audited financial statements for the year ended 30 September 2019 and the accompanying explanatory notes attached to the interim financial statements.

JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Period Ended 31 December 2019 (Unaudited)

	Non-distributable ←----->				Distributable ←----->	Total RM'000
	Share capital RM'000	Foreign currency translation reserve RM'000	ESOS reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 01 October 2019	536,732	48,181	4,473	(15,584)	314,878	1,088,810
Total comprehensive income for the period	-	(191)	-	-	3,970	3,779
Transactions with owners:-						
Dividend	-	-	-	-	(10,305)	(10,305)
Share-based payments under ESOS	-	-	225	-	-	225
At 31 December 2019	536,732	47,990	4,698	(15,584)	308,543	882,379
At 01 October 2018	536,732	53,645	-	(15,584)	369,051	943,844
Total comprehensive income for the period	-	214	-	-	689	903
Transactions with owners:-						
Share-based payments under ESOS	-	-	2,459	-	-	2,459
At 31 December 2018	536,732	53,859	2,459	(15,584)	369,740	947,206
Total comprehensive income for the period	-	(5,678)	-	-	(54,862)	(60,540)
Transactions with owners:-						
Dividend	-	-	-	-	-	-
Share-based payments under ESOS	-	-	2,014	-	-	2,014
At 30 September 2019	536,732	48,181	4,473	(15,584)	314,878	888,680

This statement should be read in conjunction with the Company's audited financial statements for the year ended 30 September 2019 and the accompanying explanatory notes attached to the interim financial statements.

JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS For The Period Ended 31 December 2019 (Unaudited)

	Cumulative 3 Months Ended	
	31 Dec 2019	31 Dec 2018
	Unaudited	Unaudited
	RM'000	RM'000
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Profit before taxation	4,106	1,056
Adjustments for :		
Depreciation	10,376	14,008
Amortisation of prepaid land lease	152	160
(Gain)/loss on disposal of PPE / land use right	-	(176)
Inventory written down to NRV and obsolete inventory written-off	-	-
Unrealised loss/(gain) on foreign exchange	11,598	3,202
Property, plant and equipment written off	7	369
Share-based payments under ESOS	225	2,459
Defined benefit plan	1,240	147
Interest and investment income	(2,266)	(1,148)
Interest expense	519	624
Operating cash flow before working capital changes	<u>25,957</u>	<u>20,701</u>
Inventories	(9,996)	4,152
Receivables	(24,170)	22,842
Other Current Assets	176	30
Payables	<u>(5,901)</u>	<u>(20,918)</u>
Cash generated from operations	(13,934)	26,807
Interest paid	(519)	(624)
Tax (paid) / recovered	<u>(304)</u>	<u>(290)</u>
Net cash (used in) / generated from operating activities	<u>(14,757)</u>	<u>25,893</u>

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JCY International Berhad

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS For The Period Ended 31 December 2019 (Unaudited)

	Cumulative 3 Months Ended	
	31 Dec 2019	31 Dec 2018
(Continued)		
CASH FLOWS FROM	Unaudited	Unaudited
 INVESTING ACTIVITIES	RM'000	RM'000
Purchase of property, plant and equipment / land use right	(6,866)	(10,314)
Proceeds from disposal of property, plant and equipment / land use right	39,554	48
Additional restricted bank deposits	-	(422)
Additional deposits with investment fund operated by financial institution	(415)	-
Interest and investment income received	2,266	1,148
Net cash generated from / (used in) investing activities	<u>34,539</u>	<u>(9,540)</u>
CASH FLOWS FROM		
 FINANCING ACTIVITIES		
Dividend paid	-	-
Drawdown / (repayment) of short-term borrowings	1,325	(731)
Net cash generated from / (used in) financing activities	<u>1,325</u>	<u>(731)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,107	15,622
EFFECTS OF FOREIGN EXCHANGE RATE DIFFERENCES	(993)	1,391
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>242,180</u>	<u>170,033</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>262,294</u></u>	<u><u>187,046</u></u>
Reconciliation with Cash and Bank Balances:-		
Cash and Cash Equivalents	262,294	187,046
Deposits with Investment Fund operated by Financial Institution	<u>45,867</u>	<u>44,199</u>
CASH AND BANK BALANCES	<u><u>308,161</u></u>	<u><u>231,245</u></u>

