JCY INT'L

JCY INTERNATIONAL BERHAD

(COMPANY NO. 713422-X)

ANNUAL REPORT 2018

CONTENTS

FINANCIAL STATEMENTS

CORPORATE STRUCTURE

JCY INTERNATIONAL BERHAD
(COMPANY NO. 713422-X)

100%
JCY HDD TECHNOLOGY SDN BHD (MALAYSIA)
(HDD mechanical components manufacturing)

- **100%**
  QB Technology Sdn Bhd (Malaysia)
  (Provision of labour management services)

100%
JCY HDD INDUSTRIES SDN BHD (MALAYSIA)
(Management services and trading)

100%
MINAREX HOLDINGS LIMITED (MAURITIUS)
(Investment holding)

- **99.999%**
  JCY HDD Technology Co. Ltd. (Thailand)
  (HDD mechanical components manufacturing)
- **100%**
  Axius Investments Ltd. (Mauritius)
  (Investment holding)
  - **100%**
    YK Technology (Suzhou) Co. Ltd. (PRC)
    (HDD mechanical components manufacturing)
- **100%**
  PCA HARD.com Sdn. Bhd. Ltd. (British Virgin Islands)
  (Dormant)
- **100%**
  Foshan YK HDD Co. Ltd. (PRC)
  (Dormant)

100%
JCY HDD TECHNOLOGY PTE. LTD. (SINGAPORE)
(Dormant)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Rozali Bin Mohamed Ali
(Independent Non-Executive Chairman)

Mr. Goh Chye Kang
(Executive Director)

Dato' Wong King Kheng
(Executive Director)

Dato' Tan Shih Leng
(Executive Director)

Mr. Lim Ching Tee Peter
(Executive Director)

Mr. Chang Wei Ming
(Independent Non-Executive Director)

Mr. Chan Boon Hui
(Senior Independent Non-Executive Director)

COMPANY SECRETARY

Ms. Chua Siew Chuan
(MAICSA 0777689)

AUDIT COMMITTEE

Mr. Chang Wei Ming
(Chairman, Independent Non-Executive Director)
Dr. Rozali Bin Mohamed Ali
(Independent Non-Executive Director)
Mr. Chan Boon Hui
(Senior Independent Non-Executive Director)

NOMINATION COMMITTEE

Mr. Chan Boon Hui
(Chairman, Senior Independent Non-Executive Director)
Mr. Chang Wei Ming
(Independent Non-Executive Director)
Dr. Rozali Bin Mohamed Ali
(Independent Non-Executive Director)

REMUNERATION COMMITTEE

Dr. Rozali Bin Mohamed Ali
(Chairman, Independent Non-Executive Director)
Mr. Chan Boon Hui
(Senior Independent Non-Executive Director)
Mr. Chang Wei Ming
(Independent Non-Executive Director)
Dato' Wong King Kheng
(Executive Director)

ENTERPRISE RISK MANAGEMENT COMMITTEE

Dato' Wong King Kheng
(Chairman, Executive Director)
Mr. Goh Chye Kang
(Executive Director)
Dato' Tan Shih Leng
(Executive Director)
Mr. Lim Ching Tee Peter
(Executive Director)
Mr. Lim Su Kiat
(Group Financial Controller)

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel No. : (603) 2084 9000
Fax No. : (603) 2094 9940

BANKERS

CIMB Bank Berhad
AmBank (M) Berhad

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel No. : (603) 2084 9000
Fax No. : (603) 2094 9940

HEAD/MANAGEMENT OFFICE

No. 3, Jalan Firma 3
Kawasan Perindustrian Tebrau IV
81100 Johor Bahru
Johor Darul Takzim, Malaysia
Tel No. : (607) 352 5822
Fax No. : (607) 352 5833

AUDITORS

Ernst & Young
B-15, Medini 9
Persiaran Medini Sentral 1
Bandar Medini Iskandar
79250 Iskandar Puteri
Johor, Malaysia
Tel No. : (607) 288 3111
Fax No. : (607) 288 3112

SOLICITORS

Zaid Ibrahim & Co,
Advocates & Solicitors
Level 19, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel No. : (603) 2087 9999
Fax No. : (603) 2094 4888

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : JCY
Stock Code : 5161

FINANCIAL HIGHLIGHTS

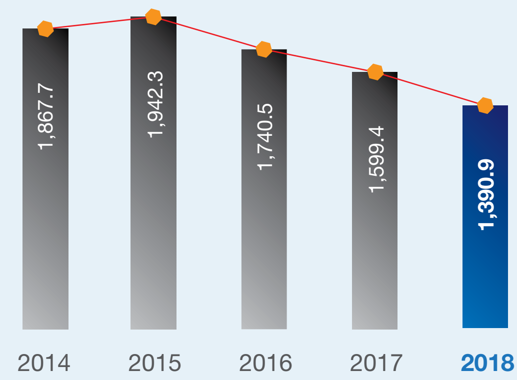
Description	2014 RM Million	2015 RM Million	2016 RM Million	2017 RM Million	2018 RM Million
Revenue	1,867.7	1,942.3	1,740.5	1,599.4	1,390.9
(Loss) / Profit Before Taxation	122.8	207.2	(6.9)	46.1	(131.2)
(Loss) / Profit After Taxation	109.9	209.5	(8.2)	40.9	(112.1)
(Loss) / Profit Attributable to Shareholders	109.9	209.5	(8.2)	40.9	(112.1)
Share Capital	512.0	515.7	519.0	536.7	536.7
Reserves	610.1	785.0	616.8	552.1	407.2
Shareholders' Fund	**1,122.1**	**1,300.7**	**1,135.8**	**1,088.8**	**943.9**
Current Liabilities	366.5	469.9	282.5	271.7	227.5
Non-Current Liabilities	40.1	42.6	38.3	41.6	18.0
Total Liabilities	**406.6**	**512.5**	**320.8**	**313.4**	**245.5**
Property, Plant and Equipment	618.3	649.3	556.5	510.1	393.4
Land Use Rights	20.7	20.6	28.3	27.7	27.0
Other Non-current Assets	5.7	12.1	5.4	4.5	1.6
Current Assets	884.0	1,131.2	866.4	859.9	767.4
Total Assets	**1,528.7**	**1,813.2**	**1,456.6**	**1,402.2**	**1,189.4**
Net Assets Per Share (Sen)	55.3	66.6	55.1	52.8	45.8
Net Earnings Per Share (Sen)	5.4	10.3	(0.4)	2.0	(5.4)
Dividend Against Net Earnings	78.5%	66.1%	N/M	188.7%	N/M
Dividend Amount*	86.3	138.4	103.0	77.3	10.3

* *inclusive of dividend declared and recognised after end of the financial year for the financial year.*

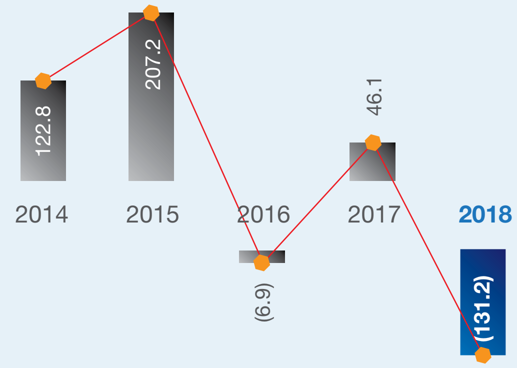


FINANCIAL HIGHLIGHTS
CONT'D

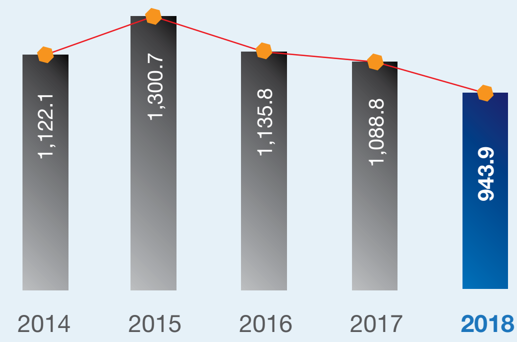
REVENUE
(RM Million)



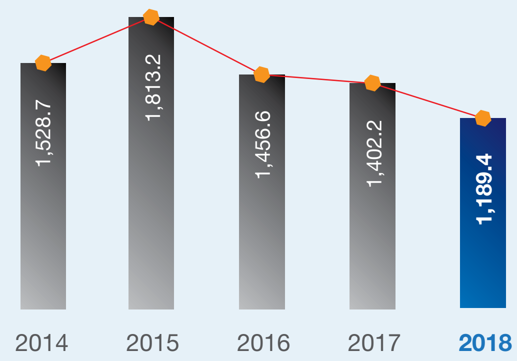
(LOSS)/PROFIT BEFORE TAXATION
(RM Million)



SHAREHOLDERS' FUND
(RM Million)



TOTAL ASSETS
(RM Million)



MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The JCY International Berhad Group ("JCY") is principally involved in the manufacturing of precision components and sub-assembly. For more than two decades, JCY and its predecessors have been a leading component supplier and contract manufacturer for the data storage market.

VISION

To be a Supplier of Choice through Excellence.

MISSION

We aim to deliver shareholder value through excellence in design, state of the art technology, financial competence and resource optimization.

To achieve our Vision and Mission, JCY offers vertically integrated solutions which include die-casting, computerised numerical control (CNC) machining, stamping, cleanroom and in-house tool rooms. Our head office is in Johor Bahru, Malaysia, with JCY's plants strategically located in Malaysia, Thailand, and China.

FINANCIAL ANALYSIS

Revenue

For the financial year ended 30 September 2018, JCY recorded a revenue of RM1,390,916,000. This represents a reduction of 13% compared to the preceding financial year ended 30 September 2017. The reduction was due mainly to:-

1) Lower US Dollar exchange rate against Malaysian Ringgit

   The average exchange rate applied to book the revenue (mainly denominated in US Dollar) into the functional currency of the Group (Malaysian Ringgit) in the financial year 2018 depreciated by 6.9% compared to the average exchange rate in the financial year 2017.

2) Lower quantity shipped

   In the financial year under review, the Group shipped 10% lesser units of products to its customers compared to the shipments achieved in the preceding financial year ended 30 September 2017.

MANAGEMENT DISCUSSION & ANALYSIS
CONT'D

Gross Loss

The Group recorded a gross loss of RM17,421,000 for the financial year under review, compared to the gross profit of RM59,561,000 recorded in the preceding financial year ended 30 September 2017. The deterioration of the gross result was due mainly to:-

1) Lower revenue

   As explained above, the Group recorded 13% drop in revenue as a result of unfavourable average booking exchange rate and lower quantity shipped.

2) Higher overall absorption cost per piece

   Due to the lower quantity shipped in the financial year 2018, some of the fixed overheads are to be allocated into smaller number of production units. This had resulted a higher overall absorption cost per piece for the products sold during the financial year 2018.

Other Items in Statement of Financial Performance

- **Other Operating Incomes** are incomes that did not meet the definition of revenue. In the financial year 2018, other operating incomes amounted to RM11,594,000 (FY2017: RM21,672,000). This reduction was due mainly to the reduction on net exchange gain. The Group recorded a RM393,000 net exchange gain in the financial year 2018, whilst the Group recorded a net exchange gain of RM11,852,000 in the financial year 2017. Another major component for other operating incomes includes interest & investment income, which stood at RM5,824,000 for the financial year 2018 (FY2017: RM4,217,000).

- **Finance Cost** includes the cost of borrowing and miscellaneous bank charges. Interest expense, the largest component of Finance Cost arising from short term borrowings which are low interest bearing, stood at RM2,294,000 for the financial year 2018 (FY2017: RM1,055,000). The increase in interest expense in the financial year 2018 was due mainly to the factoring of accounts receivables by one subsidiary to expedite cash collection of its receivables. Refer to Note 8 of the Audited Financial Statements for further details of the Finance Cost.

- **General and Administrative Expenses** are generally non-operational costs which were incurred to maintain the supporting services of the Group. It stood at RM32,170,000 in the financial year 2018, a reduction of RM1,395,000 from the RM33,565,000 recorded in the financial year 2017. This reduction was due mainly to cost rationalisation as a result of the scaled down operations.

- **Other Operating Expenses** were wholly contributed by an impairment provision of RM90,098,000 (FY2017: Nil) as a result of lower recoverable amount in comparison to the net carrying amount for the property, plant and equipment and land use rights as required under MFRS 136. There is no cash flow impact in this impairment provision.

- **Taxation** was recorded as a tax credit of RM19,152,000 in the financial year 2018 (FY2017: tax expense of RM5,192,000). The tax credit recorded in the financial year 2018 was due mainly to the temporary differences arising from the impairment loss and the unabsorbed tax losses and allowances by a subsidiary. Refer to Note 9 of the Audited Financial Statements for further information.

Statement of Financial Position

- **Retained Earnings** was lower and stood at RM369,051,000 at the end of the financial year 2018 (FY2017: RM510,755,000), this was due mainly to the net loss incurred during the financial year 2018 and the recognition of dividend pay-out of RM20,610,000.

- **Cash and Bank Balances** stood at RM213,810,000 at the end of the financial year 2018 (FY2017: RM296,306,000). The lower cash and bank balances was mainly due to lower net operating cash inflow in the financial year 2018, while at the same time the Group continue to invest in capital equipment to modernise the production capabilities in order to stay competitive in the business.

- **Short-term Borrowings** reduced marginally to RM52,996,000 (FY2017: RM54,602,000).

MANAGEMENT DISCUSSION & ANALYSIS
CONT'D

Capital Expenditures

During the financial year ended 30 September 2018, the Group set aside RM67,528,000 as capital expenditure mainly for the automation & modernisation of production capabilities and the consolidation of manufacturing plants to achieve better operational efficiencies.

Gearing

As at 30 September 2018, JCY's gearing ratio stood at 1% (FY2017: N/M). Refer to Note 31 of the Audited Financial Statements for further information on gearing.

Financial Prospects

The following factors may have a material impact on JCY's financial performance in the financial year 2019:-

1. The global demand for HDD;
2. The exchange rate of the US Dollar against the Malaysian Ringgit; and
3. High Labour costs.

JCY will seek to mitigate any adverse impact of the above factors wherever possible.

OPERATION REVIEW

The Group is organised into geographical operating segments independently managed by their respective management teams who are responsible for the performance of their respective business activities. These segment managers report directly to the senior management of the Company who regularly review their operational and financial performance.

Overall Operation

JCY currently operates largely in the digital storage industry, especially in the Hard Disk Drive (HDD) market, which is currently very challenging. The Group is actively reviewing opportunities to bring our capabilities and expertise to bear in other industries.

The risks and its potential impact for JCY's operations, as well as the mitigation actions will be further discussed in the Risk Analysis and Forward Looking Statement below and in the Sustainability Statement.

Malaysia

Malaysia is the most significant geographical operational segment and the headquarters of the JCY Group. There are 12 facilities in Malaysia providing various solutions for our customers across the states of Johor and Penang.

The foreign workers policy and the minimum wage policy has been one of the biggest challenges for our operations in Malaysia and this will be further discussed in the Risk Analysis section below.

Thailand

Many of the JCY's partners and customers are situated in Thailand which have a strong infrastructure system to support our activities. Our facilities in Thailand are principally involved in machining and cleanroom operations.

In FY2018, JCY started consolidation of some of its production operations at rented premises in Malaysia to the Company owned plants in Saraburi, Thailand. The rationale for this consolidation is to maximise the value of the existing plants so as to minimise the fixed operating cost at the rented premises.

Flooding is always one of the significant risks for our Thai operations. In 2011, many of the key industry zones in Thailand suffered from a major flood which fortunately did not affect JCY's facilities in Saraburi province. On top of the flood control and mitigation measures implemented by the Thai authorities, our Thai subsidiary also adopted several measures to safeguard our operations from future flooding.

People Republic of China ("China")

JCY has one facility located in Suzhou, China which principally offers machining solutions. Labour cost is one of the biggest challenges for our operation in China and this will be discussed in the Risk Analysis section below.

MANAGEMENT DISCUSSION & ANALYSIS
CONT'D

RISKS ANALYSIS

The Board of Directors and the Management understand the importance of risk management and an Enterprise Risk Management Committee at the Board level was established to monitor the potential risks. The risk management approach adopted by the Company is further detailed in the Statement of Internal Control and Risk Management.

Market Risk

JCY's business activities are principally involved in the HDD industry. HDD shipment units are expected to shrink gradually in the foreseeable future as forecasted by industry researchers. While the Management is continuously improving its operational effectiveness and efficiencies to mitigate this risk it is also actively looking to diversify into related and new business activities. More information on the mitigating measures of the sustainable business model can be found in the Sustainability Statement.

Labour and Labour Cost

Labour shortage is one of the key challenges faced by JCY's operation, especially in Malaysia. The recent trend of higher minimum wages plus other related costs observed in Malaysia, Thailand and China is a growing concern affecting our business activities.

JCY recognises these human resource risks and it has formulated several mitigation strategies, including but not limited to engaging in advanced automation projects to reduce our reliance on manual labour. More information on the mitigating measures for the labour management can be found in the Sustainability Statement.

Exchange Risk

JCY operates in three countries and its revenue is highly correlated to the strength of USD. Volatile exchange rates among these three countries' currencies and the USD will likely have a substantial impact on the financial performance of JCY. This exchange risk is further detailed in Note 30(d) of the Audited Financial Statements.

JCY practices natural hedging to partially mitigate the exchange risk and takes up financial hedging tools to further reduce the exposure of the exchange risk whenever it sees potential benefits.

FORWARD LOOKING STATEMENT

Principal Business Segment

With the ever increasing demands of digital storage as a result of advancing information technology and big data, it is expected by industry researchers that the HDD usage in Exabyte will grow 22% annually for the next 4 years from calendar year 2018 to 2022. However, this increase in Exabyte requirement does not translate directly to additional shipment units due to significant improvements in data storage capacities. Thus shipment units are expected to shrink 4.8% annually.

New Business Opportunities

The Group has adopted two strategies for the long term sustainability of our business:-

- **Horizontal Expansion** in the digital storage industry by increasing our market share within the supply chain and expanding our range of products to more customers within the digital storage industry. This horizontal expansion plan includes entering into the supply chain for the Solid State Drive ("SSD") industry.
- **Diversification** into other related and new industries.

JCY continues to be competitive in the HDD space, and we are also exploring the possibilities of utilizing our core competencies and capabilities in other related and new fields.

Dividend and Distribution

The Board decides or recommends any dividend payments by carefully examining the profitability, liquidity and cash-flow position of the Group.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

DR. ROZALI BIN MOHAMED ALI

Aged 71, Malaysian
Chairman

Independent Non-Executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee

Dr. Rozali Bin Mohamed Ali was appointed as Chairman and Independent Non-Executive Director on 13 November 2009. He was then appointed the Chairman of the Remuneration Committee, a member of the Audit Committee, and a member of the Nomination Committee on the same day.

Dr. Rozali started his career in 1970 at Lembaga Letrik Negara Tanah Melayu, until 1990, when he was appointed as Assistant Director-General, Institute of Strategic and International Studies ("ISIS") Malaysia, an appointment he held until 1995. Dr. Rozali was then appointed Executive Director of Commerce Asset-Holdings Berhad (now known as CIMB Group Holdings Berhad) from 1996 to 2000, Managing Director and Chief Executive Officer of Bumiputra-Commerce Bank Berhad (now known as CIMB Bank Berhad) from 2000 to 2004, and Executive Director and Chief Executive Officer of Bumiputra-Commerce Holdings Berhad from 2004 to 2005.

He graduated with B.Sc (Hons), Mechanical Engineering from Brighton Polytechnic, Sussex, England, M.Sc. Thermal Power Engineering, Diploma of Imperial College (D.I.C.) and PhD, Imperial College of Science Technology University of London.

Dr. Rozali is currently also the Pro-Chancellor of the International Centre for Education in Islamic Finance.

GOH CHYE KANG

Aged 62, Singaporean
Executive Director

Key Senior Management
Member of Enterprise Risk Management Committee

Goh Chye Kang was appointed as Executive Director on 13 November 2009. Mr. Goh has more than 35 years of working experience in the components manufacturing industry of which 27 years was in the HDD industry. Prior to joining the Company, Mr. Goh was Vice President - Operation, in the Precision Engineering Division of Beyonics Technology Limited, a company listed on the Singapore Exchange Securities Trading Limited from 1998 to 2005. He was attached to Maxtor Peripherals for 8 years and was the Senior Director of Materials when he left in 1997.

