



JCY International Berhad

(Registration No. 200501031285 (713422-X))

ANNUAL REPORT 2023

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GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Wong King Kheng

(Executive Chairman)
(re-designated from Executive Director to Executive Chairman on 3 October 2023)

Mr. Gouw Kim San

(Group Chief Executive Officer)

Mr. Lai Kuan Loong, Victor

(Senior Independent Non-Executive Director)
(appointed on 3 October 2023 and re-designated from Independent Non-Executive Director to Senior Independent Non-Executive Director on 23 November 2023)

Mr. Ho Tat Heng

(Independent Non-Executive Director)
(appointed on 31 May 2023)

Ms. Wong Ling Yah

(Independent Non-Executive Director)
(appointed on 31 May 2023)

Dr. Rozali Bin Mohamed Ali

(Non-Independent Non-Executive Chairman)
(resigned on 3 October 2023)

Mr. Chang Wei Ming

(Independent Non-Executive Director)
(resigned on 31 May 2023)

Mr. Chan Boon Hui

(Senior Independent Non-Executive Director)
(resigned on 31 May 2023)

COMPANY SECRETARY

Ms. Chua Siew Chuan

SSM PC No. 201908002648
(MAICSA 0777689)

Ms. Yeow Sze Min

SSM PC No. 201908003120
(MAICSA 7065735)

AUDIT COMMITTEE

Mr. Ho Tat Heng

(Chairman, Independent Non-Executive Director)
(appointed on 31 May 2023)

Mr. Lai Kuan Loong, Victor

(Senior Independent Non-Executive Director)
(appointed on 3 October 2023)

Ms. Wong Ling Yah

(Independent Non-Executive Director)
(appointed on 31 May 2023)

Mr. Chang Wei Ming

(Chairman, Independent Non-Executive Director)
(ceased on 31 May 2023)

Dr. Rozali Bin Mohamed Ali

(Non-Independent Non-Executive Director)
(ceased on 3 October 2023)

Mr. Chan Boon Hui

(Senior Independent Non-Executive Director)
(ceased on 31 May 2023)

NOMINATION COMMITTEE

Ms. Wong Ling Yah

(Chairperson, Independent Non-Executive Director)
(appointed on 31 May 2023)

Mr. Ho Tat Heng

(Independent Non-Executive Director)
(appointed on 31 May 2023)

Mr. Lai Kuan Loong, Victor

(Senior Independent Non-Executive Director)
(appointed on 3 October 2023)

Mr. Chan Boon Hui

(Chairman, Senior Independent Non-Executive Director)
(ceased on 31 May 2023)

Dr. Rozali Bin Mohamed Ali

(Non-Independent Non-Executive Director)
(ceased on 3 October 2023)

Mr. Chang Wei Ming

(Independent Non-Executive Director)
(ceased on 31 May 2023)

REMUNERATION COMMITTEE

Mr. Lai Kuan Loong, Victor

(Chairman, Senior Independent Non-Executive Director)
(appointed on 3 October 2023)

Mr. Ho Tat Heng

(Independent Non-Executive Director)
(appointed on 31 May 2023)

Ms. Wong Ling Yah

(Independent Non-Executive Director)
(appointed on 31 May 2023)

Dr. Rozali Bin Mohamed Ali

(Chairman, Non-Independent Non-Executive Director)
(ceased on 3 October 2023)

Mr. Chang Wei Ming

(Independent Non-Executive Director)
(ceased on 31 May 2023)

Mr. Chan Boon Hui

(Senior Independent Non-Executive Director)
(ceased on 31 May 2023)

Dato' Wong King Kheng

(Executive Chairman)
(ceased on 3 October 2023)

ENTERPRISE RISK MANAGEMENT COMMITTEE

Dato' Wong King Kheng

(Chairman, Executive Chairman)

Mr. Gouw Kim San

(Group Chief Executive Officer)

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
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Damansara Heights
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Fax No. : (603) 2094 9940

HEAD/MANAGEMENT OFFICE

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Kawasan Perindustrian Tebrau IV
81100 Johor Bahru
Johor, Malaysia
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Fax No. : (607) 352 5833

AUDITORS

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

SOLICITORS

Zaid Ibrahim & Co, Advocates & Solicitors
Suite 31.01, Level 31
Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru, Malaysia
Tel No. : (607) 226 4999
Fax No. : (607) 226 3999

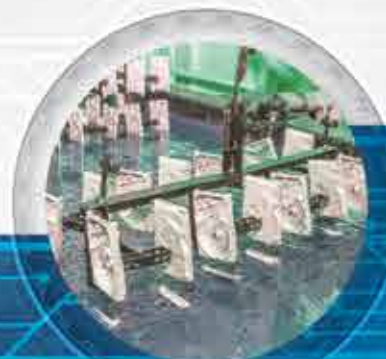
STOCK EXCHANGE LISTING

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

FINANCIAL HIGHLIGHTS

Description	2019 RM Million	2020 RM Million	2021 RM Million	2022 RM Million	2023 RM Million
Revenue	1,037.1	1,076.0	1,055.3	830.6	475.4
(Loss) / Profit Before Taxation	(67.8)	38.3	(34.7)	(95.9)	(94.7)
(Loss) / Profit After Taxation	(54.2)	26.1	(35.4)	(89.2)	(90.3)
(Loss) / Profit Attributable to Shareholders	(54.2)	26.1	(35.4)	(89.2)	(90.3)
Share Capital	536.7	544.9	549.1	549.2	549.2
Reserves	352.0	378.2	319.1	233.5	134.7
Shareholders' Fund	888.7	923.1	868.2	782.7	683.9
Current Liabilities	183.6	208.7	272.3	160.9	108.1
Non-Current Liabilities	6.3	22.9	18.5	6.3	1.3
Total Liabilities	189.9	231.6	290.8	167.2	109.4
Property, Plant and Equipment	278.5	322.7	325.6	297.1	253.9
Land Use Rights / Right of Use Assets	25.1	29.7	29.3	24.4	23.2
Other Non-current Assets	1.8	5.0	6.5	6.0	1.8
Current Assets	773.2	797.3	797.6	622.4	514.4
Total Assets	1,078.6	1,154.7	1,159.0	949.9	793.3
Net Assets Per Share (Sen)	43.1	44.1	41.1	37.1	32.4
Net Earnings Per Share (Sen)	(2.6)	1.3	(1.7)	(4.2)	(4.3)
Dividend Against Net Earnings	N/M	0.0%	N/M	N/M	N/M
Dividend Amount*	10.3	-	-	-	-

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

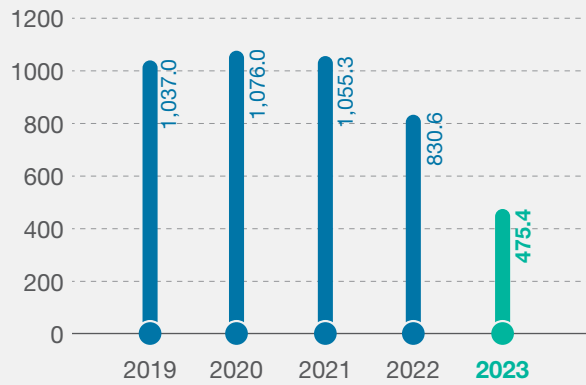


FINANCIAL HIGHLIGHTS

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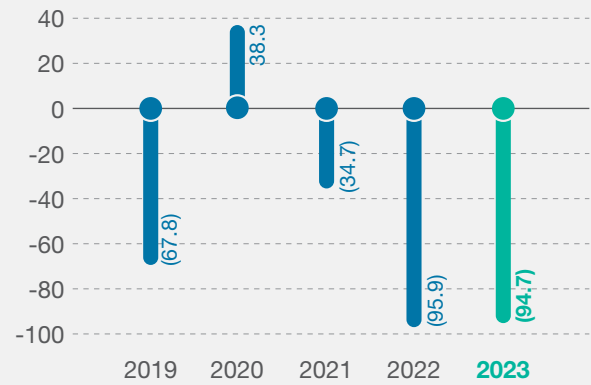
REVENUE

(RM Million)



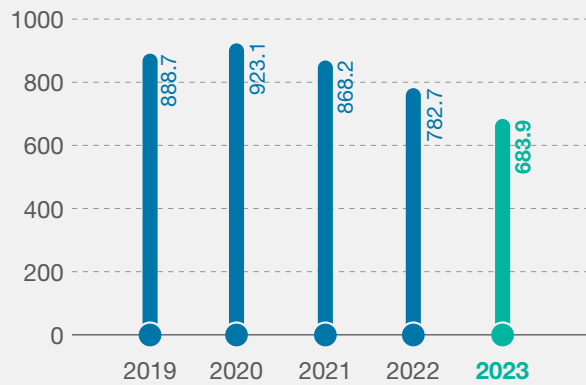
(LOSS)/PROFIT BEFORE TAXATION

(RM Million)



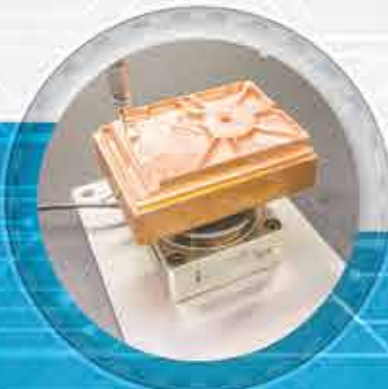
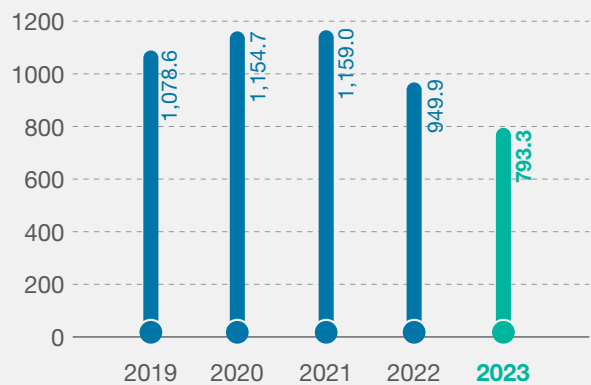
SHAREHOLDERS' FUND

(RM Million)



TOTAL ASSETS

(RM Million)



MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

JCY International Berhad and its subsidiaries (“the Group”) is principally involved in the manufacturing of precision components and sub-assembly. For more than two decades, the Group and its predecessors have been a leading component supplier and contract manufacturer for the Hard Disk Drive (“HDD”) industry.



MISSION

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



VISION

To be a Supplier of Choice through Excellence in Engineering and Quality

To achieve our Vision and Mission, the Group 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 plants strategically located in Malaysia and Thailand.