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JCY International Berhad

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

A1. BASIS OF PREPARATION

These interim financial statements are unaudited and have been prepared in compliance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Main Market LR").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 September 2019 and the accompanying explanatory notes attached to this interim financial statements. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of JCY International Berhad and its subsidiaries ("the Group") since the financial year ended 30 September 2019.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 30 September 2019, except for the following new Malaysian Financial Reporting Standards ("MFRSs") and Amendments to MFRSs adopted by the Group for the financial year ending 30 September 2020:-

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015–2017 Cycle

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

IC Interpretation 23 Uncertainty over Income Tax Treatments

A3. AUDITORS' REPORT IN PRECEDING FINANCIAL STATEMENTS

The auditors' report on the financial statements for the preceding year was not subject to any audit qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The Group does not experience significant fluctuations in operations due to seasonal factors, although demand for hard disk drive ("HDD") components tends to increase slightly during the last quarter of the financial year as a result of higher demand for HDDs.

JCY International Berhad

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

A5. UNUSUAL ITEMS AFFECTING THE ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOW

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter ended 31 December 2019.

A6. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in accounting estimates that have had a material effect in the current financial period results.

A7. CAPITAL COMMITMENTS

The Group has capital commitments for the followings:

	As at 31 Dec 19 RM'000	As at 30 Sep 19 RM'000
Approved and contracted for :		
Purchase of properties, plants and equipment	1,890	4,369

A8. DEBTS AND EQUITY SECURITIES

There were no issuance, repurchase, cancellation, resale and repayment of debt and equity securities during the quarter under review.

A9. DIVIDENDS PAID

Dividends declared or paid, if any, during the financial quarter under review and the financial year ending 30 September 2020 are disclosed in note B11.

A10. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are disclosed in the Condensed Consolidated Statements of Comprehensive Income and note B12.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

A11. SEGMENTAL INFORMATION

The Group's activities are predominantly in the sector of trading, manufacturing and assembling of HDD components. As such, segmental information is only presented by geographical segments. The geographical segments are based on the location of assets and these are :

- (i) Malaysia
- (ii) Thailand
- (iii) Others : These consist of segments which cover mainly China and Singapore but which individually fall below the 10% threshold of a reportable segment

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Total RM'000
3 Months Ended 31 December 2019					
Segment revenue					
Sales to external customers	201,775	75,946	106	-	277,827
Inter-segment sales	48,010	-	-	(48,010)	-
Total	249,785	75,946	106	(48,010)	277,827
Segment results	4,480	(6,121)	(597)	6,208	3,970
As at 31 December 2019					
Total assets	1,597,191	151,848	473,427	(1,142,214)	1,080,252
Total liabilities	198,937	208,887	303,120	(513,071)	197,873
	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Total RM'000
3 Months Ended 31 December 2018					
Segment revenue					
Sales to external customers	224,469	81,646	-	-	306,115
Inter-segment sales	42,421	-	14,548	(56,969)	-
Total	266,890	81,646	14,548	(56,969)	306,115
Segment results	4,673	(4,906)	1,834	(912)	689
As at 31 December 2018					
Total assets	1,699,210	152,658	456,376	(1,144,260)	1,163,984
Total liabilities	245,662	186,754	298,766	(514,404)	216,778

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

A12. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial year.

A14. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2020.

A15. RELATED PARTY TRANSACTIONS

There was no related party transaction in the current period under review and the corresponding period in previous financial year.

A16. MATERIAL EVENT SUBSEQUENT TO END OF CURRENT FINANCIAL QUARTER

There was no material event after the current financial quarter under review that have not been reflected in the financial statements for the period.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

Segments	Revenue		Net Profit / (Loss)	
	3 Months Ended		3 Months Ended	
	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
	RM'000	RM'000	RM'000	RM'000
Malaysia	249,785	266,890	4,480	4,673
Thailand	75,946	81,646	(6,121)	(4,906)
Group	277,827	306,115	3,970	689

Detailed Analysis for current quarter and cumulative period

The Group recorded a revenue of RM277.8 million for the reporting quarter, this represents a reduction of 9.2% compared to previous year's corresponding period. The reduction in revenue comparing to the previous year corresponding period was due mainly to lower overall quantity shipped during the reporting period.