Mr. Goh completed his professional qualification with Master of Business Administration from Brunel University, United Kingdom. He is also a certified Six Sigma Champion and a qualified Lean manufacturing Captain/Master.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT
CONT'D

DATO' WONG KING KHENG

Aged 66, Malaysian
Executive Director

Key Senior Management
Chairman of Enterprise Risk Management Committee
Member of the Remuneration Committee

Dato' Wong King Kheng was appointed as Executive Director on 30 November 2005. He was then appointed member of the Remuneration Committee on 13 November 2009. Dato' Wong was the Director of Soh & Wong Management Consultant Pte Ltd, a management consultancy firm in Singapore, and was the Partner of Soh Wong and Partners, a public accounting firm in Singapore, from 1989 to 2000. He is presently the managing partner of KK Wong & Associates. Prior to that, he was an audit manager in an international accounting firm and this gave him extensive exposure in the fields of auditing, tax planning, management consulting and public listing consulting.

He also sits on board of directors of various public companies listed on the Singapore Exchange Securities Trading Limited as independent director and also as the Chairman of the Audit, Remuneration and Nomination Committee. He is also a director of a number of private companies in Singapore.

Dato' Wong has qualified as a member of the Institute of Chartered Accountants in England and Wales and is presently a member of the Institute of Singapore Chartered Accountant, Malaysian Institute of Accountants and Australian Certified Practicing Accountants.

DATO' TAN SHIH LENG

Aged 54, Malaysian
Executive Director

Key Senior Management
Member of Enterprise Risk Management Committee

Dato' Tan Shih Leng has held the position of General Manager - Operations in the Company (and its Predecessor Group) since 1997 prior to his appointment as an Executive Director on 1 July 2011. He has been responsible for daily operation and administration of the Company's plants involved in various manufacturing activities, such as die-casting, machining, stamping, plating, plastic moulding and clean room assembly. In addition, he also takes charge in human resource, plant facility, material planning, engineering, production and logistic planning.

Prior to joining the Company, Dato' Tan had held several positions in other manufacturing companies from 1991 to 1996. In his previous working experiences, Dato' Tan was responsible for the daily operation activities including casting, CNC machining, assembly, first article, quality control, process planning and production control for various components such as baseplate, cover and actuator.

Dato' Tan holds a M. Sc in Mechanical Engineering from The City University of New York, and a B. Sc in Mechanical Engineering from Oklahoma State University, USA.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT
CONT'D

LIM CHING TEE PETER

Aged 59, Singaporean
Executive Director

Key Senior Management
Member of Enterprise Risk Management Committee

Prior to his appointment as an Executive Director of JCY on 1 January 2012, Lim Ching Tee Peter has held the appointment of General Manager - Quality Assurance in the Company since 1997. He has been responsible for the planning, organizing and administration of activities to ensure the delivery of quality products to the Company's customers.

Mr. Lim has held other similar appointments in other manufacturing companies before joining the Company, including Technic Precision (S) Pte Ltd from 1995 to 1997, Technicast (S) Pte Ltd from 1994 to 1995, Advanced Die Casting Pte Ltd from 1984 to 1990 and was a Supplier Quality Engineer in Miniscribe Peripherals Private Limited/Maxtor Corporation from 1990 to 1994.

Mr. Lim holds a Diploma in Mechanical Engineering from Singapore Polytechnic, trained in Die Casting Technology from Switzerland and Germany and holds individual membership in the Singapore Quality Institute.

CHANG WEI MING

Aged 67, Malaysian
Independent Non-Executive Director

Chairman of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Chang Wei Ming was appointed as an Independent Non-Executive Director on 13 November 2009. He is currently the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Chang held several Executive and Directorship positions within the MBf Group in Malaysia. His last appointment was General Manager of MBf Holdings Berhad responsible for Group Corporate and Treasury activities and Group Company Secretary.

He then joined the National University Hospital (S'pore) Pte Ltd and served as Chief Administration Officer, Company Secretary and Director of NUH Referral Laboratories Pte Ltd. His next appointment was as Finance Director of Liang Huat Aluminium Limited until 1998, when he left to provide consulting services to both listed and private companies.

Mr. Chang graduated from the University of Malaya in 1975 with a Bachelor of Economics (Hons) and was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1979.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT
CONT'D

CHAN BOON HUI

Aged 51, Singaporean
Senior Independent Non-Executive Director

Chairman of the Nomination Committee
Member of the Audit Committee
Member of the Remuneration Committee

Chan Boon Hui was appointed as Independent Non-Executive Director on 13 November 2009. He is also the Chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee. On 23 November 2015, Mr. Chan was designated as the Senior Independent Non-Executive Director of the Company.

Mr. Chan is presently the Managing Director of Chancery Capital. He has more than 20 years of regional and international investment banking experience with the Rothschild, BNP Paribas and OCBC groups in Singapore and New York.

Boon Hui graduated with a Master degree in Law from Cambridge University, and is a CFA charter holder.

- *All Directors and Key Senior Management are of male gender.*
- *Save as disclosed, none of the Directors and Key Senior Management have:-*
  1. *Any other directorship in public companies and listed issuers in Malaysia;*
  2. *Any family relationship with any Director and/or major shareholder;*
  3. *Any conflict of interest with the Company;*
  4. *Any convictions for offences within the past five (5) years other than traffic offences; and*
  5. *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

SUSTAINABILITY STATEMENT

JCY recognises the increasing importance of the Economic, Environment & Social ("EES") influences that affect our operations. With this recognition, the Group has committed to not just utilising and maximising the values of the sustainability techniques but to embed the essence of the sustainability into our day-to-day culture and the Group's strategies.

The Group has established or restructured several taskforce teams to oversee and manage the risk and opportunities of the material aspects of the EES, and these measures are to be further enhanced through our several other efforts in ensuring the strength and effectiveness of our corporate governance policies. Together, these initiatives complete our sustainability structure.

SUSTAINABILITY FRAMEWORK

The Group adopts a two-way sustainability reporting structure, where the policies and plans are directed by the Board of Directors and are driven down through the Management to the Taskforce Teams. The Taskforce Teams will be the main executors to identify, analyse and make recommendations with respect to material aspects of the EES to the Management and the Board of Directors. The Board of Directors will then rely on the feedbacks from the Taskforce Teams and the Management to assess the appropriateness of the Group's sustainability situations and make necessary policies and directions.

The Board of Directors, which consists of all the directors of the Company are ultimately accountable for the effective establishment and management of the sustainability framework and is responsible for the setting of the sustainability related policies and strategies.

The Management, through a steering committee, is responsible for carrying out the sustainability related policies and strategies as set by the Board of Directors. The Management principally delegates most of the operations of sustainability matters to several taskforce teams.

Taskforce Teams, which report to the Management, are tasked to assist the Management for the implementation and monitoring of the sustainability initiatives. The taskforce teams are further categorised into different divisions based on their area of focuses such as environment, customers focus, supply-chain management, Responsible Business Alliance, economics, corporate governance/compliance and corporate social responsibility.

With the distinctive and comprehensive nature of the contexts of EES, and to facilitate the implementation, monitoring and management of the sustainability related matters, we identify and group the material aspects of the EES into 5 Principal Strategic Pillars, namely Community, Environment, Employee, Market and Governance.

SUSTAINABILITY STATEMENT
CONT'D

Community

The local communities for where JCY operates its businesses. JCY principally operates in 4 locations of 3 countries, namely Johor Bahru (Malaysia), Penang (Malaysia), Saraburi (Thailand) and Suzhou (China). We understand that our operational establishments in the locations may influence or be influenced by the local communities. We pledge ourselves to be a contributing partner to uphold the wellbeing of the local communities. This is also part of our commitments for corporate social responsibility.

Environment

As an essential element of the sustainable development of humanity and prosperity, environment preservation is always one of our priorities. On top of observing the legislative requirements on environment related matters, JCY further commits to more stringent environmental requirements through the certifications of the established international environmental standards such as ISO14001:2015 and the Responsible Business Alliance's Code of Conducts.

Employee

JCY employs approximately 9,200 employees for its regional operations and we duly appreciate the contributions from each of our employees on their respective expertise, knowledge, skills and labour for the success of the company's business. Through the analysis of our business sustainability model, we recognise that our employees are one of the most prioritised stakeholders as well as one of the most important contributing aspects that will have great influence towards the sustainability of the Company.

Market

The Management (including the Board of Directors), our customers, our suppliers and our shareholders share similar importance as both the influencer and dependence on the sustainability of the Group's business. Our competitors and suppliers are another major aspect that may have significant influence or dependence on the Group's sustainability.

Governance

The Group recognises the importance of practicing high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance and integrity of the Group. More of the practices and models of corporate governance are discussed in the Corporate Governance Overview Statement.

SUSTAINABILITY STATEMENT
CONT'D

SCOPE OF THE SUSTAINABILITY STATEMENT

This Sustainability Statement, which summarises the policy, framework, analysis and deliveries of our Sustainability efforts, was prepared in compliance with the Main Market Listing Requirements ("MMLR") and guided by the Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia Securities Berhad.

JCY principally operates in 3 countries, namely Malaysia, Thailand and China. The Group's Corporate Sustainability Framework applies to all these 3 locations where JCY has operations.

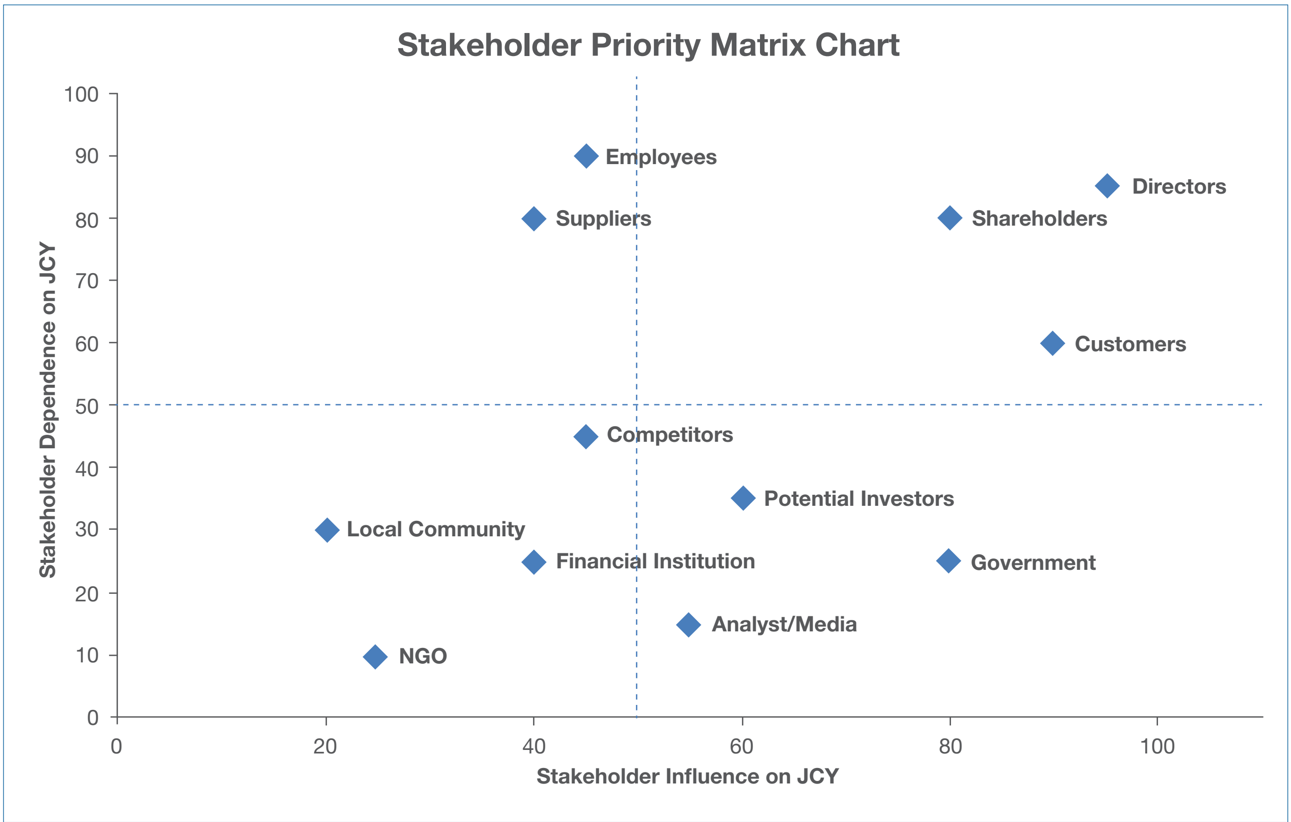
Notwithstanding that Corporate Governance forms an integrated part of the Sustainability Framework, the detailed framework and practices for Corporate Governance will be reported separately in the Corporate Governance Overview Statement of this Annual Report and this Sustainability Statement may cover some other influences and practices in general governance which may or may not be otherwise reported in the Corporate Governance Overview Statement.

STAKEHOLDERS & PRIORITISATION MATRIX

A detailed and structured study into the stakeholders, and the influences they possess on the Group's business sustainability model, has been conducted to facilitate our prioritisation and engagement planning with them.

By careful scrutinising and grouping the stakeholders, we further analyse their respective importance through 2-dimensional analysis, namely their influence and dependence on the sustainability of JCY. The result will serve to guide our prioritisation and engagement planning.

The graph below summarises the result of the analysis of the stakeholder prioritisation, highlighting the stakeholders who are on right and upper corner in the graph will have both the greatest influence to and dependence on the success of JCY.



SUSTAINABILITY STATEMENT
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MATERIALITY ASSESSMENT

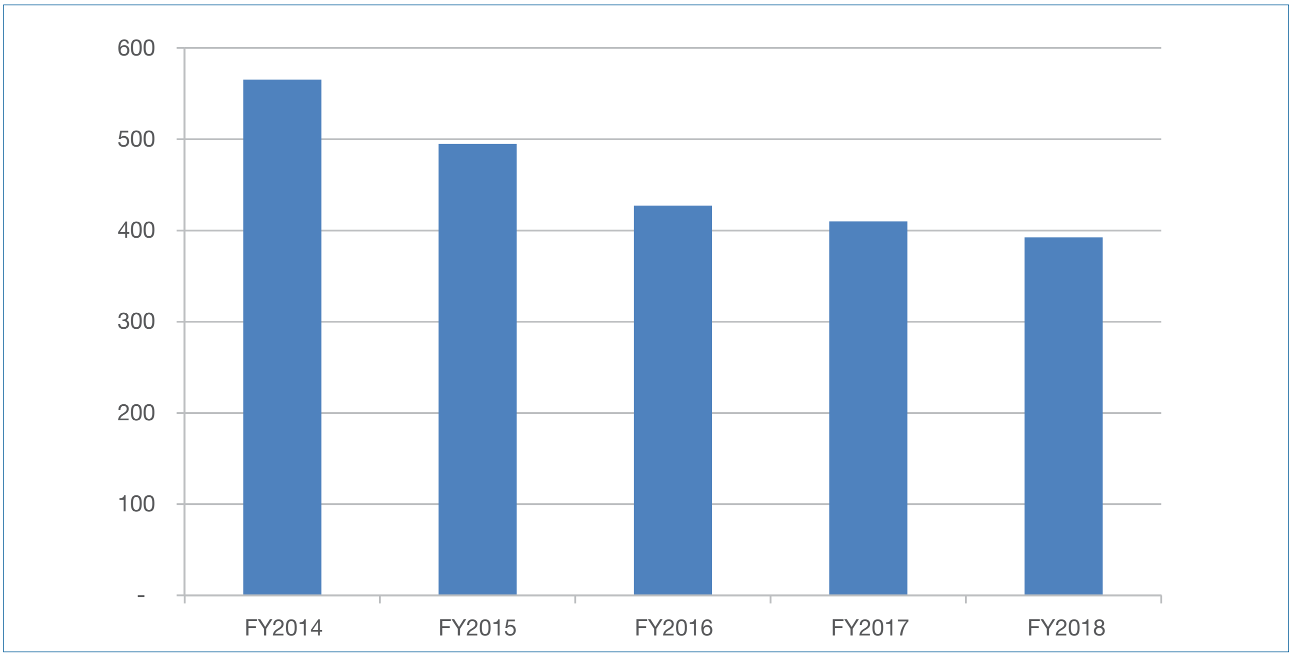
With the stakeholders prioritised, we look into the business and non-business aspects surrounding the ambience and existence of JCY and assess how these matters may have an impact on our substantial stakeholders and how material the impact is. There could be thousands of potential matters that may have some degree of effects on one, or a group, of our stakeholders. The identification and prioritisation processes of the material matters are complicated and challenging.

However, through experience, by referring to the international standards and the engagement with the stakeholders, we manage to narrow down the material matters to those which may have greater concerns to the stakeholders. For the first Sustainability Statement to be released by the Company, we would limit down and keep our focus to few key material matters as listed in the table below for discussion.

Matters	Strategic Pillars	Stakeholders
Sustainable Business Model	Market, Governance	Directors, Shareholders and Potential Investors, Customers, Suppliers, Employees, Government, Competitors, Financial Institutions, Analyst/Media
Governance	Market, Governance	Directors, Shareholders, Employees, Government, Customers, Suppliers
Customer Satisfaction	Market	Customers, Directors, Employees, Industrial Peers
Labour Management	Market, Employee	Employees
Community engagement	Community	Local Community, NGO
Environmental preservation	Environment	Directors, Employees, Local Community, Government, NGO

Sustainable Business Model

Throughout the history of the Group, JCY has been deriving its source of income mainly from the sales of Hard Disk Drive ("HDD") components. This business model has posted one of the biggest challenges to the sustainability of the company amid the gradual declining global sales of HDD units over the past few years.



(Million units) Global sales of HDD has declined 31% in FY2018 compared to FY2014

SUSTAINABILITY STATEMENT
CONT'D

We had discussed this concentration risk of market in our Management Discussion and Analysis. The potential high concentration risk on revenue generation has an equal risk and pressure on the deliverables of the business's financial results. For this matter to have a direct and great impact on our financial results, it involves a larger group of stakeholders and doubles the importance of this matter.

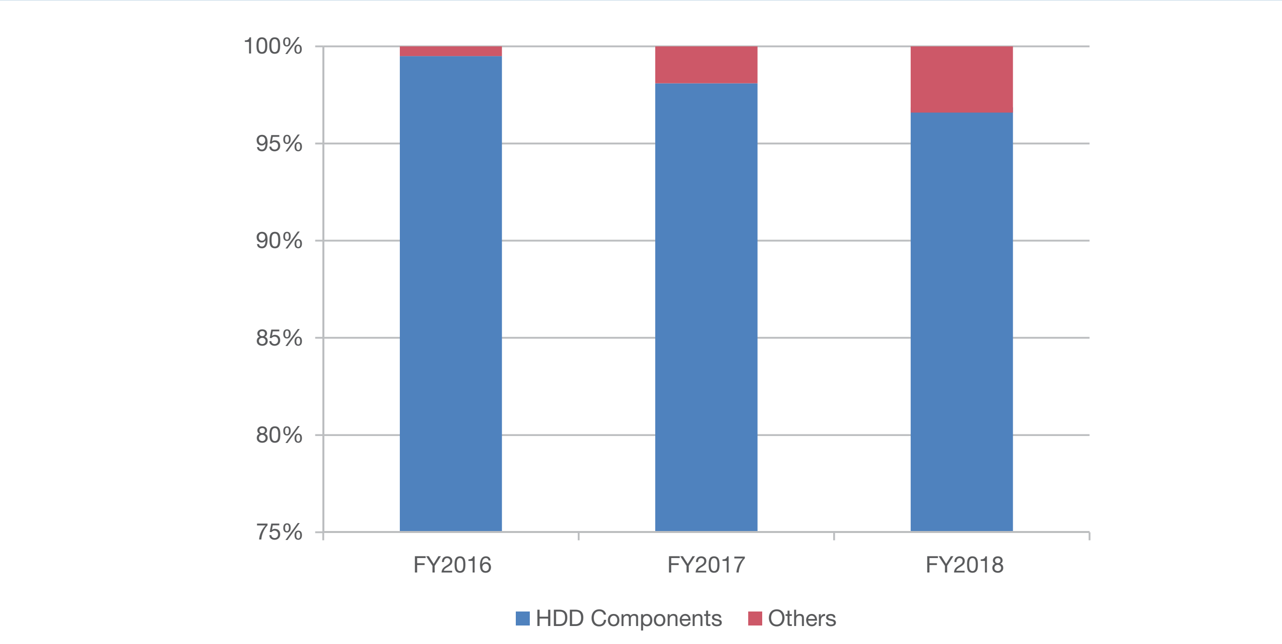
The Board of Directors recognises the importance of this matter and has prioritised this high revenue concentration matter to be one of the top agendas in the Board's deliberations, at every occasion where the Board members met.