FINANCIAL ANALYSIS

The financial year ended 30 September 2023 (“FYE2023”) has been a challenging year for JCY Group and the greater electrical and electronic industry. Resulted from distorted supplies and demands spilled over from the COVID-19 Pandemic and weak market demands amid the high inflation and high interest rate, we have seen high inventories in the pipeline of the HDD supply chain whilst the demands for information technology products have dropped significantly.

To manoeuvre from the negatives, the Group formulated strategies to keep the Group on a healthy financial position and prioritised its resources on crucial and critical activities. Despite running at less than 35% of the overall operational capacities in the FYE2023, the Group managed to preserve its net current assets at a healthy level with a current ratio of 4.76 (FYE2022: 3.87) times while reducing its inventory level to an optimal level to prepare for the industry and market recovery.

MANAGEMENT DISCUSSION & ANALYSIS

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Revenue

The technology industry has seen an unprecedented slump in demands in the FYE2023. A leading market researcher forecasted the personal computer (“PC”) shipments to shrink almost 14% in the calendar year 2023, on top of 17% decline in previous calendar year. Major datacentres are also adopting conservative investment strategies amid the tenuous macroeconomic environment. Consequentially, the Total Addressable Market for HDD declined 34% in the FYE2023 compared to previous financial year, reaching its historical low since HDDs become the mainstream media for digital storage.

JCY faced the direct headwinds of the slowdown in digital storage demands as 92% of its revenue comes from the sales of HDD components. In the FYE2023, the Group recorded a revenue of RM475,368,000. This represents a reduction of 42.8% compared to the revenue of RM830,638,000 recorded in the preceding financial year ended 30 September 2022 (“FYE2022”).

In the FYE2023, the Group shipped 46.6% lesser units of products to its customers compared to the shipments achieved in the FYE2022. This unprecedented significant reduction in volume in the FYE2023 was due mainly to:-

- a. a weak market demand driven by a combined effect of macro-economic outlooks; and
- a) high inventory holding within the HDD supply chain due to over-stocking on worries of supply disruptions during the COVID-19 pandemic period and weaker demands thereafter.

Gross Loss

The Group recorded a gross loss of RM85,791,000 in the FYE2023, compared to the gross loss of RM42,945,000 for the FYE2022. The deterioration in gross loss was due mainly to the significant drop in Revenue due to the reason as explained above as well as the underutilisation of the Group’s operational capacities which will be explained further in the section “Operation Review” below.

In response to the anticipated lower sales, the Group swiftly changed its strategies in the early FYE2023 to prioritise cash preservation. By scaling its operation to focus only on crucial and critical activities, delaying unnecessary capital investments and at the same time realising the high inventory into receivables and cash, the Group managed to narrow down its quarter-on-quarter negative gross margin throughout the FYE2023.

Loss after Tax

The Group recorded a loss after tax of RM90,304,000 in the FYE2023 (FYE2022: RM89,181,000). The deterioration in the loss after tax was due mainly to the deterioration of gross loss as explained above.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

Other Items in Statement of Financial Performance

- Other Operating Incomes** are incomes that did not meet the definition of revenue. In the FYE2023, these amounted to RM34,275,000 (FYE2022: RM8,901,000) which was mainly contributed by RM16,501,000 (FYE2022: RM6,224,000) from net gain on foreign exchange, RM4,509,000 (FYE2022: 1,341,000) from interest income, RM2,255,000 (FYE2022: impairment of RM2,541,000) from reversal of impairment on receivables, RM1,344,000 (FYE2022: nil) from reversal of provision of cost on compliance to Responsible Business Alliance's Code of Conduct, and RM8,924,000 (FYE2022: nil) of gain from recycling of foreign currency reserve on liquidation of foreign subsidiaries which was contributed by reclassifying the accumulated translation reserve of liquidated foreign subsidiaries to income statement during the year.
- General and Administrative Expenses** are generally non-operational costs which are incurred to maintain the supporting services of the Group. These expenses stood at RM30,072,000 in the FYE2023 (FYE2022: RM42,625,000).
- Other operating expenses** of RM8,950,000 in the FYE2023 (FYE2022: RM16,350,000) represents RM4,393,000 on impairment of goodwill arising from acquisition of business and RM4,557,000 on write-off of prepaid set-up cost. The other operating expenses in FYE2022 relate mainly to the RM12,408,000 from the impairment on property, plant and equipment, and RM2,541,000 from the impairment on receivables.
- Finance Cost** of RM4,138,000 for the FYE2023 (FYE2022: RM2,905,000) included the cost of bank borrowings, interest on lease liabilities and miscellaneous bank charges. The largest component of Finance Cost arose from interest on short term bank borrowings which stood at RM2,884,000 in FYE2023 (FYE2022: RM992,000) and interest on accounts receivable factoring which stood at RM663,000 in FYE2023 (FYE2022: RM1,313,000). The higher interest expense in FYE2023 was due mainly to higher interest rates amid the global interest rates hike. Interest expense arising from lease liabilities amounted to RM47,000 in FYE2023 (FYE2022: RM115,000). Refer to Note 8 in the Audited Financial Statements for further details of the Finance Cost.
- Taxation Credit** of RM4,372,000 was recorded in the FYE2023 (FYE2022: RM6,743,000). The tax credit recorded were due mainly to the movement of temporary tax differences. Refer to Note 9 in the Audited Financial Statements for further information.

Statement of Financial Position

The Group's strategies in right-sizing its operation, delaying unnecessary capital investments and realising the inventory has successfully kept the Group on a healthy financial position. Its current ratio improved to 4.76 (FYE2022: 3.87) times while quick ratio improved to 2.63 (FYE2022: 1.82) times. The Group is confident that a healthy financial position would prepare the Group in better position to embark on arising opportunities when the macroeconomic recovers.

- Retained Earnings** stood at RM116,176,000 for the FYE2023 (FYE2022: RM206,480,000), this was due mainly to the net loss recorded during FYE2023. No dividend was paid in FYE2023 (FYE2022: nil).
- Cash and Bank Balances** stood at RM103,126,000 for the FYE2023 (FYE2022: RM165,448,000). The drop in Cash and Bank Balances was due mainly to a slight delay of payments from customers as further detailed in "Trade and other receivables" section below and RM23,793,000 (FYE2022: RM28,340,000) repayment of short-term borrowings during the financial year. Refer to section "Statement of Cash Flows" below for further analysis of the movements of cash and bank balances.
- Inventory** stood at RM230,122,000 for the FYE2023 (FYE2022: RM330,209,000), a reduction of RM100,087,000 from previous financial year. The reduction on inventory as at the end of FYE2023 was a result of the Group's efforts to normalise its inventory from the high level at the end of previous financial year.
- Trade and other receivables** stood at RM168,753,000 for the FYE2023 (FYE2022: RM109,229,000), an increase of RM59,524,000 from previous financial year. The increase on trade and other receivables was due mainly to a slight delay of payments from customers. Should the payments from customers were received on schedule, the increase in trade and other receivable would not be significant. The said delayed payments from customers were received a few days after the conclusion of FYE2023.
- Short-term Borrowings** stood at RM44,143,000 for FYE2023 (FYE2022: RM70,242,000). The reduction on short-term borrowings was a result of the Group's initiative to reduce the finance cost amid high interest rates.

MANAGEMENT DISCUSSION & ANALYSIS

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Statement of Cash Flows

The Group planned and managed its cash flow with ultra care in the FYE2023 with a target to achieve a break-even on net cash flow from operating activities. Regrettably, the Group missed this target by days as there were a few days delay in significant payments from customers (detailed in “Trade and other receivable” section above). Without this delay, the Group could have achieved a break-even or positive net cash flow from operating activities, despite the unprecedented difficulties on the financial performance in the FYE2023.

With the slimming down of balance sheet items and lower transaction volumes, the Group had repaid a significant part of its bank borrowings to improve its financial ratio and to reduce the reliance from external funds.

- **Net cash flow from operating activities** recorded a negative cash flow of RM40,943,000 in the FYE2023 (FYE2022: RM92,722,000) due mainly to the loss before tax and negative working capital changes arising from increase in receivables due to a slight delay in payments from customers as detailed in “Trade and other receivables” section above.
- **Net cash flow from investing activities** contributed a positive cash flow of RM11,466,000 in the FYE2023 (FYE2022: RM13,107,000) due mainly to withdrawal of deposit with licensed bank of RM9,329,000 (FYE2022: placement of RM1,863,000).
- **Net cash flow financing activities** contributed a negative cash flow of RM25,046,000 in the FYE2023 (FYE2022: RM29,870,000) due mainly to repayment of RM23,793,000 (FYE2022: RM28,340,000) on bank borrowings.

Capital Expenditures

During the FYE2023, the Group set aside RM5,984,000 (FYE2022: RM33,847,000) as capital expenditure mainly for the automation & modernisation of production capabilities. The significant drop in capital expenditure was a part of the Group’s strategies for cash preservation.

Gearing

As at the end of the FYE2023, the Group’s gearing ratio stood at 0.5% (FYE2022: not meaningful). Refer to Note 34 of the Audited Financial Statements for further information on gearing. The Group would have no meaningful gearing if without the slight delay of payments from customers (detailed in “Trade and other receivables” section above) as the Group’s cash and bank balances would have been greater than the aggregated payables, lease liabilities and bank borrowings.

Financial Prospects

The following factors may have material impacts on the Group’s financial performance for the financial year ending 30 September 2024 (“**FYE2024**”):

1. The global demand for HDD and rationalisation of supply chain in the HDD industry;
2. The exchange rate of the US Dollar (“**USD**”) against the Malaysian Ringgit and Thai Baht; and
3. Global economic developments.

The Group will seek to mitigate any adverse impact of the above factors wherever possible. Refer to the sections “Risks Analysis” and “Forward Looking Statement” below for more discussion on the factors that may post significant impact on JCY’s financial performance in the FYE2024.