The Group recorded a net profit of RM4.0 million for the reporting quarter, compared to net profit of RM0.7 million previous year's corresponding period. The improvement of net result for the reporting quarter was due mainly to the improvement in gross margin as a result of cost rationalisation efforts.

As our segmental report is based on geographical performance with similar business activities, the factors affecting the earnings and revenue for Malaysia and Thailand segments are similar to those affecting the Group as discussed above.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a revenue of approximately RM277.8 million for the reporting quarter or 7.4% higher compared to the RM258.6 million of revenue recorded in the immediate preceding quarter ended 30 September 2019. The increase on revenue was due mainly to higher overall quantities shipped during the reporting period.

The Group recorded a profit before tax of RM4.1 million for the reporting quarter, compared to loss before tax of RM15.1 million reported in the immediate preceding quarter ended 30 September 2019. The improvement of the result before tax was due mainly to the improvement in gross margin as a result of cost rationalisation efforts and the one-time impairment cost reporting the the immediate preceding quarter.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B3. FUTURE PROSPECT

Within an already slow global business environment, the COVID-19 (coronavirus) outbreak continues to impact negatively, with infections spreading beyond China to other countries.

It appears that while production has begun to resume at many factories throughout China, production levels in most cases remain below pre-COVID-19 levels. Logistics issues for components suppliers pose further challenges as both SSD and HDD supply chains are mostly located in or associated with activities in China.

As supply chain disruptions continue with component supplies closer to end assembly (especially OEMs for PC etc.), the main risk remains that the virus is not contained and the disruption to both technology supply and demand become a long term phenomenon, with structural disruptions to global supply chains.

JCY International Bhd. had earlier disengaged from HDD production in China and our production facilities both in Malaysia and Thailand are not significantly affected by COVID-19, and we are able to continue to maintain our market shares.

We are setting up new subsidiaries such as JCY Auto Sdn Bhd to further diversify our range of businesses,

B4. VARIANCE FROM PROFIT FORECAST

Not applicable as the Group has not issued any profit forecast for the period under review.

B5. TAXATION

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	3 Months Ended 31 Dec 19 RM'000	3 Months Ended 31 Dec 18 RM'000
Current year tax	<u>136</u>	<u>367</u>
	<u>136</u>	<u>367</u>

B6. PROFIT ON SALES OF UNQUOTED INVESTMENT OR PROPERTIES

Save for as disclosed in note A5, there were no sales of unquoted investment or property by the Group for the current quarter under review.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B7. STATUS OF CORPORATE PROPOSALS

On 12 March 2019, the Company announced that YK Technology (Suzhou) Co., Ltd ("YKT"), an indirect wholly-owned subsidiary of the Company, had entered into a Non-residential Property Relocation Compensation Agreement with Guo Lane Street Relocation Office ("Guo Lane") for the proposed acceptance of relocation compensation for the land located at No. 1777, YiZhong South Road, Suzhou Wuzhong Economic Technology Development Area together with non-commercial buildings erected thereon by YKT from Guo Lane for a total relocation compensation amount of Chinese Yuan (CNY)133,306,850 (equivalent to approximately RM81,050,565).

On 21 March 2019, YKT received the first payment of CNY 26,661,370 (equivalent to approximately RM16,215,000) as per payment schedule stipulated in the Agreement. On 25 October 2019, YKT officially handed over the properties to Guo Lane per agreed under the Relocation Compensation Agreement. In December 2019, YKT received second payment of CNY 66,653,425 (equivalent to approximately RM39,554,000) as per payment schedule stipulated in the Agreement.

On 13 January 2020, the Company announced that it had entered into a Business Sale Agreement with SDM Precision Casting Sdn. Bhd. ("SDM") to purchase the Business of SDM for a total purchase consideration of RM5,385,900. The Company is currently conducting an operational due diligence as one of the conditions precedent to the Business Sale Agreement.