In each of the Board meetings, the Board discussed the strategies and directions for diversification of the Company business and to source for more business revenue from other industries other than the HDD industry.

In the financial year 2016, the non-HDD revenue stood at approximately 0.5% of the total revenue generated by the Group. This number improved to 1.9% in the financial year 2017 where we saw some improvements on non-HDD revenue from the sales of components to other business sectors, including the sales of components to the Solid State Drive ("SSD") sector. SSD has been generally thought to be the next generation of digital storage technology that will potentially replace a large portion of digital storage demand currently fulfilled by the HDDs.

In financial year 2018, the non-HDD sectors contribute approximately 3.9% of the total revenue generated by the Group. We see this as an encouraging leap for the Group to move away from the concentration risk of revenue from a single source.

Source of Revenue	FY2016	FY2017	FY2018
Sales of HDD Components	99.5%	98.1%	96.1%
Others	0.5%	1.9%	3.9%



Nevertheless, the Board deems that the contribution of revenue generated from sources other than HDD industry is still far from satisfactory. The Management continues to actively extend the Group's capabilities to other business sectors and is actively looking for new business opportunities that will best utilise our fields of expertise. We expect to deliver a greater dilution of revenue concentration in the next 5 years.

To achieve the ultimate goal of reducing our dependency on HDD industry, we carefully analyse our fields of expertise and align with those industries and products that may require our specialised skills and experience and we will reach out to them. We identify our core capabilities to include precision die casting, machining, stamping, gasket plotting, metal coating and plating, as well as high cleanliness level ultrasonic cleansing processes, cleanroom assembly for electronic components, design and fabrication for precision tools and moulds and other related fields.

SUSTAINABILITY STATEMENT
CONT'D

With our core expertise and strengths in mind, we reach out to professional intermediates for linking us with potential customers and markets. We will also recruit business development professionals to explore for business opportunities. We will not limit our business development activities to only the emerging markets such as ASEAN and Asia, but also in the matured market of America, as we see the opportunities of a potential shift of international procurement strategies and trade models as a result of the brewing trade dispute between the United States of America and China.

How the Sustainable Business Model has the impacts to our stakeholders

Stakeholders	Impacts
Directors	The competencies of the directors on leading and setting the Group policies and strategies will have the greatest direct effect on the success of the sustainable business model. Some portions of the executive directors' remuneration will be affected by the effectiveness of the sustainable business model and the Group's deliveries of the financial results.
Customers	Our main customers are key manufacturers in the HDD industry. High concentration of revenue upon them may bring too much pressure on ensuring the financial health on us as their key partner.
Suppliers	Our suppliers generate their revenue from our business. Our revenue generation capability will have a similar effect to our suppliers' revenue generation.
Employees	JCY's ability to generate revenue decides the size of workforce that it needs, and this will in term have a direct impact on our employees.
Shareholders	Our shareholders are dependent on our distribution of profits and the performance of the share price. Our revenue and profit generating power will have a direct impact on the rewards that the shareholders may receive.
Government	Our profitability has a direct impact to the tax revenue the Government collect from us.
Financial Institutions	Our financial risk and rewards would pass on to our bankers.

Customer Satisfaction

Customer Satisfaction is crucial to the business success. JCY recognises this and commits to excel ourselves and to become the supplier of choice. We have embedded this commitment into our slogan "The Supplier of Choice through Excellence". This slogan and its spirit shine at every occasion and in our engagement with our customers.

Customer engagement

JCY emphasises highly on the communication with the customers so as to understand their expectations of the products and services that we have to offer. We assign key personnel from respective functions as "customer focus", who will serve as the communication channel with our customers. These functions include customer service, quality assurance, product cleanliness, engineering, operation, planning, finance and the new products introduction.

We have regular official business review meeting with our key customers at least once in every 6 months where both JCY and the customers will take the opportunity to share ideas and information with regards to the strategic partnering between the customers and JCY. Every quarter, JCY's head of operation and financial representatives will meet with our key customer's representatives to share the information from the operational and financial perspectives. Both the customers and JCY will exchange their respective expectations and deliverables at the meetings.

Apart from the official scheduled meetings with the customers, many other occasional meetings are also held to exchange ideas and information of various topics at different levels of JCY and the customers. Our close relationship and frequent engagements with our customers have enhanced our capability to understand the customers' expectations, so as to deliver our products and services to their satisfaction.

SUSTAINABILITY STATEMENT
CONT'D

Quality First

JCY commits to deliver only the best quality of products to the customers. Our quality practices are in compliance with the internal standards such as ISO 8001:2015 and these have demonstrated our commitment to the customer satisfaction and delivery of best products.

Rankings and Awards

JCY's performance is evaluated by its customers biannually and our position in the deliveries of customers' satisfaction against our industry peers will be announced through a transparent score card system.

For example, 2 of our key classes of products are evaluated by our largest customer in 2 of their evaluation categories.

	Eval 1	Eval 2	Eval 3	Eval 4
Class A	1st	1st	1st	1st
Class B	2nd	2nd	2nd	2nd

From the results of the evaluations, JCY ranked the best of class (first place) among all the industry peers in overall score card in the Class A evaluation consistently in the past 4 evaluations, while it ranked 2nd for the products which fall in the Class B.

Apart from rankings among the industry peers, our key customer also awards the suppliers in acknowledgement of their excellent performance or contributions on specific tasks or areas. For example, JCY has been awarded the Best Tiger Team and Most Pro-active Supplier for the year 2018 by Western Digital.

Governance

JCY recognises the importance of corporate governance, ethical conduct and compliance to regulations is fundamental in upholding shareholders' and other stakeholders' interest.

The following summarises some of the practices that we exercise in safeguarding the interests of our stakeholders by observing good governance practices:-

1. An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as a going concern.

2. An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide Management.

3. Upholding transparency and integrity in its supply chain management. In an effort to strengthen the overall responsiveness and wellness of the supply chain, the Group has also collaborated with its major customers to share and exchange knowledge with the objective of enhancing the management system, process design, internal control and technical know-how.

4. Complying with International Organisation for Standardisation (ISO) standards and Responsible Business Alliance's Code of Conduct, where a strict code of business conduct based on industry best practices and ethics were formulated, which the Group abides by in all types of business transactions and operation practices.

5. Enhancing skills and development of employees to achieve professionalism in good business conduct. Public communications, like financial reports, contain disclosures that are fair, accurate, timely and understandable.

6. Applying the principles in compliance with the recommendations as set out in the Malaysian Code on Corporate Governance and strict adherence to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

7. In selecting its directors, the Group seeks individuals who are of high integrity, value-adding orientated and have a genuine interest in their respective roles in the Group. They are tasked with the responsibility of exercising their professional judgment to act in what they reasonably believe to be in the best interest of the Group.

8. A Business Continuity Plan has been established to prepare the Group in the event of natural and human disasters such as fire, floods, utility disconnections, medical epidemic, supply chain disconnection, information technology disaster, financial difficulties and human resource shortage. The plan targets specifically on the reaction in the soonest possible time for reducing the impacts of the disasters and restoration of operations to the widest extent possible in a minimum time frame.

We also demonstrate our commitment to safeguard the interests of our business associates in the marketplace by establishing a strong corporate governance system. Details of our corporate governance practices are elaborated in the Corporate Governance Overview Statement.

Labour Management

JCY employs approximately 9,200 workers in the 4 main operational locations across 3 countries in order to deliver hundreds of millions pieces of end products to its customers each year.

Labour dependency reduction

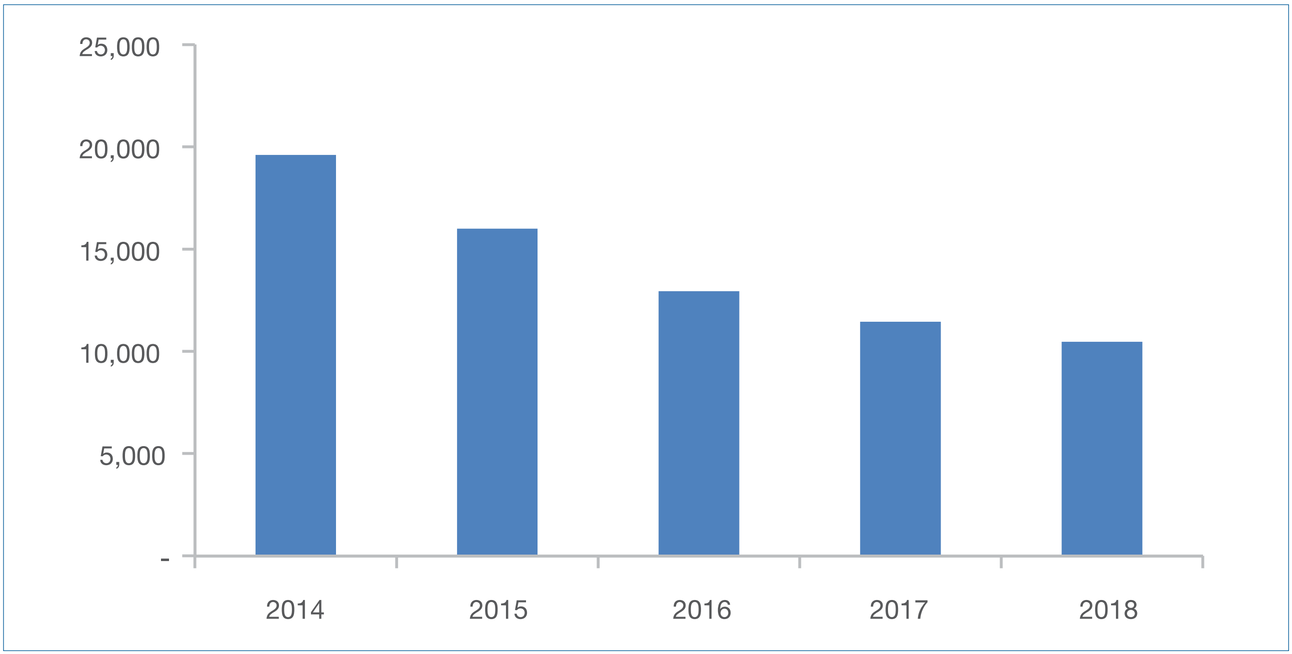
Human factor is one of the most challenging aspects in our business. JCY has a taskforce of 9,200 people that comprise of various cultural backgrounds, each with different values and expectations. The complexity of the workers' cultural norms and practices poses a significant challenge to human resource management due to uncertainties and unpredictability of human behaviors.

Apart from human factors, the increasing minimum wages in the emerging markets that JCY has operations in (Malaysia, Thailand and China) has made wages to become one of the major cost components for our outputs. It is inevitable for JCY to reduce the labour dependency by improving its labour efficiency or through the introduction of automated processes.

One of the key approaches that JCY focuses on to reduce its reliance on manual labour is to engage with automation processes. In the financial year 2018 alone, the Group spent approximately RM18.9 million (FY2017: RM19.6 million) on capital expenditure to automate processes, improve productivity and to consolidate operations with the target to reduce the reliance on manual labour.

SUSTAINABILITY STATEMENT
CONT'D

With endeavours above, the manpower employed by JCY Group of companies has managed to reduce 46.6% of its global headcounts over the 4 years span from the end of the financial year 2014 to end of financial year 2018.



Workers' welfare and retention

In retaining and nurturing the best talents, we continually provide our employees with education and training. Our training programmes relate to leadership skills, as well as technical and behavioural competencies. Currently, one of our focuses is on the Employee Training and Development Programme which is achieved through internal and external trainings aimed at equipping our employees with skills and knowledge that will facilitate them in carrying out their duties at work.

We strongly believe that human capital is the most important value to an organisation. We place great importance on the welfare of our employees. On top of the mandatory requirement of the social security scheme or workman compensation contribution, the Group also provides insurance coverage to the Management Staff and subsidises coverage for the rest of the workers.

We place equal importance on the safe and healthy working conditions for our employees. The Group adopts several policies to safeguard employees in all of its business operations, examples of which are Fire Safety Policy, Smoking Policy and First Aid Policy. A Health and Safety Team has been established and is tasked to support these measures. The team members receive training from various bodies such as the National Institute of Occupational Health & Safety and the Malaysian Red Crescent. At the workplaces, we continue to ensure that equipment and building systems are functioning properly and are well maintained.

The Group's premises are also well-equipped with facilities for employees' convenience. The Company provides an in-house clinic, with full-time industrial nurses to provide medical consultation and treatment, surau facility, a 24-hour canteen, transport and hostels with free utilities charges for operators.

Occupational safety and health

Workplace safety is also part of our top priority. The Group provides regular safety trainings including emergency evacuation drills, firefighting training and first aid training to the workers in case of emergency events.

JCY adopts the Responsible Business Alliance's Code of Conducts, which provides one of the most stringent requirements over occupational safety and health, with an aim to provide a better working environment.

SUSTAINABILITY STATEMENT
CONT'D

Environmental Preservation

At the Group's various plants, we ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and wastewater. As part of our sustainability agenda, we have measures in place to minimise the adverse impact of pollution on the environment and to achieve continuous improvement of our plants' and factories' environmental performance.

The Group has an environmental management system to measure its environmental performance through periodic monitoring of the emission and discharge of pollutants. In addition, waste and chemical management systems are put in place to ensure that the environment system is being protected. We treat most of the pollutants on-site with our wastewater treatment plant and air purification and filter facilities, and we send other controlled waste substances (such as waste oil, spent solvent and metal hydroxide sludge) to government licensed waste disposal units or specialist contractors.

The Group is also subject to regular reviews by the Department of Environment on its wastewater discharge and air emissions. In line with this, our manufacturing factories are certified with the international environmental management systems standard, ISO 14001.

Reducing, reusing and recycling of office stationery and paper, and switching off the lights and air conditioners when they are not in use are among some of the conservation measures taken by the Group.

The Group will continue to explore the areas where it can contribute to the environment, which is to be driven by the CSR Committees, a function of the sustainability initiatives.

Community Engagement

We emphasise on communities who need support to sustain their living. Attention is given particularly to help those beneficiaries of charitable nature (e.g. orphans, the elderly, handicapped, poor, sick, disaster victims or those deprived of education).

Our CSR committees (a function of the sustainability initiatives) at various branches and subsidiaries have also made regular visits and contributions to charitable houses that shelter the unfortunate and had taken part in blood donation drives. We also promote volunteerism through encouraging our employees to participate in volunteer programmes on individual capacity.

As part of our commitment, we are constantly working closely with the local tertiary academic institutes to provide students with a practical real world working experience through conducting researches and training, with the participation of our senior employees. This project aims to support the students' long-term employability with our Company. As science, technology and engineering education are imperative for the Group's business, we believe that this collaboration with reputable tertiary academic institutes will be mutually useful with the Group benefiting from the ideas and inputs as well as the results of the researches conducted by the students.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of JCY International Berhad ("JCY" or "Company") acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("MCCG"). The Board is fully committed in maintaining high standards of corporate governance practices throughout the Group to protect and enhance long-term shareholders' value and all stakeholders' interests.

The Board is pleased to present the Corporate Governance Overview Statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended 30 September 2018.

The Corporate Governance Overview Statement is prepared in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and shall be read together with the Corporate Governance Report of the Company, which provides details on how the Company has applied each practice as set out in MCCG. The Corporate Governance Report is available on the Company's corporate website at www.jcyinternational.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board has the overall responsibility for corporate governance, establishing goals, strategies and direction, reviewing the Group's performance and critical business issues and ultimately the enhancement of long term shareholders' value.

The Board has adopted a Board Charter which sets out its primary responsibilities as follows:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks of the business, set the risk appetite within which the Board expects the Management to operate and ensuring the implementation of appropriate systems to manage these risks;
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Succession planning, including appointing, training, compensating and, where appropriate, replacing key management; and
- Developing and implementing an investor relations programme or shareholder communications policy for the Company.

Role of Chairman, Executive Directors and Independent Non-Executive Directors

The Chairman undertakes a leadership role in the conduct of the Board and its relationship with shareholders and other stakeholders. The Chairman is primarily responsible for leading the Board to effectively discharge its fiduciary duties and responsibilities and ensuring the adequacy and integrity of the governance process.

The Board Charter also clearly defines the functions that are reserved for the Board and those delegated to the management of the Group. In general, all decisions that would materially impact on the strategy, direction, values and financial standing of the Group, or decisions that may potentially create material conflict of interest with related parties, decisions that may be prone to fraud risk, and decisions in high value transactions are reserved exclusively for the Board. None of the members of the Board has unfettered powers of decision.

The Board, during its deliberations, has clearly delivered its expectations on the corporate objectives, which include performance targets and long-term goals of the business, to be collectively met by the Executive Directors, whilst the Executive Directors and senior management personnel report to the Board on the operational reviews of their respective business divisions and functions on a quarterly basis.

The Executive Directors are responsible for the day-to-day operations of the Group whereby operational issues and problems are discussed, major transactions and matters relating to the Group are reviewed and operational strategies are formulated.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Role of Chairman, Executive Directors and Independent Non-Executive Directors *cont'd*

Independent Non-Executive Directors deliberate and discuss policies and strategies formulated and proposed by Management with the view of long-term interests of all stakeholders. The Independent Non-Executive Directors provide independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process to safeguard the long-term interests of all stakeholders and the community.

Company Secretary

The Board is supported by an experienced and competent Company Secretary in discharging its duties and responsibilities. The Board receives regular advices, updates and notices from the Company Secretary to ensure compliance with applicable laws, regulations and corporate governance matters.

The Company Secretary or the representative of the Company Secretary attend and ensure that all Board and Board Committee meetings are properly convened and all deliberations and decisions are properly minuted and kept. They are also responsible in ensuring that Board's policies and procedures are followed, and the applicable statutory and regulatory requirements are observed.

Board Meetings and Access to Information

The dates of the meetings of the Board, Board Committees and Annual General Meeting for each financial year are fixed in advance for the whole year to ensure all Directors/Board Committees members' dates are booked and also to facilitate Management's planning for the whole financial year.

Prior to each Board or Board Committee meeting, the agenda, minutes of previous meeting and board papers are circulated to the Directors prior to the meeting to allow sufficient time to ensure that they receive the necessary information in advance so that they can review, consider and deliberate on the matters, and where necessary, obtain further information to facilitate informed decision making.

The Directors in discharging their duties and responsibilities are entitled to have full and unrestricted access to all information and to management on matters relating to the Group's operations. The Directors may obtain independent professional advice in the furtherance of their duties, at the Company's expense if circumstances necessitate it.

Board Charter

The Company has adopted a Board Charter which clearly defines the respective roles, responsibilities and authorities of the board of directors (both individually and collectively) and Management in setting the direction, the management and the control of the Company as well as matters reserved for the Board.

On 20 August 2018, the Board has reviewed and approved the revised Board Charter to be in line with the practices in the MCCG. The Board Charter is accessible through the Company's website at www.jcyinternational.com.

Code of Conduct

A Code of Conduct that sets out the ethical expectations of the Board and employees on its members has been adopted by the Board. The Group also takes a keen interest on promoting sustainability for the wellbeing of the community and the environment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Whistle-Blowing Policy

The Board has adopted a whistle-blowing Policy which encourages any employee, shareholders, stakeholders or the general public to report any irregularity or matters of suspect through any of the following channels:-

Name	Position	Contacts
Dr. Rozali Bin Mohamed Ali	*Chairman*	Email: chairman@jcyinternational.com
Mr. Chan Boon Hui	*Senior Independent Non-Executive Director*	Email: senior-ined@jcyinternational.com
Ms. Jasmine Tan	*Head of Internal Audit*	Email: jasminetan@jcyinternational.com
		Address:- No 3, Jalan Firma 3, Kawasan Perindustrian Tebrau IV, 81100 Johor Bahru, Johor Darul Takzim

Sustainability Policy

The Board has formalised the Group's strategies on promoting sustainability. The Board and the Management are committed to continually improving the integration of sustainability into the working environment and business processes, together with the accountability and transparency in the sustainability performance.