A major HDD researcher has forecasted the HDD demands to recover as early as second half of FYE2024 with another researcher anticipated PC shipments to start recovery as early as the second quarter of FYE2024. The prospect of the technology industry is largely depended on the following drivers, as quoted by the researcher:

1. **PC Refresh Cycle:** The vast and aging installed base of commercial PCs surpassing the four-year mark by 2024 is expected to necessitate a refresh, coinciding with the pressing demand to migrate toward Windows 11. The total PC market of 2024 should see growth of 3.4% compared to 2023.
2. **Artificial Intelligence (“AI”) Integration:** The integration of AI capabilities into PCs is expected to serve as a catalyst for upgrades, hitting shelves in 2024 and at first aimed toward certain segments of the enterprise PC market. Over time, further advancement in use cases and cost reductions could spread to the broader market.
3. **Continued evolution and recovery of the consumer installed base.**

With improving market anticipations and early sign of improving orders from our customers, barring unforeseen circumstances, JCY is optimistic that the top line deliverable in the FYE2024 will be better than the FYE2023.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

OPERATIONAL REVIEW

The FYE2023 was a very challenging year, characterised with an unprecedented significant drop in customer demand as well as repeated uncertainties and revisions in forecasts. This unprecedented significant reduction in volume started in the second half of the FYE2022 and sustained through the FYE2023. This drop was due mainly to:

- a) A weak market demand driven by a combined effect of macro-economic outlooks (e.g. high inflation rate, Russia-Ukraine war, slow emerging markets growth etc.) and
- b) High inventory holding within the HDD supply chain due to over-stocking on worries of supply disruptions during the COVID-19 pandemic period and weaker demands thereafter.

This drop is not limited to the storage industries, it affected multiple industry sectors (semiconductor, automobile, electronics etc.) across the world. The sharp drop in HDD components demands, which began from the 3rd Quarter of the FYE2022 and significantly varied from the original forecasts, had crumbled the Group's original operation plans and consequentially resulted in significant underutilisation of the Group's operational capacities, including the production facilities and human resources. The surprising decline in sales forecast had also negatively affected the Group's inventory consumption plans which resulted in high inventory levels as at the end of the FYE2022.

During the FYE2023, the Group endeavoured to achieve normalisation of inventory level to preserve its cash and bank balances through a planned optimisation of the operation activities and diversification of business. During which, several initiatives had been implemented, including but not limited to right-sizing of the operation, reduction of working hours and days, diverting resources to targeted business units and products with greater visibility of growth potential and future demands, and venturing into other businesses.

Our operational focuses during this period were to:

- a) Preserve our cashflow. Reduce our inventory and scale our cost to the current/near future volume. Several initiatives had been implemented, including but not limited to right-sizing of the operation, reduction of working hours and days, diverting resources to targeted business units and products with greater visibility of growth potential and future demands, and venturing into other businesses;
 - b) Improve our cost structure so that we are better positioned to recover faster – improve yields and productivity through engineering solutions. Restructure our organizational to drive better accountability and efficiency; and
- c) Accelerate our diversification activity. Engagement with new customers with new products. Understanding that this adoption is a slow process of part-by-part qualifications. Also understanding that operationally we would transform our model of low mix/high volume to high mix/low volume.
- This downcycle enabled JCY to accelerate our transformation to a leaner but more diversified quality focused and engineering-based organization. Realising that the process will take multiple years because of the long qualification cycles.
- Coupling all the initiatives, the team have achieved the following in the FYE2023:
- a) The group has achieved normalisation of inventory level to preserve its cash and bank balances through a planned optimisation of the operation activities and diversification of business. Despite running only at less than 35% capacity utilization, the Group managed to keep its cash and receivables at a positive level after deducting payables and borrowings;
 - b) The group has achieved the best in history product yields, and we have seen a significant improvement in productivity (i.e. output per operator);
 - c) Diversification and new products:
 - a. The Group received over 26 new products enquiries which are currently in qualification or negotiation stage with our customers, including new customers.
 - b. JCY Auto division: We have completed all qualifications and in production for all products adopted through the acquisition of SDM. In the FYE2023, JCY Auto's operation has gradually grown to the level it was expected at the time JCY acquired the business. Its revenue increased 340% compared to the FYE2022. In the FYE2023, we have further increased the number of products qualified and in production by 14 counts. These would allow our customers to divert its reliance on imports from other countries to local supplies. The Group will continue to explore more opportunities in the automotive businesses; and
 - d) In general, our products quality and engineering capability have received strong complimentary and recognition by our new customers and reinforced by our existing customers.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

JCY's transformation is a multiple-year program, and we are committed to continue this initiative. We remain confident in recovery in the HDD storage industry albeit not to the high numbers as recorded during the COVID-19 Pandemic period where demands were inflated by worries of supply chain uncertainty. We also remain committed to continue our diversification drive while strengthening our core in the digital storage industry.

The Group has reorganised its operations into Business/Operational swim lanes. Each swim lane has a Leader that manages their business from womb to tomb across our plants in various geographical locations. This allows better alignments across plants and quicker operational supports to our customer.

Malaysia

Malaysia is the most significant geographical operational segment and the headquarters of the JCY Group. There are ten (10) facilities in Malaysia providing various solutions for our customers across the states of Johor and Penang.

In the financial year ended 2020, the Group entered into a Business Sales Agreement ("BSA") with SDM Casting Precision Sdn. Bhd. ("SDM") to acquire SDM's business in the automotive industry in Malaysia, the Group also established a new subsidiary, JCY Auto Sdn. Bhd. ("JCY Auto") with the objective to enter into the automotive precision components industry in Malaysia. The acquisition of SDM's business is part of the Group's efforts to diversify its business into non-HDD related industry. During the FYE2022, JCY Auto was qualified to mass-produce most of the product line-ups it acquired from SDM and started to contribute revenue to the Group. In the FYE2023, JCY Auto's operation has gradually grown to the level it was expected at the time JCY entered into the BSA, its revenue increased 340% compared to the FYE2022. The Group will continue to explore more opportunities in the automotive businesses.

In HDD field, one of the Group's subsidiaries, JCY HDD Technology Sdn Bhd ("JCY HDD"), had been qualified by its customer to supply a component for HDD high-end segment in the FYE2022 and small volume manufacturing had started in the late FYE2023. JCY HDD will work closely with the customer through our excellence in engineering and quality and continue to venture into high-end spectrum of the HDD market, which is seeing double digit growth.

On diversification and strengthening our portfolio, we have 26 new products in various stages of negotiations or qualifications in Malaysia.

The foreign workers policy, labour shortages and the arising issues of fair employment of workers are among the biggest challenges for our operations in Malaysia and this will be further discussed in the Risk Analysis section below.

Thailand

Many of the Group'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.

The Thai operation had been challenged by the headwinds on the slow-down of the HDD demands in the FYE2023, its revenue had dropped 71.6% in the FYE2023 compared to the FYE2022.

As a result of low HDD shipments in the fourth quarter of the FYE2023, the Group initiated multiple cost rationalisation measures which include laying off some of the workers.

The minimum wage in Thailand increased by around 5% effective from October 2022 to curb the people's cost burden amid the high inflation in the country. The increase in Thai minimum wage had further stressed the financial performance for the Thai segment along with the already low HDD demands in the FYE2023.

People's Republic of China ("China")

The Group's subsidiary in China, YQ Technology (Jiangsu) Co., Ltd ("YQ Tech"), was established to cater the growing market in China, especially in the non-HDD fields. However, due to China's zero-tolerance policy on COVID-19 with occasional regional lockdowns and travel restrictions which brought uncertainties to YQ Tech's business and hinder its growth plans. In the FYE2022, the Board approved to cease YQ Tech's operation and its operation was ceased in the first quarter of the FYE2023, it contributed RM242,000 of revenue throughout the FYE2023. YQ Tech was liquidated in November 2023.

RISKS ANALYSIS

The Board of Directors and the Management understand the importance of risk management and the Management-level Enterprise Risk Management Committee was established to assist the Board 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.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

Market risk

The Group's business activities are principally involved in the HDD industry. With the expected long-term gradual reduction in future global demands, major HDD producers may possibly embark upon a rationalisation of their supply chain, which in turn will affect HDD component suppliers. It is also noted that JCY is already qualified and shipping on some commodities, or is being qualified on other commodities, on platforms in the HDD industry, that are seeing year on year growth. JCY remains optimistic of the HDD industry. While the Management continues to improve in the operational effectiveness and efficiencies to support the Group's success in the HDD industry, JCY will continue deploying resources to accommodate likely changes in the market.

While being committed to the HDD industry, the Management is also actively looking for opportunities to diversify into other related and new business activities. We will continue to grow and expand into the areas that we have already initiated. By end of December 2023, we have 26 new products in various stages of negotiations or qualifications.

More information on the mitigating measures of the sustainable business model can be found in the Sustainability Statement.

Labour shortages, labour cost and fair employment risk

Labour shortages is one of the major challenges faced by the Group's operations, especially in Malaysia. The trend of higher minimum wages and other human resource related costs observed in Malaysia and Thailand is a growing concern affecting our business activities.

The Management is mindful of the recent developments of the fair employment awareness in Malaysia and across the globe. The Group remains committed to the Code of Conduct as promoted by the Responsible Business Alliance and is dedicated to ensuring fair employment for our workers and is working closely and diligently with our customers, partners and non-profit organisations to ensure compliance with the accepted standards and practices of fair employment.

The Group 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, and establishing taskforce with regular meetings to ensure the compliance with the labour regulations and fair employment to meet the industry's expectations. More information on the mitigating measures for the labour management can be found in the Sustainability Statement.

Foreign exchange risk

The Group operates in two (2) countries and its revenue is highly correlated to the strength of USD. Volatile exchange rates between the local currencies and the USD will likely have a substantial impact on the financial performance of the Group. This exchange risk is further detailed in Note 33(d) of the Audited Financial Statements.

The Group 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.

Global economic development

Global economies are facing multi-front challenges. The high interest rate continues to burden the cost of businesses and dampen the market demands; the on-going Russia-Ukraine war continues to hold back the normalisation of the global economies, especially in the European region; the increasing tension in Middle East amid the Gaza-Israel conflicts that threaten the stability of the oil-rich region and potentially the security of global energies supply; and the recent China's economic indicators showing slowing or stagnant signals on the world's greatest growth economy. These unknowns may significantly impact on the Group's reporting results in FYE2024.

The Management will actively monitor the situation and development of the global economic developments and take all necessary actions to mitigate the adverse impacts.

FORWARD LOOKING STATEMENT

Principal Business Segment

The recovery of the HDD demands is highly dependent on the development of the global economies as discussed in the section "Global economic development" above and the normalisation of the HDD inventory balances in the supply chain. Barring unforeseen circumstances, industry observers have forecasted that the demands for HDDs will start recovery in the second half of the FYE2024, from its historical lows. The overall HDD demands in the calendar year 2024 are expected to surplus that of the year 2023, with gradual year-on-year growth throughout the year 2027.

It is also noted that JCY is already qualified and shipping or is being qualified on platforms in the high-end HDD segment that are seeing year on year growth. JCY remains optimistic of the HDD industry and there is no new structural change in the dynamics of the digital storage industry.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

New Business Opportunities

The Group 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.