B8. BORROWING AND DEBT SECURITIES

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 December 2019.

	As At 31 Dec 19 RM'000	As At 30 Sep 19 RM'000
Short Term Borrowings		
Foreign currency trade loans	<u>47,882</u>	<u>47,517</u>

All the above borrowings are unsecured.

B9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B10. MATERIAL LITIGATION

There is no major changes to material litigation since the last statement of financial position date as of 30 September 2019.

Tenaga Nasional Berhad ("TNB") vs JCY HDD Technology Sdn Bhd ("JCY HDD")

A subsidiary of the Company, JCY HDD Technology Sdn. Bhd. ("JCY HDD"), has received letters dated 14 December 2010 from Tenaga Nasional Berhad ("TNB" or the "Plaintiff") claiming for additional electricity charges of approximately RM8.36 million. JCY HDD had disputed the claims and had discussed with TNB as to their basis and quantification of the additional electricity charges.

On 15 December 2011, the Judge fixed for decision for the case after a preliminary question of law that TNB's claim is only restricted to 3 months backcharges and JCY HDD is only required to pay to TNB for an amount of approximately RM1.05 million. However, TNB had filed an appeal to the Court of Appeal against the decision of the High Court made on 15 December 2011.

On 19 July 2018, the Court decided that the Plaintiff's claim for a balance sum of RM6.97 million is allowed and the cost of RM25,000 is awarded to the Plaintiff, and that interest at the rate of 5% per annum is payable on the judgment sum calculated from the date of judgment until date of full settlement. JCY HDD had filed an appeal on 16 August 2018. On 7 February 2020, the Court of Appeal dismissed the appeal.

The Company expects there will be no significant financial impact arising from the case as the major shareholder of the Company has undertaken to indemnify the Company for any claim.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B11. DIVIDENDS

	In Respect of	
	Financial Year Ending 30 Sep 20 RM'000	Financial Year Ended 30 Sep 19 RM'000
Single Tier Interim Dividend of 0.5 sen per ordinary share on 2,060,912,300 ordinary shares (excluding Treasury Shares), declared on 27 Nov 2019 and paid on 8 Jan 2020 *	-	10,305

* Being dividend declared for the results of financial year ended 30 September 2019, but paid and recognised in financial year ending 30 September 2020.

B12. EARNINGS PER SHARE

The basic and diluted earnings per share were derived as below:-

	3 months Ended		Cumulative 3 months Ended	
	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
Net (loss) / profit (RM '000)	3,970	689	3,970	689
Weighted average number of ordinary shares (excluding Treasury Shares) ('000)	2,060,912	2,060,912	2,060,912	2,060,912
Basic (loss) / earnings per share (Sen)	0.19	0.03	0.19	0.03
Diluted weighted average no. of ordinary shares (excluding Treasury Shares) ('000)	2,125,802	2,060,912	2,125,802	2,060,912
Diluted (loss) / earnings per share (Sen)	0.19	0.03	0.19	0.03

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B13. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	3 months Ended		Cumulative 3 months Ended	
	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Interest Expense	519	624	519	624
Depreciation and Amortization	10,528	14,168	10,528	14,168
Foreign Exchange Loss (net)	3,746	1,688	3,746	1,688
Loss on disposal of property, plant and equipment / land use rights (net)	-	-	-	-
Property, plant and equipment written-off	7	369	7	369
Impairment loss	-	-	-	-
Inventory written down to NRV and obsolete inventory written-off	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
After crediting:-				
Interest Income	1,860	727	1,860	727
Investment Income	406	421	406	421
Other Income	186	28	186	28
Foreign Exchange Gain (Net)	-	-	-	-
Gain on disposal of property, plant and equipment (Net)	-	176	-	176
	<u>-</u>	<u>176</u>	<u>-</u>	<u>176</u>

There were no gain or loss on disposal of quoted or unquoted investments and other exceptional items for the current quarter under review and cumulative period ended 31 December 2019.

By Order of the Board

Company Secretary
25 February 2020