The Board has striven to promote the corporate social responsibility ("CSR") values through the encouragement of volunteerism of contribution and participation in CSR activities from thousands of staff across the regions within its Group. The Group aims to build the value of sustainability practices into the working culture along with its staff.

The Management of the Group is committed to support and promote CSR values through a systematic resources allocation mechanism for funding and promoting CSR activities.

The revised Board Charter, Code of Conduct, Whistle-Blowing Policy and Sustainability Policy are published on the Company's corporate website at www.jcyinternational.com.

Board Composition

The Board has seven (7) members of whom four (4) are Executive Directors and three (3) are Independent Non-Executive Directors. The composition of the Board is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) Directors or 1/3 of the Board, whichever is higher, to be independent.

The profiles of the members of the Board, are set out in the Directors' Profile section of this Annual Report.

The Board consists of qualified individuals with different range of skills, experiences and backgrounds and the size of the Board is such that it facilitates the making of informed and critical decisions for the Group. The Executive Directors have direct responsibilities on the day-to-day business operations and frequently attend management meetings wherein operational details and other issues were discussed and considered.

The presence of Independent Non-Executive Directors provides guidance, independent views, advice and judgement in ensuring that the strategies proposed are discussed and examined. This provides a balance in the Board to safeguard the interest of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Tenure of Independent Directors

The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years. However, the Board is mindful that Practice 4.2 of MCCG recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon the completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director pursuant to the MCCG. The Board will justify and seek shareholders' approval at the Annual General Meeting ("AGM") in the event the Board retains such Director as an Independent Director. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board will seek annual shareholders' approval through a two-tier voting process.

Presently, all the three (3) Independent Non-Executive Directors have served the Board for a cumulative term of more than nine (9) years. The Company will seek the shareholders' approval to retain all the Independent Non-Executive Directors.

The Board through the Nomination Committee, has carried out an annual assessment of independence of all the Independent Directors. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company. The Independent Directors remain objective and independent in expressing their views and in participating in deliberations and decision makings of the Board and Board Committees. The length of their service on the Board does not in any way interfere with their exercise of independent judgment and ability to act in the best interests of the Company.

Board Diversity

The Board recognises that board diversity is an essential element contributing to the sustainable development of the Group and does not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, education background or physical ability. There is no specific target in the composition in terms of gender, age or ethnic of its Board members or members of Senior Management.

The Board acknowledges the recommendation of the MCCG on gender diversity but believes that the overriding factors in selection of a Director must be based on competency, experience, skill and wealth of knowledge, while taking into consideration diversity of the Board.

The Board is satisfied with the composition of its members and is of the view that with the current mix of competency, experience, skill and knowledge, the Board is able to discharge its duties effectively and efficiently.

The Board is committed to provide fair and equal opportunities within the Group and acknowledges the importance of Boardroom and workplace diversity. The Group is committed to workplace diversity and that the workplace is fair, accessible, inclusive and free from discrimination.

As at the date of this Annual Report, the diversity in the race/ethnicity of the existing Directors is as follows:-

	Race/Ethnicity				**Gender**		
	Malay	**Chinese**	**Indian**	**Total**	**Male**	**Female**	**Total**
Number of Directors	1	6	0	7	7	0	7

The existing Directors' age distribution falling within the respective age group is as follows:

Age Group (Years)	**51-60**	**61-70**	**71-75**	**Total**
Number of Directors	3	3	1	7

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Workforce Diversity

The Group is committed to a diverse and inclusive culture which is essential to the Group's future growth. The Group's gender and race/ethnicity diversity are made up of the following:-

	Race/Ethnicity			
Gender	**Malay**	**Chinese**	**Indian**	**Other**
Male	257	95	47	3,998
Female	335	70	43	4,363

The Group's workforce diversity in terms of age is made up of the following:-

	Age Group (Years)				
Gender	**Below 21**	**21-30**	**31-40**	**41-50**	**Above 50**
Male	157	2,569	1,290	311	70
Female	539	2,243	1,488	487	54

Board Meetings

The Board meets at least once every quarter and on other occasions, as and when necessary, inter-alia, to approve quarterly financial results, annual report, business plans and budgets as well as to review the performance of the Group, its operating subsidiaries and other business development activities. Management and external advisors (when needed) are invited to attend the Board and Board Committee meetings and to provide their inputs and advices on relevant matters.

A total of five (5) Board meetings were held during the financial year ended 30 September 2018. The attendance of each Director at the Board meetings held during the financial year is summarised as follows:-

Name	Attendance
Dr. Rozali Bin Mohamed Ali	5/5
Mr. Goh Chye Kang	5/5
Dato' Wong King Kheng	5/5
Dato' Tan Shih Leng	5/5
Mr. Lim Ching Tee Peter	5/5
Mr. Chang Wei Ming	5/5
Mr. Chan Boon Hui	5/5

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. This, amongst others, is evidenced by the attendance record of the Directors at Board meetings.

Directors' Training

The Board recognises the need to attend training to enable the Directors to discharge their duties effectively. The training needs of each Director could be identified and proposed by the individual Director. The Nomination Committee continues to evaluate and assess the training needs of the Directors to ensure professionalism in discharging their duties and recommends to the Board accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Directors' Training *cont'd*

The Directors are also updated from time to time at Board meetings by the Company Secretaries and External Auditors on any changes to the legal, regulatory, accounting principles and corporate governance practices which may affect the Group and the Directors at Board meetings.

The training sessions attended by the Directors during the financial year ended 30 September 2018 are as follows:-

Name	Continuous education programmes attended
Dr. Rozali Bin Mohamed Ali	• Understanding MFRS 15
Mr. Goh Chye Kang	• Understanding MFRS 15 • Advocacy Session for Directors and Principal Officers
Dato' Wong King Kheng	• Understanding MFRS 15 • A technical update on IFRS • Revenue Recognition (Principles) • Professional negligence: Case Studies • Revenue Recognition (Application) • Voluntary/Compulsory Liquidation • Omnibus Insolvency Act (Singapore) • Accounting for the Digital Age • Professional Ethics – Current International Trend • FRS Annual Update • IFRS16 Leases – An Audit Perspective
Dato' Tan Shih Leng	• Understanding MFRS 15 • Advocacy Session for Directors and Principal Officers
Mr. Lim Ching Tee Peter	• Understanding MFRS 15 • Advocacy Session for Directors and Principal Officers
Mr. Chang Wei Ming	• Understanding MFRS 15 • Corporate Governance Briefing Session: MCCG Reporting & CG Guide • Surviving a Disruptive World: Re-inventing Business Strategies
Mr. Chan Boon Hui	• Understanding MFRS 15 • Cryptocurrency and Blockchain technologies

Board Committees

To ensure the effective discharge of its fiduciary duties and responsibilities more effectively, the Board delegates specific responsibilities to the Board Committees established by the Board.

All Board Committees function within and in accordance with clearly defined terms of reference that were approved by the Board. These Board Committees have unrestricted authority to examine issues and submit reports of their findings to the Board. As the Board Committees have no authority to make decisions on matters reserved for the Board, the recommendations would be deliberated by the Board as a whole for decisions.

a) Audit Committee

The composition of the Audit Committee, its function and a summary of its activities are set out in the Audit Committee Report of this Annual Report.

b) Nomination Committee

The Nomination Committee is empowered by the Board among others to recommend to the Board the right candidates with the necessary skills, knowledge, experiences and competencies to be filled in the Board and Board Committees, re-election and reappointment of Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Committees *cont'd*

b) Nomination Committee *cont'd*

All members of the Nomination Committee are Independent Non-Executive Directors. The composition of the Nomination Committee of the Company and the details of attendance of meetings during the financial year under review are as follows:-

Name	Directorship	Designation	Attendance
Mr. Chan Boon Hui	*Senior Independent Non-Executive Director*	*Chairman*	2/2
Mr. Chang Wei Ming	*Independent Non-Executive Director*	*Member*	2/2
Dr. Rozali Bin Mohamed Ali	*Independent Non-Executive Director*	*Member*	2/2

During the financial year ended 30 September 2018, the Nomination Committee carried out and reported to the Board the outcome of the following key activities:-

- conducted the annual assessment on the effectiveness of the Board, Board Committees and individual Directors;
- assessment of the independence of the Independent Directors;
- review of the Directors who are due for re-election by rotation;
- recommended to the Board on the retention of Independent Directors who have served the Board for more than nine (9) years; and
- reviewed the terms of office and performance of the Audit Committee and each of its members.

Based on the results of the annual assessment, the Nomination Committee has made the following observations:

- the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high caliber, credibility and with necessary knowledge, experience and qualifications to enable the Board to discharge its responsibility effectively.

- all Board Committees members have discharged their duties with care and diligence according to the respective Terms of Reference of the Remuneration Committee and Audit Committee.

The Board is mindful of the recommendation of the MCCG that the Board must comprise at least half of Independent Directors.

The terms of reference of the Nomination Committee is available for reference on the Company's website at www.jcyinternational.com.

c) Remuneration Committee

The Remuneration Committee is primarily responsible for recommending to the Board the policy and framework for Directors' remuneration and for reviewing and assessing the remuneration packages of the Executive Directors.

The composition of the Remuneration Committee and the details of attendance of meetings during the financial year under review are as follows:-

Name	Directorship	Designation	Attendance
Dr. Rozali Bin Mohamed Ali	*Independent Non-Executive Director*	*Chairman*	1/1
Mr. Chan Boon Hui	*Senior Independent Non-Executive Director*	*Member*	1/1
Mr. Chang Wei Ming	*Independent Non-Executive Director*	*Member*	1/1
Dato' Wong King Kheng	*Executive Director*	*Member*	1/1

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Board Committees *cont'd*

c) Remuneration Committee *cont'd*

The Board is aware of the recommendation of MCCG that Remuneration Committee should only consist of Non-Executive Directors and a majority of them must be Independent Directors.

Though the company is in the process of drawing up a remuneration framework for the Directors and Senior Management, the Directors' fees and benefits have been reviewed by the Remuneration Committee and the Board, before being recommended to the shareholders for approval.

The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Directors to manage the Group successfully. For the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

Non-Executive Directors will be paid based on fixed fees commensurate with their responsibilities in the Board and Board Committees and their attendance at the meetings, subject to approval from shareholders. The determination of the remuneration package of Non-Executive Directors should be a matter for the full Board, with individual Director concerned should abstain from discussion of their own remuneration.

The terms of reference of the Remuneration Committee is available for reference on the Company's website at www.jcyinternational.com.

d) Enterprise Risk Management Committee

The composition of the Management-level Enterprise Risk Management Committee of and the details of attendance of meetings during the financial year under review are as follows:-

Name	Directorship	Designation	Attendance
Dato' Wong King Kheng	*Executive Director*	*Chairman*	1/1
Mr. Goh Chye Kang	*Executive Director*	*Member*	1/1
Dato' Tan Shih Leng	*Executive Director*	*Member*	1/1
Mr. Lim Cheng Tee Peter	*Executive Director*	*Member*	1/1
Mr. Lim Su Kiat	*Group Financial Controller*	*Member*	1/1

The Management-level Enterprise Risk Management Committee is chaired by an Executive Director. As part of the risk management framework, this Committee is primarily responsible to assist the Board in establishing, maintaining, implementing and reviewing a strategic approach to risk assessment and management for the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Remuneration

The details of the aggregate remuneration (including benefits-in-kind) of the Directors of the Group and the Company for the financial year ended 30 September 2018 are as follows:

	Company				Group			
Name of Directors	Fees ("RM")	Salaries & Bonus+ ("RM")	Others ("RM")	Total ("RM")	Fees ("RM")	Salaries & Bonus+ ("RM")	Others ("RM")	Total ("RM")
Executive Directors								
Dato' Wong King Kheng	120,000	-	50,000	170,000	220,096	1,076,052	230,232	1,526,380
Mr. Goh Chye Kang	120,000	-	-	120,000	120,000	1,604,929	424,188	2,149,117
Dato' Tan Shih Leng	120,000	-	-	120,000	120,000	886,361	189,647	1,196,008
Mr. Lim Ching Tee Peter	120,000	-	-	120,000	120,000	783,579	241,332	1,144,911
Total	**480,000**	**-**	**50,000**	**530,000**	**580,096**	**4,350,921**	**1,085,399**	**6,016,416**
Independent Non-Executive Directors								
Dr. Rozali Bin Mohamed Ali	120,000	-	300,000	420,000	120,000	-	300,000	420,000
Mr. Chan Boon Hui	120,000	-	-	120,000	120,000	-	-	120,000
Mr. Chang Wei Ming	120,000	-	-	120,000	120,000	-	-	120,000
Total	**360,000**	**-**	**300,000**	**660,000**	**360,000**	**-**	**300,000**	**660,000**

Notes:
\+ *The salaries and bonus are inclusive of statutory contributions and fixed allowance.*

The remuneration of the Key Senior Management for the financial year ended 30 September 2018 are disclosed in the Corporate Governance Report which is available at the Company's corporate website at www.jcyinternational.com.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee comprises three (3) Independent Non-Executive Directors. The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Chang Wei Ming. As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board.

The composition of the Audit Committee is in compliance with Paragraphs 15.09 and 15.10 of the MMLR and the recommendation of MCCG whereby all the three (3) Audit Committee members are Independent Non-Executive Directors. None of the Independent Directors has appointed alternate directors.

None of the members of the Audit Committee were former key audit partners and notwithstanding that in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the Audit Committee.

The Terms of Reference of the Audit Committee has been revised to reflect the requirements pursuant to Practice 8.2 of the MCCG which stipulates that "No former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years".

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Audit Committee *cont'd*

The Board regards the members of Audit Committee collectively possess the accounting and related financial management expertise and experience required for Audit Committee to discharge its responsibilities and assist the Board in its oversight over the financial reporting process.

The responsibilities of the Audit Committee are to oversee the financial reporting process, internal controls, risk management and governance which are guided by its terms of reference, which is available at the Company's corporate website at www.jcyinternational.com.

The Audit Committee assists the Board in reviewing and scrutinising the information in terms of the appropriateness, accuracy and completeness of disclosure and in ensuring that the Group's financial statements comply with applicable financial reporting standards. The Audit Committee reviews and monitors the accuracy and integrity of the Group's quarterly and annual financial statements and submits these statements to the Board for approval and release within the stipulated time frame.

Assessment of External Auditors

In line with Practice 8.3 of the MCCG, the Audit Committee has assessed the suitability, objectivity and independence of the External Auditor. The assessment is conducted on yearly basis by the Audit Committee, using the prescribed External Auditors Evaluation Form, with emphasis of evaluation based on the competence, adequacy of experience and resources, quality of the audit performances, independence and objectivity of the External Auditors, reasonableness of audit fees and comparison of audit and non-audit fees.

The Company's External Auditors are invited to attend the Audit Committee meetings when deemed necessary. During the financial year under review, the Audit Committee had met with the External Auditors on 28 November 2017 and 15 May 2018 respectively without the presence of the management to discuss the scope and adequacy of the audit process, the financial statements and their audit findings that may require the attention of the Audit Committee and the Board.

The Audit Committee, as part of its review, has obtained assurance from the External Auditors confirming that they have in place policies on rotation (every 5 years) for partners of an audit engagement to ensure objectivity, independence and integrity of the audit and declared their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Annually, the Audit Committee also reviews the appointment, performance and remuneration of the External Auditors including audit and non-audit services, to ensure that the independence and objectivity of the External Auditors are not compromised, before recommending them to the shareholders for re-appointment in the Annual General Meeting.

The Group has adopted a Policy on the Provision of Independence of External Auditors which set out the process and procedures for assessing the independence of the External Auditor.

The Audit Committee has also established guidelines on the provision of non-audit services by the External Auditors to the Group to further enhance their independence. In general, the Audit Committee is of the view that the External Auditors should not be involved in the provision of non-audit services to the Group which are related to the enhancement of revenue generation and profitability, either directly or indirectly, that have a material influence on the reporting of profit or losses before taxation.

The Audit Committee is satisfied with the performance, suitability and independence of the External Auditors of the Company based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional employees assigned to the audit.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Risk Management and Internal Control Framework

The Board acknowledges that the risk management system and internal audit function is an integral part of an effective system of corporate governance and hence, the Board has established a Management-level Enterprise Risk Management Committee to formulate, maintain and regularly review a sound and effective risk management approach.

There is also an in-house Internal Audit Department with approval for 3 staff positions headed by a suitably qualified Head of Internal Audit, Ms Jasmine Tan, which reports directly to the Audit Committee. The Internal Auditors periodically review the adequacy, effectiveness and integrity of the Group's internal control system, management information system, risk management and governance processes in accordance with a recognised audit framework. The Internal Auditors also review and highlight to the Audit Committee, any weaknesses in control procedures and make recommendations for improvement.

Further details of the Group's state of risk management and internal control systems are reported in the Statement on Risk Management and Internal Control set out in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board acknowledges the value of transparent, consistent and coherent communications with the investing community consistent with commercial confidentiality and regulatory considerations. Accordingly, the Board has formalised the Corporate Disclosure Policy to assist the Board in furnishing information which is comprehensive and accurate and is made on a timely basis and to ensure that communications to the investing public are accurate, timely, factual, informative, balanced, broadly disseminated and in compliance with applicable legal and regulatory requirements.

The Board values dialogue with investors and recognises the importance of being transparent and accountable to its shareholders. Effective communication with shareholders provides a better appreciation of the Company's objectives, while also making the Board aware of the expectations and concern of the shareholders.

The Board has also established other avenues for more direct interactions between the shareholders and the Company via the appointment of an Investor Relation Officer and, within the Board, a Senior Independent Non-Executive Director. Shareholders who would like to contact the Company may reach the persons above via email at calvin_lim@jcyinternational.com or senior-ined@jcyinternational.com respectively.

Conduct of General Meetings

The Annual General Meeting ("AGM") remains the principal forum for dialogue with shareholders where they may seek clarifications on the Company's business and reports. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Board will respond to any question raised during the meeting.

Notice of AGM and annual reports are sent out to the shareholders at least twenty-one (21) days before the date of meeting. Each item of special business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

In line with Practice 12.1 of MCCG, the notice convening the Thirteenth AGM is given to the shareholders at least twenty-eight (28) days before AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf.

Pursuant to the MMLR of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may be properly moved and is intended to be moved at any general meeting, is voted by poll. The Company had conducted its voting on all resolutions by poll at its Twelfth Annual General held on 27 February 2018. The Company had appointed a poll administrator to conduct the polling process and scrutineers to verify the poll results.

The Company will explore providing facilities for poll voting via electronic means to expedite verification and counting of votes.

AUDIT COMMITTEE REPORT

The Board of Directors of JCY International Berhad is pleased to present the Audit Committee Report for the financial year ended 30 September 2018.

COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee, Mr. Chang Wei Ming, is a member of Institute of Chartered Accountants in England and Wales fulfilling the requisite qualifications under Paragraph 15.09(1)(c) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

During the financial year ended 30 September 2018, the Audit Committee held a total five (5) meetings. The details of attendance of the members of the Audit Committee are as follows:

Name	Directorship	Designation	Meeting Attendance
Mr. Chang Wei Ming	*Independent Non-Executive Director*	*Chairman*	5/5
Dr. Rozali Bin Mohamed Ali	*Independent Non-Executive Director*	*Member*	5/5
Mr. Chan Boon Hui	*Senior Independent Non-Executive Director*	*Member*	5/5

TERMS OF REFERENCE

The terms of reference of the Audit Committee outlining the composition, authorities, roles and responsibilities of the Audit Committee are available on the Company's website at www.jcyinternational.com.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

The summary of work carried out by the Audit Committee for the financial year under review is as described below:-

(A) Financial Reporting

(i) Reviewed and discussed the interim and year-end financial statements, prior to recommendations to the Board. The key areas of focus are the following:-

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- going concern assumption;
- compliance with accounting standards and other legal requirements;
- significant matters highlighted in the financial statements; and
- significant judgments made by the Management.