The Group adopts two (2) strategies for the long term sustainability of our business:-

- **Horizontal Expansion** in the digital storage industry and technology industry by increasing our market share within the supply chain, including the high-end HDD segment, and expanding our range of products to more customers within the digital storage industry.
- **Diversification** into other related and new industries, especially the automotive industry. We will continue to grow and expand into areas that we have already initiated.

Dividend and Distribution

The Board decides or recommends any dividend payments by carefully examining the profitability, liquidity and cash-flow position of the Group. In the FYE2023, the Group did not declare or propose any dividend.

RECOGNITION AND APPRECIATION

On 31 May 2023, Mr. Chang Wei Ming (“**Mr. Chang**”) and Mr. Chan Boon Hui (“**Mr. Chan**”), both the Independent Non-Executive Directors of the Company, and on 3 October 2023, Dr. Rozali Bin Mohamed Ali (“**Dr. Rozali**”), the Non-Independent Non-Executive Chairman of the Company, decided to step down from their positions after having served the Company in their non-executive roles for more than twelve (12) years. Dr. Rozali, Mr. Chang and Mr. Chan had been serving as non-executive directors of the Company since 2009 and had contributed positively to the successful listing of the Company’s shares in the Bursa Malaysia’s Main Market. Throughout their more than 13 years of directorship in the Company, they had been contentiously providing their independent inputs in the Board deliberations and professionally directing and setting the strategies for the Group operations and they diligently discharged their duties as the independent directors of the Company by judiciously reviewing and securitising the reports and papers submitted by the Management. They also contributed to the establishment of several policies to strengthen the corporate governance of the Group and preserving the interests of the Company and of the minority shareholders. The Board accepted their resignations with regret, and we wish them all the best in their future endeavours.

On behalf of the Board, the Management wishes to record our appreciation and gratitude to all our staff for their hard work and contributions towards the continued success and transformation of the Group’s operation. We also wish to extend our appreciation and gratitude to our customers, suppliers, business associates, and members of the banking and investment community for their continued support and confidence in the company.

APPOINTMENT OF EXECUTIVE CHAIRMAN

On 3 October 2023, Dato’ Wong King Kheng (“**Dato’ Wong**”) was redesignated as an Executive Chairman following the step-down of the Non-Independent Non-Executive Chairman, Dr. Rozali. The Board believes the redesignation of Dato’ Wong as the Chairman of the Board, with his many years’ experience in the HDD industry and the Group’s operation, will contribute positively to the operations and performance of the Group.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

On 31 May 2023, Mr. Ho Tat Heng (“**Mr. Ho**”) and Ms. Wong Ling Yah (“**Ms. Wong**”), and on 3 October 2023, Mr. Lai Kuan Loong, Victor (“**Mr. Lai**”), were appointed as the Independent Non-Executive Directors of the Company, following the step-downs of the 3 incumbent non-executive directors. The Board believes Mr. Lai, Mr. Ho and Ms. Wong, with their expertise in their respective fields, would continue bringing independent views to the Board’s proceedings and to protect the interests of the Company and the minority shareholders. On 23 November 2023, Mr. Lai was redesignated as the Senior Independent Non-Executive Director of the Company. Further information of the 3 newly appointed directors is disclosed in the Director and Key Senior Management Profile section of this Annual Report.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

DATO' WONG KING KHENG

*Aged 71, Malaysian, Male
Executive Chairman
(re-designated from an Executive Director
to the Executive Chairman on 3 October
2023)*

- Key Senior Management
- Chairman of Enterprise Risk Management Committee

*Board meeting attendance : 8/8
in the financial year*

GOUW KIM SAN

*Aged 58, Singaporean, Male
Group Chief Executive Officer*

- Key Senior Management
- Member of Enterprise Risk Management Committee

*Board meeting attendance : 8/8
in the financial year*

Dato' Wong King Kheng ("**Dato' Wong**") was appointed as an Executive Director on 30 November 2005. He was subsequently re-designated from an Executive Director to the Executive Chairman on 3 October 2023.

Dato' Wong was ceased to be a member of the Remuneration Committee on 3 October 2023.

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, which gave him extensive exposure in the fields of auditing, tax planning, management consulting, and public listing consulting.

Dato' Wong also sits on the board of various public companies listed on the Singapore Exchange Securities Trading Limited as Independent directors and is their Chairman of the Audit, Remuneration, and Nomination Committees. He is also a Director of a number of private companies in Singapore.

Dato' Wong is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Singapore Chartered Accountants, the Malaysian Institute of Accountants, and the Australian Certified Practising Accountants.

Mr. Gouw Kim San ("**Mr. Gouw**") joined JCY on 16 December 2020 as the Executive Director cum Chief Operating Officer. Subsequently, he was re-designated as the Group Chief Executive Officer on 1 March 2022.

Mr. Gouw has over 36 years of working experience in a high-volume high-complexity manufacturing environment. Serving different roles in General Management, Engineering and Quality functions.

Prior to joining JCY, he was the General Manager of Western Digital (M) Sdn. Bhd. ("**WD (M)**"), a high volume and high complexity hard disk drive (HDD) manufacturing company for seven years. From 1995 to 2012, he held various engineering roles within Western Digital. He last served as the Vice President - Head Disk Assembly (HDA) and CR Engineering of WD (M). He was responsible for all Cleanroom and Mechanical Engineering related functions for all Western Digital HDD facilities in Thailand and Malaysia.

From 1992 to 1995, Mr. Gouw was the Department Manager of Manufacturing Engineering of Ministor Peripherals (S) Pte. Ltd. He had successfully set up the IQA, QC, and Reliability function for the Quality organisation. He was subsequently responsible for all process and product engineering.

From 1988 to 1992, Mr. Gouw was the Senior Manager, Reliability of Seagate Technology (S) Pte. Ltd. He was responsible for the reliability testing and qualification of new changes.

Mr. Gouw holds a Bachelor of Engineering (Electrical and Electronics) from Nanyang Technology Institute.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

cont'd

LAI KUAN LOONG, VICTOR

Aged 46, Singaporean, Male

Senior Independent Non-Executive Director

(re-designated from an Independent Non-Executive Director to the Senior Independent Non-Executive Director on 23 November 2023)

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

*Board meeting attendance : N/A
in the financial year*

Mr. Lai Kuan Loong, Victor (“**Mr. Victor Lai**”) was appointed as an Independent Non-Executive Director on 3 October 2023. Subsequently, he was re-designated from an Independent Non-Executive Director to the Senior Independent Non-Executive Director on 23 November 2023. Mr. Victor Lai was appointed as the Chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee on 3 October 2023.

Mr. Victor Lai has over 20 years of professional and management experience with a focus on Corporate Advisory in the capital markets sector, advising Boards and management on strategy, corporate governance and business development. His significant board advisory engagements include litigation support and board administration for the purpose of resolving shareholder disputes of SGX-listed issuers.

Prior to July 2019, Mr. Victor Lai was the Regional Managing Director and the Practice Leader of the Share Registry and Corporate Secretarial professional practices in both Singapore and Hong Kong of Boardroom Limited.

Mr. Victor Lai has extensive experience in working with the Monetary Authority of Singapore (MAS), having served as the Country & Sector Representative for global regulatory reviews by the Financial Action Task Force (FATF) relating to Anti-Money Laundering and Counter-Financing-of-Terrorism (AML/CFT). He also served on a working group with MAS and IRAS that established the tax transparency treatment for REIT ETFs in Singapore, and held a MAS capital market license up to 2019.

Mr. Victor Lai started his career in a Big-4 international public accounting firm - PricewaterhouseCoopers (PwC), where he was a Director upon obtaining his Public Accountant licence in 2014, and covered both Audit and Advisory engagements during his tenure.

Mr. Victor Lai graduated from the Nanyang Technology University in Accounting.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

cont'd

HO TAT HENG

Aged 53, Malaysian, Male

Independent Non-Executive Director

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

*Board meeting attendance : 2/2
in the financial year*

Mr. Ho Tat Heng ("Mr. Ho") was appointed as an Independent Non-Executive Director on 31 May 2023. Mr. Ho was appointed as the Chairman of the Audit Committee, a member of the Remuneration Committee and Nomination Committee on 31 May 2023.

Mr. Ho worked with CIMB Investment Bank Berhad (CIMB) from 1996 to 2016. His last position held was the Head, Managing Director of Corporate Finance Malaysia and the Regional Head, Managing Director of Consumer Sector, Investment Banking. Subsequently, he was with ZJ Advisory Sdn Bhd as the Executive Director from 2016 to 2018. He is currently a freelance consultant under his own company, FHL Consultancy Sdn Bhd.

Throughout his career in the corporate finance sector, Mr. Ho has been actively involved in various fund raising, mergers and acquisitions, and initial public offering corporate exercises.

Mr. Ho graduated from the Tunku Abdul Rahman College, Kuala Lumpur, Malaysia with Diploma in Commerce (Financial Accounting) and acquired the Association of Chartered Certified Accountants (ACCA) qualification. He is a member of the ACCA.

WONG LING YAH

Aged 34, Malaysian, Female

Independent Non-Executive Director

- *Chairperson of the Nomination Committee*
- *Member of the Remuneration Committee*
- *Member of the Audit Committee*

*Board meeting attendance : 2/2
in the financial year*

Ms. Wong Ling Yah ("Ms. Wong") was appointed as an Independent Non-Executive Director on 31 May 2023. Ms. Wong was appointed as the Chairperson of the Nomination Committee, a member of the Remuneration Committee and Audit Committee on 31 May 2023.

Ms. Wong was previously employed as a legal associate with YTL Corporation Berhad. She previously worked with Baker & McKenzie as an Associate, Intellectual Property / Dispute Resolution (IP/DR) from 2014 to 2016.

Ms. Wong graduated from the London School of Economics and Political Science with a Bachelor of Laws (LLB Law) in 2012 and she completed the Bar Professional Training Course from BPP Law School, London in 2013.

Ms. Wong is the niece of Dato' Wong King Kheng, the Executive Chairman of the Company.

Save as disclosed above, none of the Directors and members of the JCY Group's Key Senior Management has-

- 1. any other directorships in public companies and listed issuers in Malaysia;*
- 2. any family relationship with any Director and/or major shareholder of the Company;*
- 3. any conflict of interest with the Company; and*
- 4. any conviction for offences within the past five (5) year other than traffic offences, if any or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

SUSTAINABILITY STATEMENT

JCY recognises the increasing importance of the Environment, Social and Governance (“**ESG**”) influences that affect our operations. With this recognition, the Company and its subsidiaries (“**the Group**”) has committed to not just utilising and maximising the values of the sustainability processes but to embed the essence of sustainability into our day-today 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 ESG influences affecting our operations. These measures are 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.