AUDIT COMMITTEE REPORT
CONT'D

SUMMARY OF WORK OF THE AUDIT COMMITTEE *cont'd*

(A) Financial Reporting *cont'd*

(ii) The dates the Audit Committee met during the financial year to deliberate on financial reporting matters are as detailed below:

Date of meetings	Financial Reporting Statements Reviewed
28 November 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 30 September 2017
18 January 2018	Audit Committee Report and Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2017
27 February 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the First quarter ended 31 December 2017
15 May 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Second quarter ended 31 March 2018
20 August 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Third quarter ended 30 June 2018

(iii) Reported to the Board its finding on the financial and management performance and other material matters.

(B) External Audit

(i) Reviewed, discussed and approved the External Auditors' scope of works, key areas of audit emphasis, audit approach and timetable.

(ii) Reviewed, discussed and assessed all significant matters highlighted by the Internal and External Auditors on financial reporting and operating issues.

(iii) Reviewed all significant judgements made by the management.

(iv) Reviewed, discussed and assessed the External Auditor's management letter and the adequacy and effectiveness of management's response.

(v) Reviewed the performance, independence and effectiveness of the External Auditors and made recommendations to the Board on the re-appointment and remuneration of the External Auditors.

(vi) Reviewed the audit and non-audit fees payable to the External Auditors for financial year ended 30 September 2018 to ensure the level of non-audit services rendered by the External Auditors would not impair their objectivity and independence as External Auditors of the Company.

(vii) Discussed with the Management and the External Auditors on developments in respect of the Malaysian Financial Reporting Standards applicable to the financial statements of the Group and of the Company and their judgement of the items that may affect the financial statements.

(viii) Carried out private meetings with the External Auditors without the presence of the Executive Directors and Management of the Group.

AUDIT COMMITTEE REPORT
CONT'D

SUMMARY OF WORK OF THE AUDIT COMMITTEE *cont'd*

(C) Internal Audit

(i) Reviewed and approved the internal audit plan proposed by the Head of the internal audit department to ensure the adequacy of the scope and coverage of works prior to the internal audit works commences.

(ii) Reviewed the findings of internal audit reports together with the recommendations from the internal auditors. The Audit Committee acknowledges that the recommendations take into account the management's responses but are subject to the Audit Committee's approval.

(D) Related Party Transactions

Reviewed the quarterly and annual financial statements on the disclosures relating to related party transactions or conflict of interest situations that arose within the Group, if any and ensured compliance with provisions of the MMLR of Bursa Securities.

(E) Other Matters

(i) Reviewed the revised Terms of Reference of the Audit Committee prior to submission of the same to the Board for consideration and approval.

(ii) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report.

SUMMARY WORK OF THE INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Department which report directly to the Audit Committee and assists the Audit Committee in discharging its functions and duties. The internal audit function is independent from operational activities and has its own service charter to ensure the internal audit activities are performed with impartiality, proficiency and due professional care.

The costs incurred for the internal audit function in respect of the financial year ended 30 September 2018 amounted to RM186,000/-.

During the financial year, the Internal Audit Department conducted audits on the maintenance and spare parts cost control, shipment documentation, finished part handing and control review, fixed assets management, automation projects completion, business unit performance, intercompany transactions and goods & services tax compliance as well as follow-up review. The areas covered in the internal audit include:-

(a) Reviewed the internal control system of the Group on its compliance and effectiveness, taking into consideration factors that have arisen from the evolving business environment.

(b) Conducted compliance, operational and financial audits covering Group Policies and Procedures and key internal control areas.

(c) Presented audit findings and discussed corrective actions to be taken in each respective business unit's management meeting and in the quarterly Audit Committee meetings.

(d) Conducted follow-up audits to ensure corrective actions on audit reports were implemented.

The Audit Committee deliberates on the report from the Internal Auditor and provides suggestions on the internal audit focus areas as well as enhancements to the internal audit processes every quarter.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of JCY International Berhad is committed towards maintaining a sound system of risk management and internal control. This Statement on Risk Management and Internal Control of the Group ("Statement") is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements of the Malaysian Code on Corporate Governance.

This Statement outlines the nature and scope of risk management and internal control of the Group for the financial year ended 30 September 2018. The Group's risk management framework and internal control procedures, in all material aspects, are consistent with the guidance provided to Directors as set out in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

RESPONSIBILITY OF THE BOARD

The Board affirms its overall responsibilities of good practice of corporate governance and is committed to maintaining a sound system of risk management and internal control, and for reviewing its effectiveness, adequacy and integrity. This includes the establishment of an appropriate control environment and framework, and review of the effectiveness, adequacy and integrity of the system.

However, due to limitations that are inherent in any systems of risk management and internal control, the system adopted by the Group is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Therefore, the system of risk management and internal control can only provide reasonable but not absolute assurance against any material misstatement, fraud or loss.

There is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process, which was in place throughout the financial year, is regularly reviewed by the Board.

RISK MANAGEMENT

The Management-level Enterprise Risk Management Committee ("ERMC") is established to assist the Board to identify and assess the risks faced by the Group and thereafter to design, implement and monitor appropriate risk management processes and internal controls to address and mitigate such risks. The ERMC oversees the potential risks concerning the business and operations to ensure that they are effectively managed and reports its concerns to the Board and the Audit Committee.

Risk management is a continuous process of identifying, evaluating, managing and reviewing significant risks faced by the businesses in the Group.

RISK MANAGEMENT FRAMEWORK

The Board had identified the essence of a quality Risk Management System and had also incorporated these approaches into the adopted Risk Management Framework.

A continuous practice of systematically evaluating and selecting cost effective approaches for minimising the effect of the threat of risk realisation

Risk Management shall achieve a long-term goal of risk minimisation. It is an on-going practice and shall link back to the objectives of the Company, whereby the cost of implementation of the system and measures taken for the control or mitigation of the risks shall not be higher than the anticipated benefits derived from such control and mitigation in the perspective of cost-benefit analysis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

RISK MANAGEMENT FRAMEWORK *cont'd*

To manage rather than to eliminate risk factors in total

The Board recognises the nature of the residual risk despite how good the Risk Management Framework is designed and how vigilant the implementation of the Risk Management has been. The ultimate target of the Risk Management is to manage the risk within a controllable and acceptable manner, not the elimination of the risk as a whole.

To be embedded into the culture, processes and structures of the Company

The Risk Management Framework is designed to be built into the culture, processes and structures of the Group. The Board has set up an Enterprise Risk Management Committee comprising all the executive directors and certain executive staff with the aim of transplanting the essence and culture of Risk Management throughout all levels of the Group.

Responsive to changes in the business environment and clearly communicated to all levels

The Board is of the view that risk factors would evolve over time. The Enterprise Risk Management Committee would adopt a broad based approach, communicating with all levels within the Group in identifying changes in risk factors at the earliest possible time. In this way, controls and preventive actions could be adjusted to adapt to the new challenges arising from the change.

Continuous improvement

The terms of reference of the Enterprise Risk Management Committee are subject to annual review. The Committee would actively refine and continuously seek for improvements in the existing Risk Management System.

CONTROL ENVIRONMENT AND KEY ELEMENTS OF INTERNAL CONTROL

The Board is committed towards maintaining a strong control structure and environment for the proper conduct of the Group's business operations and towards achieving a sound system of internal control. The control processes in place are as follows:-

Organisation Structure with Defined Roles and Responsibilities

Terms of reference for the Executive Directors are clearly defined. Job functions for the Management and employees in the Group have been streamlined to provide well defined roles and responsibilities for the enhancement of the Group's performance.

Authority Limits

Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are clearly defined to ensure accountability and responsibility.

Investments and projects are subject to formal review and authorisation procedures where the Executive Directors will review significant projects before making recommendations to the Board for consideration, and approval.

Formalised Strategic Planning Processes

The Group has formulated the appropriate business plans within which the business objectives, strategies and targets are articulated. Business planning and budgeting are undertaken annually to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

CONTROL ENVIRONMENT AND KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

Management Processes and Mechanisms

Periodic meetings of the Board, Board Committees and Senior Management represent the main platform through which the Group's performance and conduct is assessed and monitored.

The daily operations of the business are entrusted to the respective General Managers/Operational Heads and their respective management teams.

Under the purview of the General Managers/Operational Heads, the heads of departments are delegated with the responsibility of managing their respective operations. The General Managers/Operational Heads actively communicate the Board's expectations to their management teams at monthly senior management meetings as well as through attendance at various operational meetings where operational and financial risks are discussed and dealt with.

The Group's key management team carries out monthly monitoring and review of financial results including monitoring and reporting thereon, of performance against the operating plans. The key management team communicates regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern.

Through these mechanisms, the Board obtains timely and accurate information of all major control issues in relation to internal controls, regulatory compliance and risk-taking.

Continuous Employee Education

All employees are encouraged to improve themselves through adequate training and continuous education. The Group has put in place a continuous training programme to motivate and improve the leadership quality of employees in the Group in order to better conduct themselves at work and in relationship with external parties, such as customers and suppliers.

Quality Control

The Group emphasises continuous effort in maintaining the quality of its products. The Directors have ensured that safety and health regulations, environmental controls and all other legislations in connection with the industry have been considered and complied with.

Financial Performance

The preparation of quarterly and full year results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year financial statements are also audited by the external auditors.

INDEPENDENCE OF AUDIT COMMITTEE

The Audit Committee comprises wholly of Independent Non-Executive Directors who each has the relevant experience and qualification to perform their duties effectively. The Audit Committee has full access to both the internal as well as External Auditors.

The Audit Committee, on behalf of the Board, considers the effectiveness of the operation of internal control procedures in the Group during the financial year. The Audit Committee reviews internal control issues identified by the internal auditors, the external auditors and the management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control system. It also conducts a review of the internal audit functions with emphasis on the scope of audits, quality and independence of the Internal Audit Department ("IAD").

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

INTERNAL AUDIT DEPARTMENT

The IAD is an independent and objective assurance function designed to add value to the Group.

The IAD reports directly to the Audit Committee and is independent of the activities and operations that it audits. Its primary responsibility is to undertake regular and systematic reviews of the business operations, processes and procedures as well as compliances in order to provide independent and objective assurance that the Group's overall system of internal control and governance processes continues to operate adequately and effectively.

During the year, the IAD has carried out audits on key operating units within the Group in accordance with the risk based annual audit plan approved by the Audit Committee. Internal Audit function uses a risk-based approach to determine the priorities of internal audit activities, consistent with the strategies of the Group. Existing controls in managing the identified risk are evaluated for its adequacy and effectiveness. Improvement measures are recommended to strengthen controls.

Internal audit reports are presented to the Audit Committee on a quarterly basis or earlier as appropriate, highlighting findings, areas for improvement, recommendations and agreed action plans to improve the system of internal controls. Follow-up reviews on previous audit recommendations are performed to assess the status of implementation and the results of such reviews are reported to the Audit Committee on a regular basis as well as any residual risks assessment after follow-up closures.

Based on the internal audit reviews conducted, none of the audit issues noted have resulted in any material control deficiencies.

Details of the activities of the internal audit function are provided in the Audit Committee Report of this Annual Report.

REVIEW BY THE BOARD

For the financial year under review and up to the date of approval of this Statement, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system.

The Board has received an assurance from the Executive Directors (collectively acting for Chief Executive Officer) and the Executive Director – Finance (equivalent to Chief Financial Officer) that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

The Board remains committed in ensuring that appropriate initiatives and active measures are taken to enhance the system of internal control to safeguard the shareholders' investment and the Group's assets.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa Securities and pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3: (Revised) issued by Malaysian Institute of Accountants, the External Auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 30 September 2018.

AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls of the Group.

This Statement has been approved by the Board on 15 January 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company did not raise any funds through any corporate proposal during the financial year ended 30 September 2018.

2. AUDIT AND NON-AUDIT FEES

During the financial year, the amounts of audit and non-audit fees paid by the Company and the Group to the External Auditors and an affiliate of the External Auditor are as follows:

	Company (RM)	Group (RM)
Audit Fees	113,000	469,000
Non-Audit Fees	-	58,000
Total Fees	**113,000**	**527,000**

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

4. EXECUTIVES' SHARE OPTION SCHEME

The Executives' Share Option Scheme ("ESOS" or "Scheme") was implemented on 17 April 2018 and shall be in force be for a period of five (5) years and may be extended for a maximum period of five (5) years, if so recommended by the ESOS Committee and approved at the discretion of the Board.

The maximum number of ESOS options to be granted and be issued pursuant to the Scheme at any time, shall not exceed five percent (5%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in the time during the duration of the Scheme for the eligible executives of the Company and its subsidiaries.

The By-Laws of the Scheme restrict the aggregate maximum allocation applicable to Directors and senior management that no allocation of more than eighty percent (80%) of the total ESOS options shall be made in aggregate to the Directors and/or senior management and no allocation of more than ten percent (10%) of the total ESOS options shall be allocated to each Director.

There were no ESOS options granted under the Scheme to any Director, senior management or eligible executive during the financial year ended 30 September 2018.

Subsequent to the financial year ended 30 September 2018, on 8 October 2018, the Company offered 67,170,000 ESOS options to its Directors and eligible executives, represented 3.3% of the outstanding shares of the Company. Out of which, 22,390,000 share options were vested immediately on the grant date and the balance 44,780,000 share options remain unvested as at the date of this Annual Report.

14,250,000 ESOS options were granted in aggregate to Directors and chief executives of the Company. 31% of the total ESOS options were awarded to Directors and Senior Management of the Company. All ESOS options are not exercised and remain outstanding as at the date of this Annual Report.

5. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of revenue and trading nature incurred by the Group for the financial year ended 30 September 2018 did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 30 September 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and design and development of hard disk drive (HDD) components. The principal activities of the subsidiaries are described in Note 14 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/profit net of tax	(112,094)	30,028

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 30 September 2017 were as follows:

	RM'000
In respect of financial year ended 30 September 2017:	
Single tier interim dividend of 0.75 sen per ordinary share on 2,060,912,300 ordinary shares, declared on 17 August 2017 and paid on 10 October 2017	15,457
Single tier interim dividend of 0.50 sen per ordinary share on 2,061,912,300 ordinary shares, declared on 28 November 2017 and paid on 10 January 2018	10,305
In respect of financial year ended 30 September 2018:	
Single tier interim dividend of 0.50 sen per ordinary share on 2,061,912,300 ordinary shares, declared on 27 February 2018 and paid on 10 April 2018	10,305
	36,067

The directors do not recommend the payment of any final dividend for the current financial year.

DIRECTORS' REPORT
CONT'D

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dr. Rozali Bin Mohamed Ali
Dato' Wong King Kheng
Chang Wei Ming
Chan Boon Hui
Goh Chye Kang
Dato' Tan Shih Leng
Lim Ching Tee Peter

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Executives' Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and bonus	5,314	50
Fees	940	840
Defined contribution plan	123	-
Other emoluments	300	300
	6,677	1,190

The Company maintains a liability insurance for the directors of the Group. The total amount of sum insured for directors of the Group for the financial year amounted to RM25,000,000.

INDEMNIFYING DIRECTORS OR OFFICERS

Expenses incurred on indemnity given or insurance effected for directors and officers of the Company and its subsidiaries during the financial year amounted to RM41,000 (2017: RM41,000).

DIRECTORS' REPORT
CONT'D

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and in its related corporations during the financial year were as follows:

	Number of ordinary shares			
	1 October 2017	Acquired	Sold	30 September 2018
Ordinary shares of the Company				
Direct interest:				
Dr. Rozali Bin Mohamed Ali	1,250,000	-	-	1,250,000
Dato' Wong King Kheng	4,800,000	-	-	4,800,000
Chang Wei Ming	325,000	-	-	325,000
Goh Chye Kang	600,000	-	-	600,000

Other than as disclosed above, the other directors in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

TREASURY SHARES

As at 30 September 2018, the Company held as treasury shares a total of 15,946,700 of its 2,076,859,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM15,584,000 and further relevant details are disclosed in Note 23(b) to the financial statements.

HOLDING COMPANY

The holding company of the Company is YKY Investments Ltd, which is incorporated in Bahamas.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:

    (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

    (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT
CONT'D

OTHER STATUTORY INFORMATION *cont'd*

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

Details of a subsequent event are disclosed in Note 26 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	484	113
Other auditors	43	-
	527	113

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 30 September 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 January 2019.

Goh Chye Kang **Dato' Wong King Kheng**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Goh Chye Kang and Dato' Wong King Kheng, being two of the directors of JCY International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 52 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 January 2019.

Goh Chye Kang **Dato' Wong King Kheng**

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Dato' Wong King Kheng, being the director primarily responsible for the financial management of JCY International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 106 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Dato' Wong King Kheng)
at Johor Bahru in the State of Johor)
Darul Ta'zim on 15 January 2019)

Dato' Wong King Kheng

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JCY INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of JCY International Berhad, which comprise the statements of financial position as at 30 September 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 52 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

There are no key audit matters for the Company for the financial year. The key audit matter for the Group for the financial year is described below.

Impairment assessment on property, plant and equipment

As at 30 September 2018, property, plant and equipment amounting to RM393 million and represented 33% of the Group's total assets. Management's assessment of the valuation of property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement. Furthermore, there is an increased risk of impairment due to the deteriorated market outlook. Management's assessment resulted in the recording of impairment losses amounting to RM90 million.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JCY INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)
CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key audit matters cont'd

Impairment assessment on property, plant and equipment *cont'd*

Given these judgements and the magnitude of the impairment, we considered this to be a key audit matter.

We evaluated management's assessment of impairment indications for property, plant and equipment. In respect of the value in use calculations, we have performed the following procedures with the assistance of our valuation specialists:

- Evaluated and assessed the appropriateness of the methodology and approach applied;

- Assessed the reasonableness of key assumptions used particularly the projected growth rates and gross profit margins;

- Assessed whether the discount rate used to determine the present value of the cash flows reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive; and

- Evaluated the adequacy of the Group's disclosures regarding the impairment of these property, plant and equipment, which are included in Note 12 to the consolidated financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JCY INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)
CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JCY INTERNATIONAL BERHAD
(INCORPORATED IN MALAYSIA)
CONT'D

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Tan Jin Xiang
03348/01/2020 J
Chartered Accountant

Johor Bahru, Malaysia
Date: 15 January 2019

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	1,390,916	1,599,391	40,658	108,420
Cost of sales		(1,408,337)	(1,539,830)	-	-
Gross (loss)/profit		(17,421)	59,561	40,658	108,420
Other items of income					
Other operating income		11,594	21,672	-	4,241
Other items of expense					
General and administrative expenses		(32,170)	(33,565)	(10,630)	(2,136)
Impairment loss on property, plant and equipment		(90,098)	-	-	-
Finance costs	8	(3,151)	(1,535)	-	-
(Loss)/profit before tax	5	(131,246)	46,133	30,028	110,525
Taxation	9	19,152	(5,192)	-	-
(Loss)/profit net of tax		(112,094)	40,941	30,028	110,525
Other comprehensive (loss)/income					
Foreign currency translation		(12,262)	4,358	-	-
Total comprehensive (loss)/income for the year		(124,356)	45,299	30,028	110,525
Basic (loss)/earnings per share (sen)	10	(5.4)	2.0		
Diluted (loss)/earnings per share (sen)	10	(5.4)	2.0		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	393,372	510,125	-	-
Land use rights	13	26,962	27,672	-	-
Investment in subsidiaries	14	-	-	458,011	458,011
Deferred tax assets	22	-	2,858	-	-
Restricted bank deposits	18	1,652	1,633	-	-
		421,986	542,288	458,011	458,011
Current assets					
Inventories	15	253,488	234,881	-	-
Trade and other receivables	16	285,162	313,860	211,185	217,166
Other current asset	17	5,648	8,975	31	29
Tax recoverable		9,277	5,855	-	-
Cash and bank balances	18	213,810	296,306	104	272
		767,385	859,877	211,320	217,467
Total assets		1,189,371	1,402,165	669,331	675,478
Equity and liabilities					
Current liabilities					
Trade and other payables	19	174,192	217,115	3,457	19,022
Borrowings	20	52,996	54,602	-	-
Tax liabilities		317	-	-	-
		227,505	271,717	3,457	19,022
Net current assets		539,880	588,160	207,863	198,445
Non-current liabilities					
Long term employee benefits	21	3,356	5,052	-	-
Deferred tax liabilities	22	14,666	36,586	-	-
		18,022	41,638	-	-
Total liabilities		245,527	313,355	3,457	19,022
Net assets		943,844	1,088,810	665,874	656,456
Equity attributable to equity holders of the Company					
Share capital	23	536,732	536,732	536,732	536,732
Reserves		407,112	552,078	129,142	119,724
Total equity		943,844	1,088,810	665,874	656,456
Total equity and liabilities		1,189,371	1,402,165	669,331	675,478

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	Share capital (Note 23(a)) RM'000	Treasury shares (Note 23(b)) RM'000	Foreign currency translation reserve (Note 24(b)) RM'000	Retained earnings (Note 25) RM'000	Total RM'000
		← Non-distributable		→	Distributable	
2018						
At 1 October 2017		536,732	(15,584)	65,907	501,755	1,088,810
Total comprehensive loss for the year		-	-	(12,262)	(112,094)	(124,356)
Transactions with owners						
Dividends	11	-	-	-	(20,610)	(20,610)
At 30 September 2018		536,732	(15,584)	53,645	369,051	943,844

	Note	Share capital (Note 23(a)) RM'000	Share premium RM'000	Treasury shares (Note 23(b)) RM'000	Employee share options reserve (Note 24(a)) RM'000	Foreign currency translation reserve (Note 24(b)) RM'000	Retained earnings (Note 25) RM'000	Total RM'000
		← Non-distributable				→	Distributable	
2017								
At 1 October 2016		519,030	17,112	(15,584)	1,133	61,549	552,542	1,135,782
Total comprehensive income for the year		-	-	-	-	4,358	40,941	45,299
Effects of implementation of Companies Act 2016		17,112	(17,112)	-	-	-	-	-
Transactions with owners								
Dividends	11	-	-	-	-	-	(92,722)	(92,722)
Exercise of employee share options		590	-	-	(139)	-	-	451
Transfer to retained earnings upon expiry of share options		-	-	-	(994)	-	994	-
At 30 September 2017		536,732	-	(15,584)	-	65,907	501,755	1,088,810

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	Share capital (Note 23(a)) RM'000	Non-distributable Treasury shares (Note 23(b)) RM'000	Distributable Retained earnings (Note 25) RM'000	Total RM'000
2018					
At 1 October 2017		536,732	(15,584)	135,308	656,456
Total comprehensive income for the year		-	-	30,028	30,028
Transactions with owners					
Dividends	11	-	-	(20,610)	(20,610)
At 30 September 2018		536,732	(15,584)	144,726	665,874

	Note	Share capital (Note 23(a)) RM'000	← Non-distributable Share premium RM'000	Treasury shares (Note 23(b)) RM'000	Employee share options reserve (Note 24(a)) RM'000 →	Distributable Retained earnings (Note 25) RM'000	Total RM'000
2017							
At 1 October 2016		519,030	17,112	(15,584)	1,133	116,511	638,202
Total comprehensive income for the year		-	-	-	-	110,525	110,525
Effects of implementation of Companies Act 2016		17,112	(17,112)	-	-	-	-
Transactions with owners							
Dividends	11	-	-	-	-	(92,722)	(92,722)
Exercise of employee share options		590	-	-	(139)	-	451
Transfer to retained earnings upon expiry of share options		-	-	-	(994)	994	-
At 30 September 2017		536,732	-	(15,584)	-	135,308	656,456

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Operating activities				
(Loss)/profit before tax	(131,246)	46,133	30,028	110,525
Adjustments for:				
Depreciation	80,745	94,264	-	-
Dividend income	-	-	(40,658)	(108,420)
Amortisation of land use rights	641	641	-	-
Allowances of doubtful debts				
- amount due from subsidiaries	-	-	4,168	-
Impairment loss on property, plant and equipment	90,098	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(2,224)	268	-	-
Unrealised (gain)/loss on foreign exchange	(9,754)	5,163	4,214	(4,242)
Net fair value gain on derivatives	-	(3,959)	-	-
Property, plant and equipment written off	3,400	1,466	-	-
Inventories written down to net realisable value	5,896	4,376	-	-
Defined benefit plans	(207)	531	-	-
Interest income	(5,824)	(4,217)	-	-
Interest expenses	2,294	1,055	-	-
Operating cash flows before working capital changes	33,819	145,721	(2,248)	(2,137)
Inventories	(24,502)	16,461	-	-
Receivables	41,442	(9,095)	75	2
Other current asset	3,326	260	(2)	8
Payables	(38,229)	(25,482)	(54)	(25,867)
Cash flows generated from/(used in) operations	15,856	127,865	(2,229)	(27,994)
Interest paid	(2,294)	(1,055)	-	-
Tax paid	(3,015)	(6,914)	-	-
Net cash flows generated from/(used in) operating activities	10,547	119,896	(2,229)	(27,994)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investing activities				
Interest received	5,824	4,217	-	-
Additions to unit trust fund	(1,548)	(1,447)	-	-
Additions to restricted bank deposits	(19)	-	-	-
Purchase of property, plant and and equipment	(67,528)	(42,525)	-	-
Proceeds from disposal of property, plant and equipment	8,181	2,366	-	-
Dividend income received	-	-	40,658	108,420
Loan to subsidiaries	-	-	(2,530)	(3,514)
Net cash flows (used in)/generated from investing activities	(55,090)	(37,389)	38,128	104,906
Financing activities				
Dividends paid	(36,067)	(77,265)	(36,067)	(77,265)
Proceeds from exercise of employee share options	-	451	-	451
(Repayment)/drawdown of short-term borrowings	(2,566)	4,291	-	-
Net cash flows used in financing activities	(38,633)	(72,523)	(36,067)	(76,814)
Net (decrease)/increase in cash and cash equivalents	(83,176)	9,984	(168)	98
Effect of exchange rate changes on cash and cash equivalents	(868)	2,961	-	-
Cash and cash equivalents at beginning of financial year	254,077	241,132	272	174
Cash and cash equivalents at end of financial year (Note 18)	170,033	254,077	104	272

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

1. CORPORATE INFORMATION

JCY International Berhad is a public limited company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business is located at 1, Jalan Firma 3, Kawasan Perindustrian Tebrau IV, 81100 Johor Bahru, Johor. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The holding company of the Company is YKY Investments Ltd, which is incorporated in Bahamas.

The principal activity of the Company is investment holding and design and development of hard disk drive (HDD) components. The principal activities of the subsidiaries are described in Note 14.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements which have also been prepared on a historical cost basis, except as disclosed in the accounting policies below, are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 October 2017, the Group and the Company adopted the following new and amended MFRS and annual improvements:

Description

MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)
MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The adoption of the above new and amended standards and annual improvements did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards and interpretations issued but not yet effective

The standards and amendments that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2 Share - based Payment	1 January 2020
Amendment to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance	1 January 2020
Amendment to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards and interpretations issued but not yet effective *cont'd*

The directors are of the opinion that the standards, amendments and interpretations above will have no material impact on the financial statements in the year of initial adoption other than as discussed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors anticipate that the application of MFRS 15 may have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards and interpretations issued but not yet effective *cont'd*

MFRS 16 Leases *cont'd*

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group has assessed the potential effect of MFRS 16 on its financial statements and determined that these amendments are not expected to have any significant impact on the Group.

2.4 Current versus non-current classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(i) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.5 Basis of consolidation *cont'd*

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee

(ii) Rights arising from other contractual arrangements

(iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Business combinations and goodwill

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

All other business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.6 Business combinations and goodwill *cont'd*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.7 Fair value measurement *cont'd*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.8 Property, plant and equipment *cont'd*

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. Depreciation on other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	2% - 5%
Fixtures, fittings and office equipment	20%
Motor vehicles	20%
Plant, machinery and equipment	6.7% - 20%
Electrical installation	10% - 20%
Renovation	10% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its VIU calculation on detailed budgets and forecast calculations, which are prepared separately for each of the company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumables: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The Group did not have any financial assets at fair value through profit or loss as at 30 September 2018 and 2017.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(a) Financial assets *cont'd*

Subsequent measurement *cont'd*

- **Loans and receivables**

  This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

  This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

- **Held-to-maturity investments**

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments as at 30 September 2018 and 2017.

- **AFS financial assets**

  AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

  The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(a) Financial assets *cont'd*

Subsequent measurement *cont'd*

- **AFS financial assets** *cont'd*

  For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

  The Group did not have any AFS financial assets as at 30 September 2018 and 2017.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(a) Financial assets *cont'd*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(b) Financial liabilities *cont'd*

Subsequent measurement *cont'd*

- **Financial liabilities at fair value through profit or loss** *cont'd*

  Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group does not have any financial liability at fair value through profit or loss.

- **Loans and borrowings**

  This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

  This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 20.

- **Financial guarantee contracts**

  Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(d) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under MFRS 139 are recognised in the statement of profit or loss as cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 Leases

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.15 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms, ranging from 40 to 59 years.

2.16 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.16 Taxes *cont'd*

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

(c) Defined benefit plan

The Group provides a defined benefit pension plan to its employees in Thailand. This benefit is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises related restructuring costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.18 Employee benefits *cont'd*

(c) Defined benefit plan *cont'd*

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'general and administrative expenses' in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- Net interest expense or income

2.19 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(c) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia (RM) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sales of goods

Revenue is recognised net of sales rebates and upon the transfer of risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical segments which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.22 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Deferred tax

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details of the recognised and unrecognised deferred tax assets are disclosed in Note 23.

(b) Income tax

Judgement is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use ("VIU"). The computation of fair value less costs of disposal is based on available data from observable market prices less incremental costs for disposing the assets. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next ten years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. In assessing the VIU of the CGU, judgement is involved in assessing the appropriate discount rate, the forecasted growth and profit margin of the CGU. Further details are disclosed in Note 12.

4. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sales of hard disk drive components	1,336,201	1,568,544	-	-
Sales of other components	54,715	30,847	-	-
Dividend income	-	-	40,658	108,420
	1,390,916	1,599,391	40,658	108,420

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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5. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before tax is stated after charging:				
Depreciation (Note 12)	80,745	94,264	-	-
Amortisation of land use rights (Note 13)	641	641	-	-
Allowances for doubtful debts:				
- amount due from subsidiaries	-	-	4,168	-
Auditors' remuneration:				
- statutory audit				
- current year	462	423	113	106
- underprovision in prior year	7	1	-	1
- other services	58	66	-	53
Employee benefits expense (Note 6)	263,081	252,488	530	530
Impairment loss on property, plant and equipment (Note 12)	90,098	-	-	-
Inventories written down to net realisable value	5,896	4,376	-	-
Non-executive directors' remuneration (Note 7)				
- fees	360	360	360	360
- other emoluments	300	300	300	300
Rental of land and building	1,491	1,724	-	-
Rental of equipment	1,106	1,525	-	-
Rental of hostel	7,036	7,788	-	-
Rental of office	-	38	-	-
Loss on disposal of property, plant and equipment	-	268	-	-
Property, plant and equipment written off	3,400	1,466	-	-
Loss on foreign exchange				
- realised	9,361	-	-	-
- unrealised	-	5,163	4,214	-
And crediting:				
Interest income from deposits	4,276	2,770	-	-
Investment income from unit trust fund	1,548	1,447	-	-
Gain on disposal of property, plant and equipment	2,224	-	-	-
Net fair value gain on derivatives	-	3,959	-	-
Gain on foreign exchange				
- realised	-	17,015	-	-
- unrealised	9,754	-	-	4,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
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6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	233,059	242,845	530	530
Defined contribution plans	5,384	4,745	-	-
Social security contributions	2,784	2,327	-	-
Defined benefit plans (Note 21)	(207)	531	-	-
Other staff related expenses	22,061	2,040	-	-
	263,081	252,488	530	530

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM6,017,000 (2017: RM5,853,000) and RM530,000 (2017: RM530,000) respectively, as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and the Company during the year are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive directors (Note 6):				
Salaries and bonus	5,314	5,176	50	50
Fees	580	558	480	480
Defined contribution plan	123	119	-	-
	6,017	5,853	530	530
Non-executive directors (Note 5):				
Fees	360	360	360	360
Other emoluments	300	300	300	300
	660	660	660	660
	6,677	6,513	1,190	1,190
Directors of subsidiaries				
Salaries and bonus	954	913	-	-
Defined contribution plan	100	95	-	-
Fees	225	153	-	-
	1,279	1,161	-	-
Total directors' remuneration	7,956	7,674	1,190	1,190

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
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7. DIRECTORS' REMUNERATION *cont'd*

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2018	**2017**
Executive directors:		
RM1,100,001 - RM1,150,000	1	2
RM1,150,001 - RM1,200,000	1	-
RM1,500,001 - RM1,550,000	1	1
RM1,550,001 - RM1,950,000	-	-
RM1,950,000 - RM2,000,000	-	-
RM2,000,001 - RM2,050,000	-	-
RM2,050,001 - RM2,100,000	-	1
RM2,100,001 - RM2,150,000	1	-
Non-executive directors:		
RM100,001 - RM150,000	2	2
RM400,001 - RM450,000	1	1

8. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on:				
- Bankers' acceptances	1,079	1,052	-	-
- Bill payable	11	3	-	-
- Account receivables factoring	1,204	-	-	-
Bank charges	857	480	-	-
	3,151	1,535	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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9. TAXATION

Major components of taxation

The major components of taxation for the financial years ended 30 September 2018 and 2017 are:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Statement of comprehensive income:				
Current income tax:				
Malaysian income tax	437	1,533	-	-
Overprovision in prior year	(485)	(114)	-	-
	(48)	1,419	-	-
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	(23,002)	1,837	-	-
Underprovision in prior year	3,898	1,936	-	-
	(19,104)	3,773	-	-
	(19,152)	5,192	-	-

Reconciliation between tax expense and accounting (loss)/profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 30 September 2018 and 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation	(131,246)	46,133	30,028	110,525
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(31,499)	11,072	7,207	26,526
Income not subject to tax	(371)	(7,963)	(9,757)	(27,038)
Expenses not deductible for tax purposes	7,904	3,025	2,550	512
Deferred tax assets not recognised on unutilised tax losses	1,401	-	-	-
Utilisation of current year's reinvestment allowances	-	(2,764)	-	-
Overprovision of income tax in prior year	(485)	(114)	-	-
Underprovision of deferred tax in prior year	3,898	1,936	-	-
Income tax expense recognised in profit or loss	(19,152)	5,192	-	-

Certain subsidiaries of the Group has been granted full income tax exemption by the relevant authorities on the income arising from manufacture of hard disk drive components for a period ranging from seven (7) years to ten (10) years commencing 1 April 2006, 27 June 2008 and 10 December 2010. Two of the above tax exemptions expired on 31 March 2016 and 31 March 2017. The last tax exemption will expire on 9 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

CONT'D

9. TAXATION *cont'd*

Reconciliation between tax expense and accounting (loss)/profit *cont'd*

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain subsidiaries of the Group enjoy tax exemptions from the relevant authorities on their business income for current and future periods.

The computation of deferred tax as at 30 September 2018 and 2017 has reflected the effects of the above items.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share is calculated by dividing (loss)/profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 September:

	Group	
	2018	**2017**
(Loss)/profit attributable to ordinary equity holders of the Company (RM'000)	(112,094)	40,941
Weighted average number of ordinary shares for basic earnings per share computation ('000 units)	2,060,912	2,060,544
Effects of dilution:-		
Share options ('000 units)	-	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000 units)	2,060,912	2,060,544
Basic (loss)/earnings per share (sen)	(5.4)	2.0
Diluted (loss)/earnings per share (sen)	(5.4)	2.0

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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11. DIVIDENDS

	Dividend recognised in year	
	2018	2017
	RM'000	RM'000
In respect of financial year ended 2016:		
Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares	-	25,752
In respect of financial year ended 2017:		
Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares	-	25,752
Single tier interim dividend of 1.25 sen per ordinary share on 2,060,912,300 ordinary shares	-	25,761
Single tier interim dividend of 0.75 sen per ordinary share on 2,060,912,300 ordinary shares	-	15,457
Single tier interim dividend of 0.50 sen per ordinary share on 2,060,912,300 ordinary shares	10,305	-
In respect of financial year ended 2018:		
Single tier interim dividend of 0.50 sen per ordinary share on 2,060,912,300 ordinary shares	10,305	-
	20,610	92,722

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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12. PROPERTY, PLANT AND EQUIPMENT

2018 Group	Freehold land RM'000	Buildings RM'000	Construction in progress RM'000	Fixtures, fittings and office equipment RM'000	Plant and machinery RM'000	Equipment RM'000	Electrical installation RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Cost										
At 1 October 2017	8,941	230,367	9,867	10,034	1,203,284	143,905	9,524	18,710	2,532	1,637,164
Additions	-	318	19,732	1,407	30,656	13,737	-	1,571	107	67,528
Disposals	-	-	-	(64)	(47,755)	(5,332)	-	-	(210)	(53,361)
Reclassifications	-	-	(889)	16	873	-	-	-	-	-
Written off	-	(4)	(8)	(10)	(3,392)	-	-	-	-	(3,414)
Exchange differences	92	(2,299)	541	(45)	(11,712)	-	-	(358)	(18)	(13,799)
At 30 September 2018	9,033	228,382	29,243	11,338	1,171,954	152,310	9,524	19,923	2,411	1,634,118
Accumulated depreciation and impairment loss										
At 1 October 2017	-	63,190	-	8,832	913,746	115,285	9,388	14,325	2,273	1,127,039
Depreciation charge for the year (Note 5)	-	8,369	-	561	62,830	7,620	82	1,160	123	80,745
Impairment loss	-	-	8,207	575	71,068	8,888	15	1,278	67	90,098
Disposals	-	-	-	(55)	(44,875)	(2,264)	-	-	(210)	(47,404)
Written off	-	2	-	(10)	(2)	-	-	-	-	(14)
Exchange differences	-	(374)	-	(40)	(9,173)	-	-	(116)	(15)	(9,718)
At 30 September 2018	-	71,183	8,207	9,863	993,594	129,529	9,485	16,647	2,238	1,240,746
Net carrying amount										
At 30 September 2018	9,033	157,199	21,036	1,475	178,360	22,781	39	3,276	173	393,372

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
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12. PROPERTY, PLANT AND EQUIPMENT *cont'd*

2017 Group	Freehold land RM'000	Buildings RM'000	Construction in progress RM'000	Fixtures, fittings and office equipment RM'000	Plant and machinery RM'000	Equipment RM'000	Electrical installation RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Cost										
At 1 October 2016	8,507	220,482	13,836	11,577	1,168,678	143,188	9,524	20,844	2,484	1,599,120
Additions	-	34	14,184	296	23,631	3,301	-	1,079	-	42,525
Disposals	-	(32)	-	(37)	(4,680)	(1,842)	-	-	-	(6,591)
Written off	-	-	-	(1,987)	(13,979)	(742)	-	(4,210)	-	(20,918)
Reclassifications	-	5,450	(18,653)	6	12,314	-	-	883	-	-
Exchange differences	434	4,433	500	179	17,320	-	-	114	48	23,028
At 30 September 2017	8,941	230,367	9,867	10,034	1,203,284	143,905	9,524	18,710	2,532	1,637,164
Accumulated depreciation and impairment loss										
At 1 October 2016	-	53,141	-	9,976	844,592	106,137	9,306	17,337	2,095	1,042,584
Depreciation charge for the year (Note 5)	-	8,480	-	704	73,663	10,083	82	1,113	139	94,264
Disposals	-	(29)	-	(36)	(3,653)	(239)	-	-	-	(3,957)
Written off	-	-	-	(1,937)	(12,665)	(696)	-	(4,154)	-	(19,452)
Exchange differences	-	1,598	-	125	11,809	-	-	29	39	13,600
At 30 September 2017	-	63,190	-	8,832	913,746	115,285	9,388	14,325	2,273	1,127,039
Net carrying amount										
At 30 September 2017	8,941	167,177	9,867	1,202	289,538	28,620	136	4,385	259	510,125

12. PROPERTY, PLANT AND EQUIPMENT *cont'd*

The impairment loss of RM90,098,000 in this financial year represents write-down of certain property, plant and equipment to the recoverable amount determined at the level of the cash generating unit ("CGU"). The CGU consists of the Group's HDD component manufacturing and trading business. This was recognised in the statement of profit or loss as impairment loss on property, plant and equipment. The recoverable amount as at 30 September 2018 was based on value in use ("VIU"). In determining the VIU, the key assumptions applied were negative growth rates on sales volume ranging between 1.1% to 21.9% and pre-tax discount rate of 11%.