JCY is certified to ISO 22301:2012 Business Continuity Management System (“**BCMS**”). The BCMS serves as the base for the Group’s planning and executing activities relating to corporate sustainability and guide the steering committee in establishing a resilient sustainability framework and practices for the management of material aspects, impacts and risks of ESG.

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 ESG to the Management and the Board of Directors. The Directors will then rely on the feedback 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.

SUSTAINABILITY STATEMENT

cont'd

With the distinctive and comprehensive nature of the contexts of ESG, and to facilitate the implementation, monitoring and management of the sustainability related matters, we identify and group the material aspects of the ESG into five (5) principal strategic pillars, namely Community, Environment, Employee, Market and Governance.



(i) Community

The local communities for where JCY operates its businesses. JCY principally operates in 3 locations in 2 countries, namely Johor Bahru (Malaysia), Penang (Malaysia), and Saraburi (Thailand). 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.

(ii) 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 commitment to the Responsible Business Alliance's Code of Conduct.

(iii) Employee

JCY employs approximately 3,677 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.

SUSTAINABILITY STATEMENT

cont'd

(iv) 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.

(v) 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.

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") of the Bursa Malaysia Securities Berhad and guided by the Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia Securities Berhad.

JCY principally operates in two (2) countries, namely Malaysia and Thailand. The Group's Corporate Sustainability Framework applies to all these 2 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 AND 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.

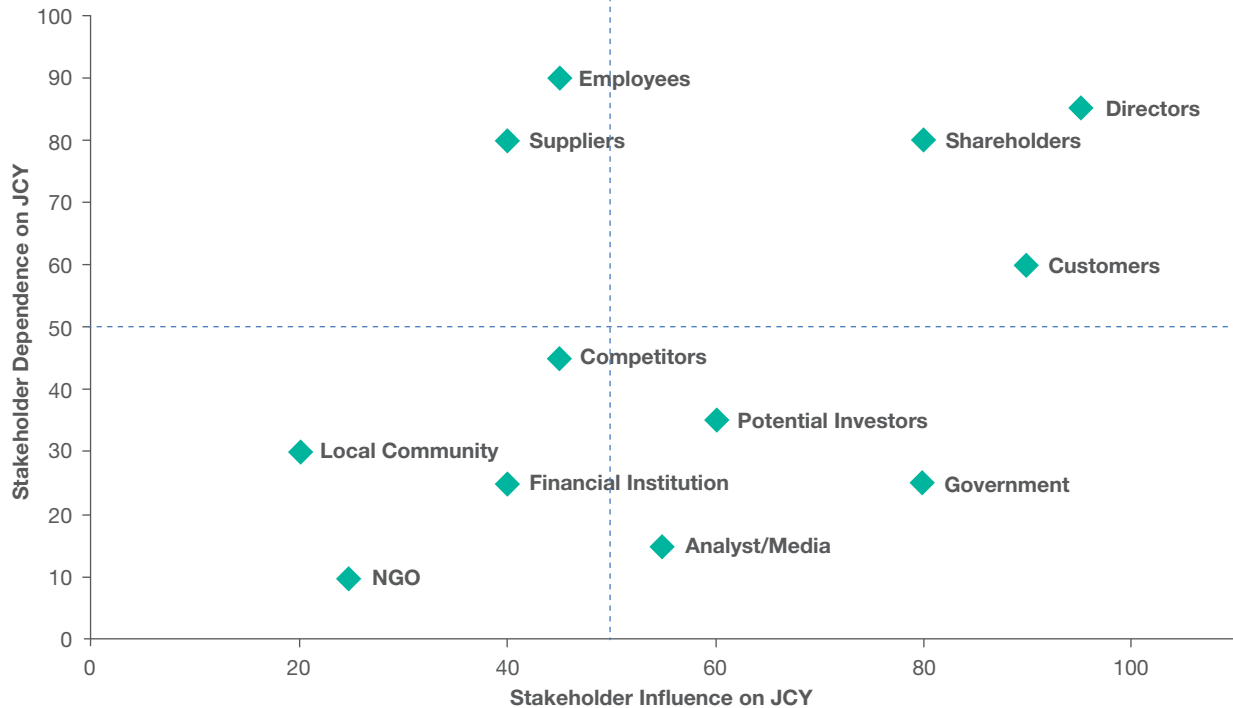
By careful scrutinising and grouping the stakeholders, we further analyse their respective importance through 2-dimensional analysis, namely their influence and dependence on the sustainability of JCY. The result will serve to guide our prioritisation and engagement planning.

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 and dependence on the success of JCY .

SUSTAINABILITY STATEMENT

cont'd

Stakeholder Priority Matrix Chart



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 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.

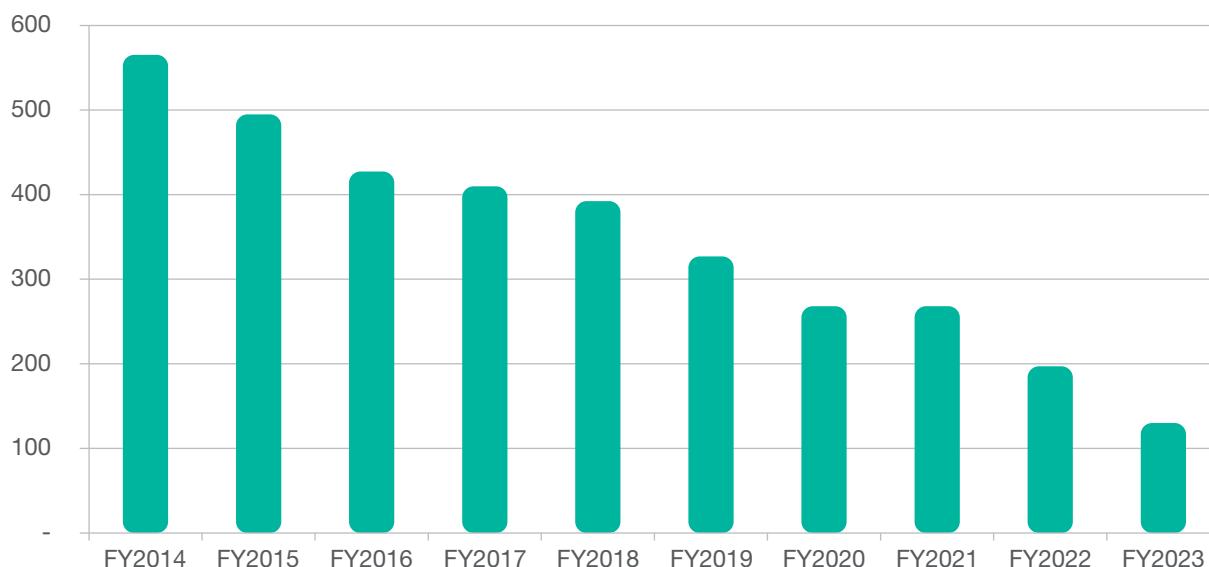
Matters	Strategic Pillars	Stakeholders
Sustainable Business Model	Market, Governance	Directors, Shareholders and Potential Investors, Customers, Suppliers, Employees, Government, Competitors, Financial Institutions, Analyst/Media
Governance	Market, Governance	Directors, Shareholders, Employees, Government,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

SUSTAINABILITY STATEMENT

cont'd

Sustainable Business Model

Throughout the history of the Group, the sales of Hard Disk Drive (“HDD”) components has been the main source of income for JCY. 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 77% in FY2023 compared to FY2014

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 developments, challenges and risks associated with the HDD industry and its supply chains, as well as 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 the financial year 2019, one (1) of our Malaysian subsidiaries received the certification of IATF 16949:2016 Automotive Quality Management System. The certification to IATF 16949:2016 marks a major milestone for JCY towards its objective of diversification into automotive industry, which will enable JCY to better leverage its strength and capabilities in casting, mould fabrication and precision machining.

In the financial year 2020, JCY entered into a Business Sales Agreement (“BSA”) with SDM Casting Precision Sdn. Bhd. to acquire its business in the automotive industry. A new wholly-owned subsidiary, JCY Auto Sdn. Bhd. (“**JCY Auto**”), was established to spearhead the diversification plan of the Group's businesses into automotive industry. The BSA was completed in financial year 2021. In the financial year 2022, JCY Auto was qualified to mass-produce most of the product line-ups it acquired and started to contribute revenue to the Group. In financial year 2023, JCY Auto's operation has gradually grown to the level it was expected at the time JCY entered into the BSA, its revenue increased 340% compared to financial year 2022. The Group will continue to explore more opportunities in the automotive businesses.

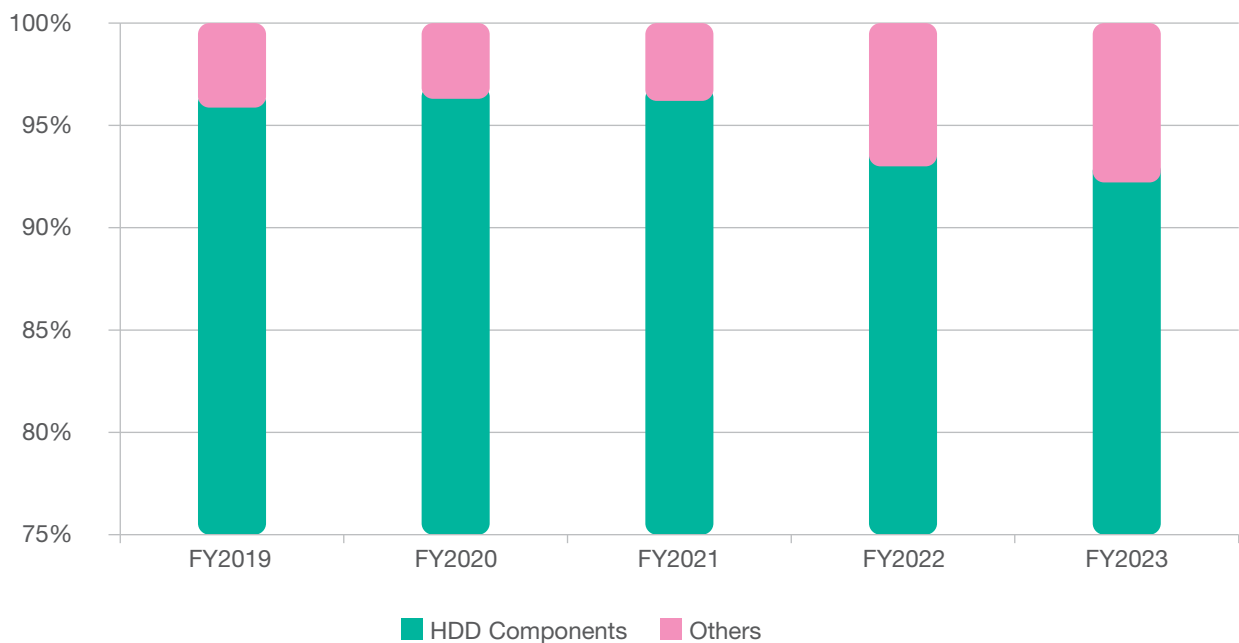
SUSTAINABILITY STATEMENT

cont'd

Despite having ceased the non-HDD business in China in the financial year 2023, the Group has gathered more business enquiries from non-HDD sectors in other regions, especially from the Malaysian market, and many of the enquiries have already entered the new product introduction stage. The Group is confident in releasing these enquiries and business biddings into fruitful business contracts.