13. LAND USE RIGHTS

	Group	
	2018	**2017**
	RM'000	**RM'000**
As at beginning of financial year	27,672	28,280
Amortisation for the financial year (Note 5)	(641)	(641)
Exchange differences	(69)	33
As at end of financial year	26,962	27,672
Amount to be amortised:		
- Not later than one year	641	641
- Later than one year but not later than five years	2,562	2,562
- Later than five years	23,759	24,469
	26,962	27,672

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares, at cost:		
- In Malaysia	452,751	452,751
- Outside Malaysia	2,300	2,300
	455,051	455,051
Less: Accumulated impairment losses	(2,300)	(2,300)
	452,751	452,751
ESOS granted to employees of subsidiaries	5,260	5,260
	458,011	458,011

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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14. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	2018 %	2017 %	Principal activities
Held by the Company:				
JCY HDD Technology Sdn Bhd*	Malaysia	100.00	100.00	Manufacturing and trading of HDD components
JCY HDD Technology Pte Ltd**	Singapore	100.00	100.00	Dormant
JCY HDD Industries Sdn Bhd*	Malaysia	100.00	100.00	Trading of HDD components and management services
Minarex Holdings Limited*	Mauritius	100.00	100.00	Investment holding
Held by Minarex Holdings Limited:				
Foshan YK HDD Co. Ltd***	The People's Republic of China	100.00	100.00	Dormant
PCA Hard.Com Sdn Bhd Limited*	British Virgin Island	100.00	100.00	Dormant
JCY HDD Technology Company Limited**	Thailand	99.99	99.99	Manufacturing and distribution of HDD components
Axius Investments Ltd*	Mauritius	100.00	100.00	Investment holding
Held by Axius Investments Ltd:				
YK Technology (Suzhou) Co. Ltd***	The People's Republic of China	100.00	100.00	Manufacturing and trading of HDD components
Held by JCY HDD Technology Sdn. Bhd.:				
QB Technology Sdn Bhd*	Malaysia	100.00	100.00	Provision of labour management services within the Group

* *Audited by Ernst & Young, Malaysia*
** *Audited by member firms of Ernst & Young Global in the respective countries*
*** *Audited by firms other than Ernst & Young*

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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15. INVENTORIES

	Group	
	2018	2017
	RM'000	RM'000
At cost:		
Raw materials	70,226	57,942
Work-in-progress	90,212	85,354
Finished goods	29,331	41,812
Consumables	19,760	21,399
	209,529	206,507
At net realisable value:		
Work-in-progress	8,686	6,990
Finished goods	29,953	21,384
Consumables	5,320	-
	43,959	28,374
	253,488	234,881

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables				
Third parties	266,476	302,240	-	-
Less: Allowance for impairment	-	(2,815)	-	-
	266,476	299,425	-	-
Other receivables				
Sundry receivables	17,024	12,556	-	-
Staff advances	154	200	-	-
Deposits	1,508	1,679	-	-
Due from subsidiaries	-	-	215,353	217,166
Less: Allowance for impairment	-	-	(4,168)	-
	18,686	14,435	211,185	217,166
Total trade and other receivables	285,162	313,860	211,185	217,166
Add: Cash and bank balances (Note 18)	215,462	297,939	104	272
Total loans and receivables	500,624	611,799	211,289	217,438

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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16. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables

The Group's primary exposure to credit risk arises from its trade receivables. The Group's trading terms with its customers are on credit. The credit period is generally for a period of 30 days, extending up to 60 days for major customers. Each customer has a maximum credit limit. Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are unsecured and non-interest bearing.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Neither past due nor impaired	195,928	219,451
1 to 30 days past due but not impaired	66,508	70,334
31 to 60 days past due but not impaired	3,649	9,419
61 to 90 days past due but not impaired	244	165
More than 91 days past due but not impaired	147	56
	70,548	79,974
Impaired	-	2,815
	266,476	302,240

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Almost all of the Group's trade receivables arise from customers with more than four years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM70,548,000 (2017: RM79,974,000) that are past due at the reporting date but not impaired.

Although these balances are unsecured in nature, they are mostly due from customers which have a long-term relationship with the Group.

NOTES TO THE FINANCIAL STATEMENTS
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16. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowances accounts used to record the impairment are as follows:

	Group	
	2018	2017
	RM'000	RM'000
At 1 October	2,815	2,815
Written off	(2,815)	-
At 30 September	-	2,815

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts due from subsidiaries - non-trade

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Non-trade receivables that are impaired

The Company's non-trade receivables that are impaired at the reporting date and the movement of the allowances accounts used to record the impairment are as follows:

	Company	
	2018	2017
	RM'000	RM'000
At 1 October	-	-
Addition during the year	4,168	-
At 30 September	4,168	-

17. OTHER CURRENT ASSET

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Prepayments	5,648	8,975	31	29

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18. CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current:				
Cash on hand and cash at bank	89,149	112,909	104	272
Repurchase agreements	35,711	74,378	-	-
Fixed deposits with commercial banks	45,173	66,790	-	-
Cash and cash equivalents	170,033	254,077	104	272
Unit trust fund	43,777	42,229	-	-
Cash and bank balances (current)	213,810	296,306	104	272
Non-current:				
Restricted bank deposits	1,652	1,633	-	-
Total cash and bank balances	215,462	297,939	104	272

In addition to the Group's restricted bank deposits, bank balances of the Group amounting to approximately RM1,363,000 (2017: RM1,363,000) are pledged for bank guarantee facilities granted to certain subsidiaries.

The interest rates and maturities of repurchase agreements, fixed deposits and restricted bank deposits of the Group as at the end of the financial year were as follows:

	Range of interest rates		Range of maturities	
	2018	2017	2018	2017
	%	%	Days	Days
Repurchase agreements	1.30 - 3.00	0.80 - 2.95	1 - 3	1 - 7
Fixed deposits with commercial banks	1.00 - 1.98	2.90	180 - 365	5 - 31
Restricted bank deposits	1.00 - 1.50	1.00 - 1.50	>365	>365

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payable				
Third parties	131,880	152,229	-	-
Other payables				
Sundry payables	20,068	15,804	-	14
Tax payables	28	427	-	-
Accruals	22,216	33,197	907	925
Amount due to subsidiary	-	-	2,550	2,625
Dividend payable	-	15,458	-	15,458
	42,312	64,886	3,457	19,022
Total trade and other payables	174,192	217,115	3,457	19,022
Add: Borrowings (Note 20)	52,996	54,602	-	-
Total financial liabilities carried at amortised cost	227,188	271,717	3,457	19,022

(a) Trade payable

Trade payables are unsecured, non-interest bearing and the normal trade credit terms granted to the Group is two months.

(b) Amount due to subsidiary - non-trade

The non-trade amount due to subsidiary is unsecured, non-interest bearing and repayable on demand.

20. BORROWINGS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Current		
Unsecured:		
Foreign currency trade loans	52,996	54,602
	52,996	54,602

The interest rates at the reporting date for borrowings were as follows:

	Group	
	2018	**2017**
Foreign currency trade loans	2.32 - 2.74	1.40 - 1.68

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20. BORROWINGS *cont'd*

The Group's borrowings are secured by the following:

(a) Corporate guarantee from the Company; and
(b) Negative pledge over the assets of a subsidiary.

Movements in the borrowings were as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	54,602	50,608
Addition:		
- Foreign currency trade loans	-	4,291
Repayment:		
- Foreign currency trade loans	(2,566)	-
Effect of exchange rate differences	960	(297)
At 31 December	52,996	54,602

21. LONG TERM EMPLOYEE BENEFITS

The Group has an unfunded defined benefit plan in Thailand. The plan is governed by the employment laws of Thailand which requires that upon normal retirement, employees are entitled to severance payment at rates ranging from 1 to 10 times of their final month of basic salary, depending on the length of service.

	Group	
	2018	**2017**
	RM'000	**RM'000**
Non-current liability		
Present value of unfunded obligations	3,356	5,052
Movement in the present value of defined benefit obligation		
At 1 October	5,052	4,267
Recognised in the profit or loss (Note 6)	(207)	531
Utilised during the year	(1,548)	-
Exchange differences	59	254
At 30 September	3,356	5,052
Expenses recognised in profit or loss		
Current service costs	5,957	4,537
Interest expense	166	203
Effect of changes in financial assumptions	(6,330)	(4,209)
	(207)	531

The expenses are recognised in general and administrative expenses.

21. LONG TERM EMPLOYEE BENEFITS *cont'd*

Principal actuarial assumptions used in determining the defined benefit obligation for the Group's plan are shown below:

	2018	2017
Discount rate at 30 September	3.25%	2.80%
Rate of future salary increases	3.00%	3.00%

A quantitative sensitivity analysis for significant assumptions as at 30 September is shown below:

	Increase/(decrease) in profit net of tax	
	2018	2017
	RM'000	RM'000
Discount rate:		
0.5% increase	(192)	(285)
0.5% decrease	208	311
Rate of future salary increases:		
0.5% increase	208	309
0.5% decrease	(193)	(285)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in the significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following payments are expected contributions to the defined benefit in future years:

	2018	2017
	RM'000	RM'000
Within the next 12 months	58	77
Between 2 and 5 years	238	861
Between 5 and 10 years	1,306	1,622
Beyond 10 years	1,754	2,492
Total expected payments	3,356	5,052

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22. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2018 RM'000	Group 2017 RM'000
At beginning of financial year	(33,728)	(30,116)
Recognised in profit or loss (Note 9)	19,104	(3,773)
Translation difference	(42)	161
At end of financial year	(14,666)	(33,728)
Presented after appropriate offsetting as follows:		
Deferred tax assets	12,369	2,858
Deferred tax liabilities	(27,035)	(36,586)
	(14,666)	(33,728)

The components of deferred tax mainly relate to timing differences on capital allowances for property, plant and equipment and unutilised tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised. The movement of deferred tax during the financial year is as follows:

2018	Property, plant and equipment RM'000	Unutilised tax losses and unabsorbed allowances RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax (liabilities)/assets				
At beginning of financial year	(42,271)	-	8,543	(33,728)
Recognised in profit or loss	15,236	11,617	(7,749)	19,104
Translation difference	-	-	(42)	(42)
At end of financial year	(27,035)	11,617	752	(14,666)

2017	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax (liabilities)/assets			
At beginning of financial year	(39,560)	9,444	(30,116)
Recognised in profit or loss	(2,711)	(1,062)	(3,773)
Translation difference	-	161	161
At end of financial year	(42,271)	8,543	(33,728)

At the reporting date, the Group had tax losses of approximately RM14,007,000 (2017: RMNil) that are available for offset against future taxable profits of the companies, for which no deferred tax assets are recognised due to uncertainty over their recoverability. The use of tax losses of is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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23. SHARE CAPITAL

	Number of ordinary shares		Amount	
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid)	Treasury shares
	'000	'000	RM'000	RM'000
Issued and paid up				
2018				
At beginning and end of financial year	2,076,859	(15,947)	536,732	(15,584)
Issued and paid up				
2017				
At beginning of financial year	2,076,119	(15,947)	519,030	(15,584)
Effect of implementation of Companies Act 2016	-	-	17,112	-
Exercise of employee share options	740	-	590	-
At end of financial year	2,076,859	(15,947)	536,732	(15,584)

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Implementation of Companies Act 2016

With effect from 31 January 2017, all entities shall comply with the Companies Act 2016 ("CA 2016") in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 January 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

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24. OTHER RESERVES

(a) Employee share options reserve

Employee share options reserve arises from equity-settled share options granted to employees (Note 26). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

25. RETAINED EARNINGS

The entire retained earnings of the Company as at 30 September 2018 and 30 September 2017 may be distributed as dividends under the single tier system.

26. EXECUTIVES' SHARE OPTIONS SCHEME

In previous financial years, the Company introduced an Executives' Share Options Scheme ("ESOS") to eligible employees of the Group.

Description of the ESOS

The ESOS was approved at the Extraordinary General Meeting of the Company held on 24 March 2011 and implemented on 1 August 2011 with a duration of 3 years. The Options Committee extended the duration of the ESOS for another 3 years. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM0.61 each. All options granted are divided into 3 equal tranches which vest on 2 July 2013, 1 July 2014 and 1 July 2015. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiary on the respective vesting and exercise dates. The options expired on 31 July 2017.

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

	Number of share options at exercise price of RM0.61 each	
	2018	**2017**
	RM'000	**RM'000**
Outstanding at beginning of financial year	-	5,181
- Expired	-	(4,441)
- Exercised	-	(740)
Outstanding at end of financial year	-	-
Exercisable at end of financial year	-	-

26. EXECUTIVES' SHARE OPTIONS SCHEME *cont'd*

Movement of share options during the financial year *cont'd*

- The weighted average share price at the date of exercise of the options exercised during the previous financial year was RM0.76.
- No share options granted under JCYI's ESOS was recognised in profit or loss during the year.

New ESOS scheme in 2018

A new ESOS was approved at the Extraordinary General Meeting of JCYI held on 27 February 2018 and implemented on 17 April 2018 for a duration of 5 years ("ESOS 2018"). The options are to be settled only by the issuance and allocation of new ordinary shares in JCYI.

On 8 October 2018, JCYI issued 67,170,000 share options to eligible executives and directors under ESOS 2018. These share options have an exercise price of RM0.25 each, and their vesting periods range from immediate to 1 October 2020. The expense relating to the above will be recognised during the financial year ending 30 September 2019.

27. COMMITMENTS

(a) Capital commitments

Committed capital expenditure as at the reporting date is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Approved and contracted for:		
Property, plant and equipment	7,969	20,069

(b) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 13, the Group has entered into non-cancellable operating lease agreements for the use of land, buildings and hostel. These leases have an average life of between 1 and 5 years with renewal options of 12 months included in the contracts.

Minimum lease payments, including amortisation of land use rights, recognised in profit or loss for the financial year ended 30 September 2018 amounted to RM10,430,000 (2017: RM15,243,000).

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Future minimum rental payments:		
Not later than 1 year	2,243	1,299
Later than 1 year and not later than 5 years	2,260	1,705
	4,503	3,004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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28. RELATED PARTY TRANSACTIONS

(a) Sales and purchases of goods and services

	2018 RM'000	2017 RM'000
Company		
Dividend income from a subsidiary	40,658	108,420

(b) Compensation to key management personnel

Key management personnel of the Group and of the Company are also executive directors of the Company. Information on compensation to executive directors is disclosed in Note 7.

(c) Guarantees

The Company has provided the following guarantees to its subsidiary, JCY HDD Technology Sdn. Bhd. as at 30 September 2018:

- Guarantee to utilities providers, RM12,232,000 (2017: RM12,821,000). No liability is expected to arise from the guarantee.
- Guarantee to customs for potential claims and taxes, RM550,000 (2017: RM550,000). No liability is expected to arise from the guarantee.

29. FAIR VALUE

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Trade and other receivables	16
Trade and other payables	19
Borrowings	20

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

For the purpose of the above estimates of fair value of financial instruments, 'short term nature' is defined as a period within one year.

29. FAIR VALUE *cont'd*

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Investment in subsidiaries

Fair value information has not been disclosed for the Company's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in subsidiaries that are not quoted on any market and does not have any comparable industry peers that are listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques would be significant. The Company does not intend to dispose off these investments in the foreseeable future.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

Credit risks, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Cash terms and advance payments are required for customers of lower credit standing.

Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

As at year end, the Group has a concentration of credit risk as a substantial portion of the trade receivables were due from its principal customers.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statement of financial position.
- A nominal amount of RM52,996,000 (2017: RM54,602,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 16(a).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(a) Credit risk *cont'd*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2018		2017	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	121,171	45	143,128	48
Singapore	1,704	1	14	-
Thailand	143,543	54	156,011	52
Other countries	58	-	272	-
	266,476	100	299,425	100

At the reporting date, approximately 98% (2017: 96%) of the Group's trade receivables were due from 3 (2017: 3) major customers.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 16. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16(a).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

Other than the Group's long term employee benefits amounting to RM3,356,000 (2017: RM5,052,000), all of the Group's and the Company's liabilities at the reporting date fall due within one year.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's primary interest rate risk relates to deposit placements and interest-bearing debt. The Group manages its interest rate exposure for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms. The Group manages its interest rate exposure for interest-bearing debt by constantly reviewing its debt portfolio to capitalise on cheaper funding when interest rates are low and relying on internally generated funds when interest rates are high.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit/(loss) net of tax would have been RM272,000 (2017: RM489,000) lower/higher, arising mainly as a result of higher/lower interest income on repurchase agreements and fixed deposits with commercial banks. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD), Singapore Dollars (SGD) and Thailand Baht (Baht). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are closely monitored by the Group and kept to an acceptable level.

Approximately 100% (2017: 96%) of the Group's sales are denominated in foreign currencies whilst 53% (2017: 50%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM135,114,000 (2017: RM164,096,000) and RM Nil (2017: RM50,400) for the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign currency risk *cont'd*

The Group is also exposed to currency translation risk arising from its foreign operations. The Group's investment in these subsidiaries are not hedged as the currency position in these subsidiaries are considered to be long-term in nature.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Functional currency of group companies			
Net financial assets/(liabilities) held in non-functional currency	**Thai Baht RM'000**	**Ringgit Malaysia RM'000**	**Chinese Renminbi RM'000**	**Total RM'000**
2018				
United States Dollars	(172,232)	478,141	30,677	336,586
Singapore Dollars	(3,020)	(8,703)	-	(11,723)
Thai Baht	-	(596)	-	(596)
Others	-	(170)	-	(170)
	(175,252)	468,672	30,677	324,097
2017				
United States Dollars	(180,963)	323,119	23,155	165,311
Singapore Dollars	-	(14,117)	-	(14,117)
Thai Baht	-	(322)	-	(322)
Euro	-	(498)	-	(498)
Others	-	(8)	-	(8)
	(180,963)	308,174	23,155	150,366

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign currency risk *cont'd*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the USD, SGD, EUR and Baht exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		Increase/(decrease) in profit net of tax	
		2018	**2017**
		RM'000	**RM'000**
USD/RM	- strengthened 10% (2017: 10%)	47,814	32,312
	- weakened 10% (2017: 10%)	(47,814)	(32,312)
USD/Baht	- strengthened 10% (2017: 10%)	(17,223)	(18,096)
	- weakened 10% (2017: 10%)	17,223	18,096
USD/RMB	- strengthened 10% (2017: 10%)	(3,068)	(2,316)
	- weakened 10% (2017: 10%)	3,068	2,316
SGD/RM	- strengthened 10% (2017: 10%)	(870)	(1,412)
	- weakened 10% (2017: 10%)	870	1,412
EUR/RM	- strengthened 10% (2017: 10%)	-	(50)
	- weakened 10% (2017: 10%)	-	50
Baht/RM	- strengthened 10% (2017: 10%)	(60)	(32)
	- weakened 10% (2017: 10%)	60	32

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2018 and 30 September 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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31. CAPITAL MANAGEMENT *cont'd*

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners.

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Borrowings	20	52,996	54,602	-	-
Trade and other payables	19	174,192	217,115	3,457	19,022
Less: Cash and bank balances	18	(213,810)	(296,306)	(104)	(272)
Net debt		13,378	(24,589)	3,353	18,750
Equity attributable to the owners of the parent, represents total capital		943,844	1,088,810	665,874	656,456
Capital and net debt		957,222	1,064,221	669,227	675,206
Gearing ratio		1%	0%	1%	3%

32. SEGMENT INFORMATION

The Group's activities are predominantly in the 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 are outside Malaysia but which individually fall below the 10% threshold of a reportable segment.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018
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32. SEGMENT INFORMATION *cont'd*

Geographical segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segment:

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Total RM'000
30 September 2018					
Revenue					
Sales to external customers	1,054,773	336,035	108	-	1,390,916
Inter-segment sales	274,818	-	77,488	(352,306)	-
Total revenue	1,329,591	336,035	77,596	(352,306)	1,390,916
Results					
Segment results	(68,063)	(26,928)	(70,716)	37,612	(128,095)
Finance costs	(1,876)	(1,262)	(13)	-	(3,151)
(Loss)/profit before tax	(69,939)	(28,190)	(70,729)	37,612	(131,246)
Income tax	21,990	(2,816)	-	(22)	19,152
(Loss)/profit net of tax	(47,949)	(31,006)	(70,729)	37,590	(112,094)
Assets and liabilities					
Segment assets	1,721,456	168,535	453,841	(1,154,461)	1,189,371
Segment liabilities	276,134	191,803	300,352	(522,762)	245,527
Other segment information					
Depreciation	46,836	23,153	11,539	(783)	80,745
Amortisation	607	-	34	-	641

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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32. SEGMENT INFORMATION *cont'd*

Geographical segments *cont'd*

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Total RM'000
30 September 2017					
Revenue					
Sales to external customers	1,153,466	446,235	(310)	-	1,599,391
Inter-segment sales	267,006	-	70,596	(337,602)	-
Total revenue	1,420,472	446,235	70,286	(337,602)	1,599,391
Results					
Segment results	23,407	21,258	4,416	(1,413)	47,668
Finance costs	(1,485)	(24)	(26)	-	(1,535)
Profit/(loss) before tax	21,922	21,234	4,390	(1,413)	46,133
Income tax	(3,929)	(1,263)	-	-	(5,192)
Profit/(loss) net of tax	17,993	19,971	4,390	(1,413)	40,941
Assets and liabilities					
Segment assets	1,406,701	212,370	264,896	(481,802)	1,402,165
Segment liabilities	314,882	204,389	229,192	(435,108)	313,355
Other segment information					
Depreciation	58,992	24,697	15,503	(4,928)	94,264
Amortisation	608	-	33	-	641

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the directors on 15 January 2019.