The non-HDD sectors contributed approximately 7.8% of the total revenue generated by the Group in the financial year 2023.

Source of Revenue	FY2019	FY2020	FY2021	FY2022	FY2023
Sales of HDD Components	96.3%	96.2%	96.2%	93.0%	92.2%
Others	3.7%	3.8%	3.8%	7.0%	7.8%



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.

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.

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 increasing trade disputes between the United States of America and China.

SUSTAINABILITY STATEMENT

cont'd

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 in Engineering and Quality"*. 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 six (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.

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.

SUSTAINABILITY STATEMENT

cont'd

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. Our key products have been evaluated by our largest customer as one of their Best in Class.

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.

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 quality 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 MMLR 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.

SUSTAINABILITY STATEMENT

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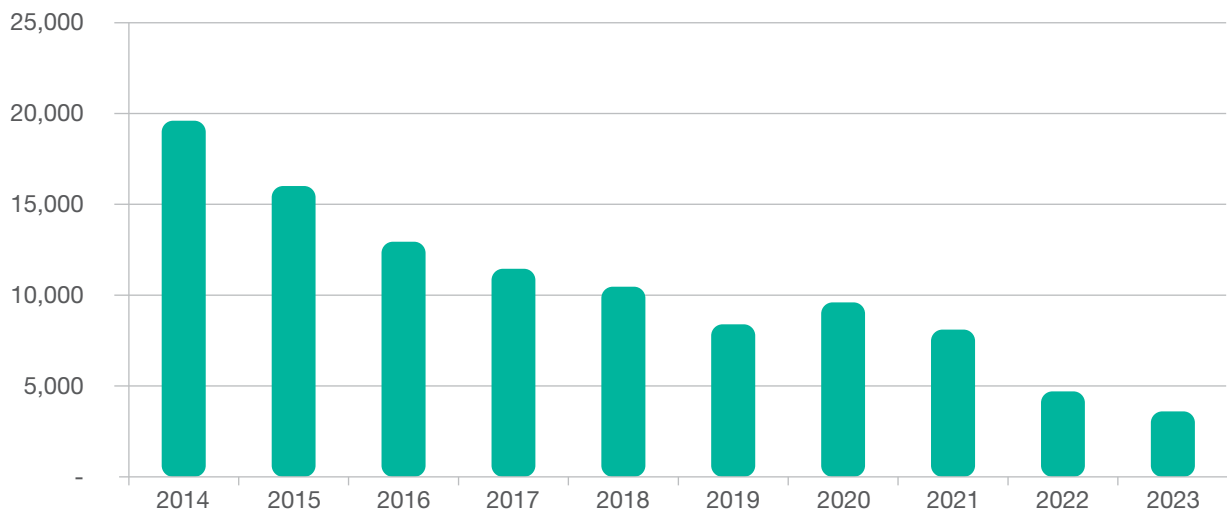
Human Resources Management

Labour dependency reduction

Human factor is one of the most challenging aspects in our business. JCY has a workforce of 3,677 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 behaviours.

Apart from human factors, the increasing minimum wages in locations that JCY carries out its operations 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. A substantial portion of the Group's capital expenditures were spent to automate processes, improve productivity and to consolidate operations with the target to reduce the reliance on manual labour.



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 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.

SUSTAINABILITY STATEMENT

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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.

The Group is committed to the Responsible Business Alliance ("RBA") Code of Conduct, which provides one of the best and international accepted standards and practices for fair employment for the industry peers.

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 commits to the compliance of the RBA 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.

Fraudulent Acts of Employees

Section 17A of the Malaysian Anti-corruption Commission Act ("MACC Act") holds the Company and the directors liable in the events that an associated person of the Company corruptly gives to any person any gratification with intent to obtain, or retain advantage in the conduct of, business for the Company. The Section 17A of the MACC Act carries a penalty of not less than one (1) million Ringgit or ten (10) times the value of the gratification, or imprisonment for a term not exceeding twenty (20) years, or both.

The Group had established an Anti-Bribery and Anti-Corruption Policy that sets out the Board's commitments, expectations and principles to contain acts of bribery and corruption in the Group's operations.

In the Anti-Bribery and Anti-Corruption Policy, the Board commits that:-

- The Group shall conduct its businesses with high standard of conscience and integrity, and in accordance with applicable laws on anti-corruption.
- The Group shall offer zero-tolerance and reject all forms of Bribery and Corruption.
- The Principles of the Anti-Bribery and Anti-Corruption Policy are paramount and no person shall receive penalty or punishment for any act from the sole reason of upholding the Principles of the Policy, even if the act resulted in financial losses or damages to the Group.
- Whistleblowers shall be protected with highest security possible.

Through the Enterprise Risk Management Committee, an Anti-Bribery and Anti-Corruption Task Force had been established to further establish rules and procedures for regulating the employees' and agents' acts for giving and accepting benefits to/from any person. The Group also provides trainings to its key staff on the Anti-Bribery and Anti-Corruption policy, rules and procedures.

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.

SUSTAINABILITY STATEMENT

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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 Corporate Social Responsibility (“**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 institutions 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 institutions 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.

Epidemic

The World Health Organisation (“**WHO**”) describes in its publication Managing Epidemic that *“we are continuously learning about the unpredictable powers of nature. This is nowhere more true than in the continuous evolution of new infectious threats to human health that emerge – often without warning – from the natural environment.”*

The Group recognises the constant risks of epidemic and the threats that it may have on the operation, revenue, profitability, and the employees' health of the Group. As part of the Group's Business Continuity Plan, response plans were established to serve as guidance for the emergency response teams to act upon on any potential threats of an epidemic.

The Group's operating units in various locations are also in constant alert to follow any news and announcement from authorities in relation to contagious disease or epidemic and, if necessary, to cooperate with the authorities for any measures that are deemed necessary for an effective containment of the contagious disease.

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 latest Malaysian Code on Corporate Governance (“**MCCG**”) that was issued on 28 April 2021. The Board is fully committed to maintaining high standards of corporate governance practices throughout the Company and its subsidiaries (“**Group**”) to protect and enhance long-term shareholder value and all stakeholders’ interests.

The Board is pleased to present this Corporate Governance Overview Statement to provide shareholders, investors and all stakeholders with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended 30 September 2023 (“**FYE 2023**”).

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 the MCCG. The Corporate Governance Report is available on the Company’s corporate website at www.jcyinternational.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

1.1 The Board is responsible for the leadership and long-term success of the Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board is guided by the Board Charter, which outlines the duties and responsibilities of the Board, matters reserved for the Board as well as those which the Board may delegate to the Board Committees, Group Chief Executive Officer (“**CEO**”) and Management of the Group.

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.

In general, all decisions that would materially impact 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.

1.2 The Board is chaired by YBhg. Dato’ Wong King Kheng, an Executive Chairman, who provides effective leadership and sound advice on the strategic direction of the Group and to monitor and promote good governance practices within the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

1.0 Board Responsibilities *cont'd*

- 1.3 The positions of Chairman of the Board and CEO are held by two (2) different individuals with clear accepted divisions of power and responsibilities as outlined in the Board Charter. This is to ensure a balance of power and authority, such that no one (1) individual has unfettered powers of decision making.

The distinct and separate roles and responsibilities of the Chairman and Group CEO are provided in the Board Charter, which is available on the Company's website at www.jcyinternational.com.

- 1.4 The Chairman of the Board does not hold any position in the Remuneration Committee ("RC"), Audit Committee ("AC") and Nomination Committee ("NC"). The Board is of the view that this will enable the Board Committees to function independently and professionally without excessive interference from the Board.
- 1.5 The Company is supported by two (2) suitably qualified and competent Company Secretaries, namely Ms. Chua Siew Chuan and Ms. Yeow Sze Min, who are qualified Chartered Secretaries as per Section 235(2)(a) of the Companies Act 2016 and are Fellow Members of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries are the external Company Secretaries from Securities Services (Holdings) Sdn. Bhd. with vast knowledge and experience from being in public practice. They are supported by a dedicated team of secretarial personnel.

During the FYE 2023, the Company Secretaries had discharged their duties and responsibilities accordingly. They will continue to keep themselves abreast on matters concerning company law, the capital market, corporate governance ("CG"), and other pertinent matters, as well as with changes in the regulatory environment through continuous training and industry updates.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions and duties.

- 1.6 All Board and Board Committee meetings are scheduled in advance to enable Board members to reserve their dates for the meetings. During the FYE 2023, the Management together with the assistance of the Company Secretaries strived to circulate all complete meeting materials at least seven (7) business days in advance.

Nonetheless, detailed minutes of the Board or Board Committee meetings, with the complete and accurate record of the decisions and resolutions of the meetings, have been distributed by the Company Secretaries to all Directors and Board Committee members with sufficient time for their review and for them to seek for clarification prior to confirmation of the said minutes at the next Board or Board Committee meeting.

Upon signature by the Chairman of the respective Board and Board Committees, the minutes of the Board or Board Committee meetings are kept into the Minutes Books kept at the registered office of the Company to be made available for inspection.

The Management takes cognisance of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. They will continue to strive in ensuring that the complete meeting materials are circulated at least seven (7) business days in advance of the meetings by hand or email.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS cont'd

2.0 Demarcation of Responsibilities

2.1 The Board has a Board Charter, which was last reviewed and revised by the Board on 18 May 2022 and includes the Directors' Fit and Proper Policy and Board Effectiveness Assessment. The respective functions, roles and responsibilities of the Directors and the Management are clearly set out in the Board Charter as guidance and clarity to enable them to effectively discharge their duties.