LIST OF PROPERTIES

No.	Address/Location	Tenure of land (years)	Existing use	Land area/ Built up area	Age of Building	Net book value as at 30 September 2018 (RM)
1	No. 1, Jalan Firma 3 Kawasan Perindustrian Tebrau IV, Mukim Tebrau 81100 Johor Bahru Johor	60 years lease commencing on 1 February 2000 and expiring 31 January 2060	Factory building cum office	Approximately 2.002 acres. Total built up area of approximately 50,000 square feet	17.5 years	3,825,000
2	No. 17, Jalan Firma 3 Kawasan Perindustrian Tebrau IV, Mukim Tebrau 81100 Johor Bahru Johor	60 years lease commencing on 1 February 2000 and expiring 31 January 2060	Factory building cum office	Approximately 2.5 acres. Total built up area of approximately 69,000 square feet	18 years	4,221,000
3	No. 15, Jalan Firma 3 Kawasan Perindustrian Tebrau IV, Mukim Tebrau 81100 Johor Bahru Johor	60 years lease commencing on 22 August 2000 and expiring 21 August 2060	Factory building cum office	Approximately 2.501 acres. Total built up area of approximately 153,000 square feet	17 years	10,597,000
4	No. 3, Jalan Firma 3 Kawasan Perindustrian Tebrau IV, Mukim Tebrau 81100 Johor Bahru Johor	60 years lease commencing on 1 February 2000 and expiring 31 January 2060	Factory building cum office	Approximately 1.986 acres. Total built up area of approximately 55,000 square feet	18 years	4,633,000
5	No. 24/No. 24A/No. 24B Jalan Firma 2, Kawasan Perindustrian Tebrau IV Mukim Tebrau 81100 Johor Bahru Johor	60 years lease commencing on 30 November 2002 and expiring 29 November 2062	Factory building cum office	Approximately 4 acres. Total built up area of approximately 129,000 square feet	14.5 years	13,420,000
6	PLO 296, Jalan Firma 2 Kawasan Perindustrian Tebrau IV, Mukim Tebrau 81100 Johor Bahru Johor	60 years lease commencing on 6 January 2003 and expiring 5 January 2063	Factory building cum office	Approximately 5 acres. Total built up area of approximately 237,000 square feet	9 years	29,031,000
7	Plo 279, Jalan Firma 3 Kawasan Perindustrian Tebrau IV 81100 Johor Bahru Johor	60 years lease commencing on 6 January 2003 and expiring 5 January 2063	Factory building cum office	Approximately 2.637 acres. Total built up area of approximately 83,000 square feet	17 years	10,342,000
8	Lot PT 2743 Jalan Bemban Kawasan Perindustrian Jasin, 77000 Jasin Melaka	Freehold	Factory building cum office	Approximately 2.81082 acres. Total built up area of approximately 64,000 square feet	16 years	3,825,000

LIST OF PROPERTIES
CONT'D

No.	Address/Location	Tenure of land (years)	Existing use	Land area/ Built up area	Age of Building	Net book value as at 30 September 2018 (RM)
9	HS(D) 46612, PT 394 Mukim 13, Daerah Seberang Perai Tengah Pulau Pinang	60 years lease commencing on 12 March 2001 and expiring 11 March 2061	Factory building cum office	Approximately 9.33317 acres. Total built up area of approximately 120,000 square feet	9 years	14,147,000
10	HS(D) 26391, PT 261 Mukim 13 Seberang Perai Tengah Pulau Pinang	60 years lease commencing on 7 July 1998 and expiring 6 July 2058	Factory building cum office	Approximately 4.0003 acres. Total built up area of approximately 132,342 square feet	13.5 years	22,545,000
11	Certificate No. Wu Guo Yong (2007) Di 20805 for a parcel of land located at Hedong Industrial Park, Wuzhong Economic Development Zone Jiangsu Province, PRC	50 years from 11 May 2007 to 10 May 2057	Factory building cum office	Approximately 13.17887 acres. Total built up area of approximately 245,221 square feet	7 years	38,898,000
12	Plot No. 43 in the S I L Industrial Zone, land title deed no. 36364, located at Bualoy Sub-District Nongkhae District Saraburi Province Thailand	Freehold	Factory building cum office	Approximately 11.806 acres. Total built up area of approximately 203,181 square feet	12 years	37,710,000

STATISTICS OF SHAREHOLDINGS
AS AT 31 DECEMBER 2018

Number of Issued Share Capital	:	2,076,859,000 Ordinary Shares (including 15,946,700 treasury shares)
Voting Rights	:	One (1) vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%#	No. of Shares#	%#
1 – 99	13	0.13	271	0.00
100 – 1,000	872	8.85	692,209	0.03
1,001 – 10,000	4,466	45.32	28,292,901	1.37
10,001 – 100,000	3,803	38.59	135,065,700	6.55
100,001 – 103,045,614 (*)	700	7.10	381,378,167	18.51
103,045,615 and above (**)	1	0.01	1,515,483,052	73.53
TOTAL	**9,855**	**100.00**	**2,060,912,300**	**100.00**

Remarks: * *Less than 5% of Issued Shares.*
** *5% and above of Issued Shares.*
# *After netting off 15,946,700 treasury shares held as at 31 December 2018.*

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of JCY International Berhad and their respective shareholdings based on the Register of Substantial Shareholders of JCY as at 31 December 2018 are as follows:-

	No. of Shares			
Substantial Shareholders	**Direct**	**%#**	**Indirect**	**%#**
YKY Investments Ltd	1,515,833,052	73.55	-	-
Yong Yoon Kiong*	-	-	1,515,833,052	73.55
Liew Wan*	-	-	1,515,833,052	73.55
Cheryl Yong Sunn Sunn*	-	-	1,515,833,052	73.55
Jeremy Yong Wei Quan*	-	-	1,515,833,052	73.55

Remarks: * *Deemed interested by virtue of his/her interest in YKY Investments Ltd.*
After netting off 15,946,700 treasury shares held as at 31 December 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 31 DECEMBER 2018
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DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of JCY as at 31 December 2018 are as follows:-

	Direct Interest		Indirect Interest	
Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Dr. Rozali Bin Mohamed Ali	1,250,000	0.06	-	-
Dato' Wong King Kheng	4,800,000	0.23	-	-
Goh Chye Kang	600,000	0.03	-	-
Dato' Tan Shih Leng	-	-	-	-
Lim Ching Tee Peter	-	-	-	-
Chang Wei Ming	325,000	0.02	-	-
Chan Boon Hui	-	-	-	-

THIRTY LARGEST SECURITIES ACCOUNT HODLERS BASED ON RECORD OF DEPOSITORS AS AT 31 DECEMBER 2018

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	%
1.	CITIGROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)*	1,515,483,052	73.53
2.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *CIMB BANK BERHAD (EDP 2)*	52,492,337	2.55
3.	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. *EXEMPT AN FOR NOMURA PB NOMINEES LTD*	39,782,230	1.93
4.	CITIGROUP NOMINEES (ASING) SDN. BHD. *CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND*	8,591,700	0.42
5.	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG*	8,128,800	0.39
6.	HSBC NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)*	6,560,000	0.32
7.	CITIGROUP NOMINEES (ASING) SDN. BHD. *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	6,287,800	0.31
8.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *KHO CHAI YAM*	5,800,000	0.28
9.	TAI CHIN OON	3,756,900	0.18
10.	CITIGROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)*	3,500,000	0.17
11.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	3,300,000	0.16
12.	CIMSEC NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)*	3,185,500	0.15
13.	HSBC NOMINEES (ASING) SDN. BHD. *SEB AB FOR SEB ASIENFOND EX JAPAN*	3,174,300	0.15

STATISTICS OF SHAREHOLDINGS
AS AT 31 DECEMBER 2018
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THIRTY LARGEST SECURITIES ACCOUNT HODLERS BASED ON RECORD OF DEPOSITORS AS AT 31 DECEMBER 2018 *cont'd*
(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	%
14.	CITIGROUP NOMINEES (ASING) SDN. BHD. *CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES*	3,015,100	0.15
15.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB BANK FOR DATO' WONG KING KHENG (MY1446)*	3,000,000	0.15
16.	YOONG QIAN HUI	3,000,000	0.15
17.	KENANGA NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)*	2,994,600	0.15
18.	CHONG THIAM WOON	2,871,100	0.14
19.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	2,853,300	0.14
20.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)*	2,425,000	0.12
21.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHANG FOK CHIN*	2,330,000	0.11
22.	FEDERLITE HOLDINGS SDN. BHD.	2,222,900	0.11
23.	LIM KIM YEW	2,194,000	0.11
24.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KWEK PENG LIAK (E-PPG)*	2,100,000	0.10
25.	COEE ENGINEERING SDN. BHD.	2,008,800	0.10
26.	LOH KOK WAI	1,855,000	0.09
27.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR DATO' WONG KING KHENG (PB)*	1,800,000	0.09
28.	ZAIANUDDIN BIN MOHAMED	1,800,000	0.09
29.	RHB NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)*	1,744,600	0.08
30.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *BALACHANDRAN A/L GOVINDASAMY (JBA)*	1,652,000	0.08
	TOTAL	**1,699,909,019**	**82.48**

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting ("13th AGM") of the Company will be held at Emerald 3 – Level 3, Grand Paragon Hotel, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor, Malaysia on Wednesday, 27 February 2019 at 10:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 September 2018 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect the following Directors who are retiring by rotation in accordance with Article 95 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Dato' Wong King Kheng **(Resolution 1)**
   (b) Mr. Lim Ching Tee Peter **(Resolution 2)**

3. To re-appoint Dr. Rozali Bin Mohamed Ali who is retiring in accordance with Article 107(vii) of the Company's Articles of Association and being eligible, has offered himself for re-appointment. **(Resolution 3)**

4. To re-appoint Messrs. Ernst & Young as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

As Special Business

To consider and if thought fit, to pass with or without any modification the following resolutions as Ordinary and Special Resolutions:-

5. **ORDINARY RESOLUTION**

   APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE CHAIRMAN **(Resolution 5)**

   "**THAT** subject to the passing of Resolution 3, Dr. Rozali Bin Mohamed Ali, who has served as an Independent Non-Executive Chairman of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as an Independent Non-Executive Chairman of the Company in accordance with the Malaysian Code of Corporate Governance."

6. **ORDINARY RESOLUTION**

   APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR **(Resolution 6)**

   "**THAT** Mr. Chan Boon Hui, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as the Senior Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING
CONT'D

7. **ORDINARY RESOLUTION**

APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR **(Resolution 7)**

"**THAT** Mr. Chang Wei Ming, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance."

8. **ORDINARY RESOLUTION**

PAYMENT OF DIRECTORS' FEES **(Resolution 8)**

"**THAT** the Directors' fees amounting to RM840,000.00 to the Directors of the Company for the financial year ended 30 September 2018, be and is hereby approved for payment."

9. **ORDINARY RESOLUTION**

PAYMENT OF DIRECTORS' BENEFITS **(Resolution 9)**

"**THAT** the Directors' benefits of up to RM300,000.00 payable to the Director of the Company for the period from 1 February 2019 until the next Annual General Meeting of the Company, be and is hereby approved for payment."

10. **ORDINARY RESOLUTION**

AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO THE COMPANIES ACT 2016 **(Resolution 10)**

"**THAT**, subject always to the Companies Act 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors be and are hereby empowered, pursuant to the Companies Act 2016, to issue and allot shares in the Company at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND FURTHER THAT** such authority shall commence immediately upon passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING
CONT'D

11. **ORDINARY RESOLUTION**

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES **(Resolution 11)**

"**THAT**, subject always to the Companies Act 2016 ("the Act"), the provisions of the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Directors in their discretion deem fit and expedient in the best interest of the Company, provided that:-

(i) the aggregate number of ordinary shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total number of issued shares of the Company as at the point of purchase(s);

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company available at the time of the purchase(s); and

(iii) the shares of the Company to be purchased may be cancelled, retained as treasury shares, distributed as dividends to the shareholders or resold on Bursa Securities, or a combination of any of the above, at the absolute discretion of the Directors.

AND THAT the authority conferred by this Resolution shall commence immediately upon the passing of this Resolution and shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which such resolution was passed, at which time the authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND FURTHER THAT the Directors of the Company be authorised to do all acts, deeds and things and to take all such steps as they may deem fit, appropriate, expedient or necessary in the best interest of the Company to give full effect to the purchase by the Company of its own shares with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING
CONT'D

12. **SPECIAL RESOLUTION**

PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY **(Resolution 12)**

"**THAT** approval be and is hereby given to the Company to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix I of Part B of the Statement to Shareholders dated 30 January 2019, be and is hereby adopted as the Constitution of the Company;

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

13. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretary

Kuala Lumpur
Dated: 30 January 2019

Explanatory Notes:-

1. Item 1 of the Agenda – Audited Financial Statements

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item will not put forward for voting.

2. Items 5 to 7 of the Agenda – Approval to continue in office as Independent Non-Executive Director

(i) Dr. Rozali Bin Mohamed Ali

The Board had assessed the independence of Dr. Rozali Bin Mohamed Ali and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his leadership quality, and his knowledge and experiences in the industry will continue to contribute positively to the proceedings of the Board and the Board Committees.

(ii) Mr. Chan Boon Hui

The Board had assessed the independence of Mr. Chan Boon Hui and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his expertise in corporate and legal matters, and his knowledge and experiences in the industry will continue to contribute positively to the proceedings of the Board and the Board Committees.

(iii) Mr. Chang Wei Ming

The Board had assessed the independence of Mr. Chang Wei Ming and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his expertise in financial matters, and his knowledge and experiences in the industry will continue to contribute positively to the proceedings of the Board and the Board Committees.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING
CONT'D

3. ***Item 8 of the Agenda – Payment of Directors' fees***

   The proposed resolution, if passed, will authorise the payment of Directors' fees pursuant to Article 105 of the Company's Articles of Association.

4. ***Item 9 of the Agenda – Payment of Directors' benefits***

   In compliance with Section 230(1) of the Companies Act 2016, the Company is seeking the shareholders' approval for the payment of the Directors' benefits to the Director of the Company.

   The benefits comprise of other emoluments payable to the Director of the Company for the period from 1 February 2019 up to the next Annual General Meeting of the Company.

5. ***Item 10 of the Agenda – Authority to issue and allot shares pursuant to the Companies Act 2016***

   The Company wishes to renew the mandate on the authority to issue and allot shares pursuant to the Companies Act 2016 at the Thirteenth Annual General Meeting of the Company (hereinafter referred to as the "General Mandate").

   The Company had been granted a general mandate by its shareholders at the Twelfth Annual General Meeting of the Company held on 27 February 2018 (hereinafter referred to as the "Previous Mandate").

   As at the date of this Notice, the Company has not issued any new ordinary shares pursuant to the Previous Mandate granted by the shareholders and hence, no proceeds were raised therefrom.

   The proposed resolution, if passed, will provide flexibility to the Directors of the Company to undertake any possible fund raising activities, including but not limited to placement of shares, for the purpose of funding Company's future investment projects, working capital, acquisitions and/or such other purposes as the Directors may deem fit, without having to convene a general meeting, provided that the aggregate number of the shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

6. ***Item 11 of the Agenda – Proposed renewal of authority for the Company to purchase its own shares***

   The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not be exceed the retained profits of the Company.

   Please refer to the Statement to Shareholders dated 30 January 2019 in relation to the proposed renewal of authority for the Company to purchase its own shares for further information.

7. ***Item 12 of the Agenda – Proposed adoption of new Constitution of the Company***

   The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amended Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency. In view of the substantial amount of proposed amendments to be made, the Board proposed that the existing Constitution be amended by the Company in its entirety by the replacement thereof with a new Constitution of the Company which is set out in Appendix I of Part B of the Statement to Shareholders dated 30 January 2019.

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 February 2019 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*

2. *A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company.*

5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

6. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by way of poll. Independent Scrutineers will be appointed to validate the results of the poll.*

FORM OF PROXY

JCY International Berhad
(Company No.: 713422-X)
(Incorporated in Malaysia)

CDS Account No.

Number of ordinary shares held

*I/We (full name),____
bearing *NRIC No./Passport No./Company No.______________________________
of (full address)____
being a *member/members of JCY International Berhad ("**the Company**") hereby appoint:-

First Proxy "A"

Full Name	**NRIC/Passport No.**	**Proportion of Shareholdings Represented**	
		No. of Shares	**%**
Full Address			

and/or failing *him/her,
Second Proxy "B"

Full Name	**NRIC/Passport No.**	**Proportion of Shareholdings Represented**	
		No. of Shares	**%**
Full Address			
			100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Emerald 3 – Level 3, Grand Paragon Hotel, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor, Malaysia on Wednesday, 27 February 2019 at 10:00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Re-election of Dato' Wong King Kheng as Director		
2.	Re-election of Mr. Lim Ching Tee Peter as Director		
3.	Re-appointment of Dr. Rozali Bin Mohamed Ali as Director		
4.	Re-appointment of Messrs. Ernst & Young as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration		
5.	Approval to continue in office as Independent Non-Executive Chairman - Dr. Rozali Bin Mohamed Ali		
6.	Approval to continue in office as Independent Non-Executive Director - Mr. Chan Boon Hui		
7.	Approval to continue in office as Independent Non-Executive Director - Mr. Chang Wei Ming		
8.	To approve the payment of Directors' fees		
9.	To approve the payment of Directors' benefits		
10.	Authority to issue and allot shares pursuant to the Companies Act 2016		
11.	Proposed renewal of authority for the Company to purchase its own shares		
12.	Proposed adoption of new Constitution of the Company		

As witness my/our hand(s) this day __________ of ______________________________ 2019.

____
*Signature/Common Seal of Member

** Strike out whichever not applicable.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARY
JCY International Berhad (713422-X)

C/O Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 February 2019 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*
6. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by way of poll. Independent Scrutineers will be appointed to validate the results of the poll.*

WWW.JCYINTERNATIONAL.COM

No. 3, Jalan Firma 3
Kawasan Perindustrian Tebrau IV
81100 Johor Bahru
Johor Darul Takzim, Malaysia

Tel : 607-352 5822
Fax : 607-352 5833

JCY INTERNATIONAL BERHAD

(Co No. : 713422 - X)
No. 3, Jalan Firma 3, Kawasan Perindsutrian Tebrau IV,
81100 Johor Bahru, Johor Darul Takzim, Malaysia
Tel : 60 (7) 352 5822 Fax : 60 (7) 352 0922

MSC MALAYSIA Status Company

30 January 2019

To: The Shareholders of JCY International Berhad

ADDENDUM TO THE ANNUAL REPORT 2018

With reference to the Annual Report 2018, the addendum is to include Directors' Responsibility Statement in compliance with the Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required pursuant to the Companies Act 2016 to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the results and cash flows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have ensured that:-

- appropriate accounting policies and practices have been adopted and applied consistently;

- the statements are supported by reasonable and prudent judgements and estimates;

- all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements; and

- a going-concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business.

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Companies Act 2016 and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for taking the necessary steps as are reasonably open to them to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

This addendum is dated 30 January 2019.