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions and authorities to three (3) of its Board Committees, namely, AC, NC and RC. These Committees are entrusted with specific responsibilities to assist the Board in overseeing the Company's affairs, in accordance with their limits of authority and respective Terms of Reference ("TOR"), which are published on the Company's website at www.jcyinternational.com together with the Board Charter. These TOR are reviewed as and when the need arises, and were recently amended to reflect the latest compliance requirements as a result of changes in the regulatory framework. The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the minutes of the Board Committee meetings and reports by the respective Board Committee Chairman, at Board meetings.

AC

Details on the AC are in the AC Report contained in this Annual Report.

RC

Details on the RC are contained in the CG Report.

NC

The NC 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.

All members of the NC are Independent Non-Executive Directors ("INED"). The composition of the NC of the Company during the financial year under review are as follows:-

Name	Directorship	Designation
Ms. Wong Ling Yah (appointed on 31 May 2023)	INED	Chairperson
Mr. Ho Tat Heng (appointed on 31 May 2023)	INED	Member
Mr. Lai Kuan Loong, Victor (appointed on 3 October 2023)	Senior INED	Member
Dr. Rozali Bin Mohamed Ali (ceased on 3 October 2023)	NINED	Member
Mr. Chan Boon Hui (ceased on 31 May 2023)	INED	Member
Mr. Chang Wei Ming (ceased on 31 May 2023)	Senior INED	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

2.0 Demarcation of Responsibilities *cont'd*

During the FYE 2023, the NC 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;
- assessed the independence of the Independent Directors;
- reviewed the Directors who are due for re-election by rotation;
- reviewed the terms of office and performance of the Audit Committee and each of its members;
- discussed the status of the search for new Independent Director candidates;
- recommended to the Board the updated evaluation forms based on the updated Corporate Governance Guide (4th edition);
- recommended to the Board the proposed candidates for the appointment as Independent Non-Executive Directors of the Company;
- recommended to the Board the resignation of the Chairman and Non-Independent Non-Executive Director of the Company;
- recommended to the Board the change of Board Committee composition; and
- recommended to the Board the appointment of the Executive Chairman of the Company.

Based on the results of the annual assessment, the NC 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 TOR of the RC and AC.

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

Enterprise Risk Management Committee

The Company has established a Management-level Enterprise Risk Management Committee on 21 February 2013. The composition of the Management-level Enterprise Risk Management Committee and the details of attendance of meetings during the financial year under review are as follows:-

Name	Designation	Attendance
YBhg. Dato' Wong King Kheng	Chairman	1/1
Mr. Gouw Kim San	Member	1/1
Mr. Lim Su Kiat	Member	1/1

The 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.

During the FYE 2023, the Board had convened a total of eight (8) Board meetings for the purposes of deliberating on the Company's quarterly financial results and discussing other strategic and important matters. During the Board meetings, the Board reviewed the operations and performance of the Group and other strategic matters that may affect the Group's business. Relevant senior management members were invited to attend some of the Board meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The NC has been tasked to review the attendance of the Directors at Board and/or Board Committee meetings. Upon review, the NC noted the Directors, to the best of their ability, have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the FYE 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS cont'd

2.0 Demarcation of Responsibilities cont'd

The attendance record of the Directors at the Board and Board Committees meetings of the Company for the FYE 2023 is detailed below:-

Name	Directorship	Board	AC	NC	RC
YBhg. Dato' Wong King Kheng (re-designated as Executive Chairman on 3 October 2023)	Executive Chairman	8/8	Not a member	Not a member	2/2 (ceased on 3 Oct 2023)
Mr. Gouw Kim San	Group CEO	8/8	Not a member	Not a member	Not a member
Dr. Rozali Bin Mohamed Ali (resigned on 3 October 2023)	Non-Independent Non-Executive Chairman	8/8	6/6	5/5	2/2
Mr. Ho Tat Heng (appointed on 31 May 2023)	INED	2/2	1/1	1/1	N/A
Ms. Wong Ling Yah (appointed on 31 May 2023)	INED	2/2	1/1	1/1	N/A
Mr. Lai Kuan Loong, Victor (appointed on 3 October 2023)	Senior INED (re-designated as Senior INED on 23 November 2023)	N/A	N/A	N/A	N/A
Mr. Chang Wei Ming (resigned on 31 May 2023)	INED	6/6	5/5	4/4	2/2
Mr. Chan Boon Hui (resigned on 31 May 2023)	Senior INED	6/6	5/5	4/4	2/2

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 NC continues to evaluate and assess the training needs of the Directors to ensure professionalism in discharging their duties and recommends to the Board accordingly.

The Directors are also updated from time to time at Board meetings by the Company Secretary 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 FYE 2023 are as follows:-

Name	Continuous education programmes attended
YBhg. Dato' Wong King Kheng	<ul style="list-style-type: none"> SSA 220 ISQM 1 Engagement Level FRS 109 Financial Instruments SSA 315 Assessing the Risks of Material Misstatement SSA 600 Group Audits Accounting for Intangible Assets SSQM2 - Engagement quality review Accounting for business combination Sustainability audit
Mr. Gouw Kim San	<ul style="list-style-type: none"> Bursa's Sustainability/ESG Reporting Update
Mr. Ho Tat Heng	<ul style="list-style-type: none"> Mandatory Accreditation Programme Environmental, Social and Governance/Bursa Malaysia's enhanced sustainability reporting requirements PhillipCapital 13th Investment Conference 2023
Ms. Wong Ling Yah	<ul style="list-style-type: none"> Mandatory Accreditation Programme Management of Cyber Risk
Mr. Lai Kuan Loong, Victor	(appointed after FYE 2023)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

3.0 Good Business Conduct and Healthy Corporate Culture

3.1 The Board is committed in maintaining a corporate culture that engenders ethical conduct. The Board has formalised ethical standards by adopting a Code of Conduct, which 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. All Directors and employees of the Group must endeavour to observe the Code of Conduct which provides guidance as to the ethical conduct to be complied to uphold the principles of honesty and integrity, to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities.

The said Code of Conduct is published on the Company's website at www.jcyinternational.com.

3.2 The Board has adopted a Whistleblowing Policy and Procedures which aligned with the corporate liability provision of the Malaysian Anti-Corruption Commission Act 2009. The said policy also allows 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
YBhg. Dato' Wong King Kheng	Chairman	Email: chairman@jcyinternational.com
Mr. Lai Kuan Loong, Victor	Senior Independent Non-Executive Director	Email: senior-ined@jcyinternational.com

The Board has on 17 January 2024 adopted a revised Anti-Bribery and Anti-Corruption Policy with the objectives to manage the potential risks of and to prevent the bribery and corruption in the Group. The Policy also sets out the Board's commitment towards zero-tolerance of fraudulent acts and principles on the anti-corruption practices. An Anti-Bribery and Anti-Corruption Task Force has been established under the purview of the Enterprise Risk Management Committee to assist the Board on this matter.

The Anti-Bribery and Anti-Corruption Policy is also published on the Company's website at www.jcyinternational.com.

4.0 Sustainability

4.1 The Board believes that sustainable business practices are important to the creation of long-term value.

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 sustainability to the Management and the Board of Directors. The 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 Group has established or restructured several taskforce teams to oversee and manage the risk and opportunities of the material aspects of the sustainability influences affecting our operations. These measures are 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.

4.2 The Board acknowledges the importance of communicating the Company's sustainability strategies, priorities, and targets to its internal and external stakeholders.

The Group publishes its Sustainability Statement in the annual report where the Group's sustainability strategies, priorities, and targets are disclosed. The Group's sustainability disclosures include a comprehensive description of the strategy, stakeholders' engagement, materiality, and efforts.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

4.0 Sustainability *cont'd*

- 4.3 The Board will take part in initiatives to stay abreast of sustainability issues relevant to the Group and the industry. The Board will also take the necessary steps to undertake professional training, development programs, and activities related to sustainability and governance issues which will include climate-related risks and opportunities.
- 4.4 While sustainability risks and opportunities have been discussed by senior management and at the Board level, a formal evaluation process in addressing sustainability considerations will take effect going forward.
- 4.5 Being a step-up practice, the Board did not identify a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company as this requires the necessary time, resource and planning. The Board would consider this at an opportune time.

5.0 Board Composition

- 5.1 The NC is responsible for reviewing the Board's structure, size, and composition regularly as well as making a recommendation to the Board with regard to changes that are deemed necessary. When recommending to the Board, NC will consider the required mix of skills, experience, character, integrity, time commitment, and diversity, where appropriate, which the person nominated can bring to the Board.

During the FYE 2023, the NC assessed the effectiveness of the Board of Directors as a whole and the board committees as well as the contribution and performance of each director.

The NC annually reviews the performance of directors who are seeking re-election based on competency, preparedness, and contributions. In enhancing the NC process by the Board, with the recommendation of NC, a Directors' Fit and Proper Policy had been adopted and incorporated in the Board Charter on 18 May 2022.

- 5.2 The Company has five (5) Directors of whom two (2) are Executive Directors and three (3) are Independent Non-Executive Directors.

Board composition is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities.

The presence of the INED 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.

- 5.3 The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years as set out in the Board Charter. However, upon completion of the nine (9) years, the Independent Director may continue to serve on the Board subject to his/her redesignation as Non-Independent Director. In the event that the Board intends to retain an Independent Director who would have served the Board in this capacity between nine (9) years to twelve (12) years, being the limit prescribed by Bursa Securities, the Board shall first justify and seek annual shareholders' approval through a two-tier voting process as guided by the MCCG.
- 5.4 Being a step-up practice, the Board has not adopted a policy which limits the tenure of its Independent Directors to nine (9) years.
- 5.5 The Board is judicious of the gender diversity recommendation promoted by the MCCG to offer greater depth and breadth to board discussions and constructive debates at senior management level.

Nonetheless, the Group is an equal opportunity employer and all appointments to the Board and employment of senior management are based on objective criteria, merit, skills and experience, and are not driven by any age, cultural background or gender considerations.

At present, the members of the Senior Management team are equipped with diverse skills, expertise and industry experience to lead the business direction on the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

5.0 Board Composition *cont'd*

- 5.6 The Board will consider referrals from external sources to identify suitably qualified candidates when the need arises in the future and will not solely rely on recommendations from existing Board members, Management, and/or major shareholders.
- 5.7 The NC is responsible for making recommendation to the Board on the eligibility of the Directors to stand for re-election at the AGM. The performance of the retiring Directors who are recommended for re-election at the AGM has been assessed through the Board and Board Committee evaluation.
- 5.8 The NC is chaired by an INED, namely Ms. Wong Ling Yah, who had led the annual review of Board and Board Committees' effectiveness, ensuring that the performance of each individual Director is independently assessed.
- 5.9 Despite the Board not having any formalised board diversity policy or gender diversity policy, the Board practices non-gender discrimination and endeavours to promote workplace diversity and supports the representation of women in the composition of Board and Senior Management positions of the Company.

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.

Women representation on the Board and in senior management will be taken into consideration and suitable candidates would be identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

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	0	5	0	5	4	1	5

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

Age Group (Years)	31 - 40	41 - 50	51 - 60	61 - 70	71 - 75	Total
Number of Directors	1	1	2	0	1	5

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:-

Gender	Race/Ethnicity			
	Malay	Chinese	Indian	Other
Male	159	68	26	1,542
Female	178	52	23	1,629

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

5.0 Board Composition *cont'd*

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

Gender	Age Group (Years)				
	Below 21	21-30	31-40	41-50	Above 50
Male	10	728	674	320	63
Female	34	862	628	300	58

5.10 The Board undertakes the following effort to ensure the decision making process is fair and aligned with the Company's objectives:-

- i. The Board affirms that appointment of more woman representatives to the Board and senior management would be prioritised.
- ii. All decisions of the Board would require the consent of the majority of the Board members. In view that the existing Board comprises a majority of the INEDs who have distinguished themselves in their respective fields of expertise, they are able to provide diverse insights and perspectives during board deliberation and decision-making process.

The Board opined that the above Practices are able to meet the above Intended Outcome. Nonetheless, the Board would consider the adoption of a gender diversity policy.

6.0 Overall Effectiveness of the Board

6.1 During the FYE 2023, the Board, through the NC, had conducted the following annual assessments to determine the effectiveness of the Board, the Board Committees and each individual Director in the FYE 2023:-

- i. Directors' self-assessment;
- ii. Evaluation on the effectiveness of the Board as a whole and Board Committees;
- iii. Assessment of Independent Directors;
- iv. Review of the term of office and performance of the AC and each of its members; and
- v. Re-election of the retiring Directors.

Based on the aforesaid evaluations conducted for the FYE 2023, the NC was satisfied with the performance of the Board as a whole, the Board Committees and individual Board members.

7.0 Level and Composition of Remuneration

7.1 The Company does not have a remuneration policy for Directors and Senior Management in place for the time being. However, before a formal remuneration framework for the Directors and Senior Management is established and ready for application, a set of remuneration practices by conventions and consensus that were established through years of deliberation by the RC and the Board collectively on remuneration matters, have been in place for the effective regulation of the remuneration matters of the Board and the Senior Management.

As at the date of this Annual Report, the RC consists of only Independent Non-Executive Directors.

The RC is presently chaired by Mr. Lai Kuan Loong, Victor, a Senior Independent Non-Executive Director. The TOR of the RC is available for reference on the Company's website at www.jcyinternational.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

8.0 Remuneration of Directors and Senior Management

8.1 The breakdown of the remuneration (including benefits-in-kind) of each individual Director paid and recognised in the FYE 2023 in the Company and Group levels respectively, is as follows:-

Name of Directors	Company				Group			
	Fees ("RM")	Salaries & Bonus+ ("RM")	Others ("RM")	Total ("RM")	Fees ("RM")	Salaries & Bonus+ ("RM")	Others ("RM")	Total ("RM")
Executive Directors								
YBhg. Dato' Wong King Kheng	120,000	-	-	120,000	253,000	1,274,000	-	1,527,000
Mr. Gouw Kim San	120,000	-	-	120,000	120,000	1,823,000	1,000	1,944,000
Mr. Goh Chye Kang ***	50,000	-	-	50,000	50,000	-	-	50,000
YBhg. Dato' Tan Shih Leng ****	90,000	-	-	90,000	90,000	-	-	90,000
Total	380,000	-	-	380,000	513,000	3,097,000	1,000	3,611,000
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:

Mr. Lai Kuan Loong, Victor, Mr. Ho Tat Heng and Ms. Wong Ling Yah had not been paid any remuneration during the FYE 2023.

+ The salaries and bonus are inclusive of statutory contributions and fixed allowance.

* Resigned on 31 May 2023.

** Resigned on 3 October 2023.

*** Resigned on 1 March 2022.

**** Resigned on 30 June 2022.

The remuneration of the Key Senior Management for the FYE 2023 are disclosed in the Corporate Governance Report which is available at the Company's corporate website at www.jcyinternational.com.

8.2 The Company does not separately disclose the remuneration of the top five (5) Key Senior Management of the Company for the FYE 2023 as all the executives drawing remuneration in the Company are also directors of the Company.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

9.0 Effective and Independent AC

9.1 As at the date of this Annual Report, the AC is chaired by Mr. Ho Tat Heng, who is an INED, while the Chairman of the Board is YBhg. Dato' Wong King Kheng, an Executive Director. This ensures that the objectivity of the Board's review of the AC's findings and recommendations is not impaired.

9.2 In order to safeguard the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements, the TOR of the AC require a former key audit partner of the Company's external auditors to observe a minimum three (3)-year cooling-off period before being appointed as a member of the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

9.0 Effective and Independent AC *cont'd*

9.3 The AC has assessed the suitability, objectivity and independence of the External Auditors to safeguard the quality and reliability of audited financial statements. The assessment is conducted on a yearly basis by the Audit Committee, using the prescribed External Auditors Evaluation Form, with emphasis of evaluation based on 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 Group has also adopted a Policy on Independence of External Auditors which set out the process and procedures for assessing the independence of the External Auditors.

Based on the results of the evaluation, the AC is satisfied with the performance of the External Auditors, their adequacy of experience, resources and the professional staff assigned to the audit of the Group. The Board has accepted the recommendation of the Audit Committee for the re-appointment of Messrs. Ernst & Young PLT as External Auditors of the Company for the ensuing financial year in the upcoming AGM of the Company.

9.4 The AC comprises solely of Independent Directors.

9.5 The Board has ensured that the AC as a whole is financially literate and has sufficient understanding of the Group's business and matters under the purview of the AC, including the financial reporting process.

The AC has reviewed and provided advice on the financial statements which provide a true and fair view of the Company's financial position and performance.

All members of the AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

10.0 Risk Management and Internal Control

10.1 The Board acknowledges that the risk management system and internal audit function is an integral part of an effective system of corporate governance.

The Board has established an Enterprise Risk Management ("ERM") framework which involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. The objectives of the ERM framework are among others, to ensure all risks are identified, analysed, evaluated, treated, monitored and communicated and to provide a means and to achieve a tolerable level of risk whilst capitalising on opportunities to maximise revenue and profits of the Group.

10.2 The Group has implemented a formal approach to the risk management framework whereby a systematic and logical methodology risk management model has been adopted to ensure key risks are identified, evaluated, properly prioritised, owners identified with proper response time set and allowed for continuous improvement.

The Management level Risk Management Committee through their meetings ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks affecting the Group and the Company are being satisfactorily addressed on an ongoing basis.

11.0 Effective Governance, Risk Management and Internal Control Framework

11.1 The Internal Audit Department reports directly to the AC. The internal audit function is carried out in accordance with the Internal Audit Charter which is consistent with the Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

During the FYE 2023, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal auditors for the FYE 2023 and that they have the necessary authority to carry out their work.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

11.0 Effective Governance, Risk Management and Internal Control Framework *cont'd*

The AC was also satisfied that the internal audit function is independent of the operations of the Company and provides reasonable assurance that the Company's system of internal control is satisfactory and operating effectively.

- 11.2 The Internal Audit Department reports directly to the AC 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.

The Internal Audit Department was headed by a suitably qualified Head of Internal Audit, Ms. Jasmine Tan Ean Nee ("**Ms. Jasmine Tan**"). Ms. Jasmine Tan is an Associate member of the Institute of Internal Auditors Malaysia and has a Diploma in Accounting from London Chamber of Commerce & Industry and possess Association of Chartered Certified Accountant Professional Part 2 certification. Ms. Jasmine Tan resigned from her position after the FYE 2023, the Group is currently sourcing for appropriate personnel to lead the Internal Audit function.

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

12.0 Continuous Communication between the Company and Stakeholders

- 12.1 The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value. The Board, in its best efforts, always keeps the shareholders and various stakeholders informed of the Company's business and corporate development and ensure that the Company's communication with them is transparent and timely.

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 with the investing public are accurate, timely, factual, informative, balanced, broadly disseminated and in compliance with applicable legal and regulatory requirements.

Announcements, news, events and all relevant updates are posted on the Company's website regularly. Shareholders may also communicate with the Company on investor relation matters by posting their enquiries to the Company through the Company's web enquiry form on its website. The Company will endeavour to reply to these enquiries in the shortest possible time.

- 12.2 The Company is not categorised as a "Large Company" and hence, has not adopted integrated reporting based on a globally recognised framework.

13.0 Conduct of General Meetings

- 13.1 The Board together with the management are committed to ensuring that the notice of every AGM of the Company is being circulated at least twenty-eight (28) days prior to the date of the meeting. For the 17th AGM, the company circulated the notice of the AGM at least twenty-eight (28) days prior to the date of the meeting.

The Board is aware that sufficient notice and time given would allow the shareholders to arrange their time to participate in the AGM. The shareholders would have sufficient time to appoint their proxies and corporate representatives for the AGM.

The notice of AGM provides a detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

13.0 Conduct of General Meetings *cont'd*

13.2 All the Directors of the Company attended the 17th AGM of the Company held on 23 February 2023. The Board responded to the questions raised during the 17th AGM.

All the Directors of the Company have and will always endeavour to attend all general meetings and the Chairman of the AC, NC and RC will provide meaningful response to questions addressed to them.

13.3 Given the intense situation with the Covid-19 pandemic and safe distancing requirements imposed by the Government, which discourages mass gatherings, the Board had conducted the 17th AGM of the Company held 23 February 2023 on a virtual basis to enable the shareholders of the Company to participate fully in the proceedings at more than one (1) venue using technology facilities and to exercise their right to speak and vote at the meeting without the need to be physically present at the venue. Where the shareholders were not able to participate, they could and had appointed proxies to participate and vote on their behalf.

13.4 The Company believes that a general meeting is a platform of interaction between the Board, Senior Management, and the shareholders of the Company. The Board ensures that shareholders are given the opportunity to participate in general meetings either physically or virtually.

All the Directors, senior management and the representative of the external auditors were present at the 17th AGM to provide responses to the questions posed by shareholders via Securities Services e-Portal (“**SSeP**”) in relation to the agenda items for the 17th AGM, both prior to and during the meeting.

The shareholders, corporate representatives, and proxies were able to rely on real time submission of typed text to exercise their rights to speak or communicate in a virtual meeting by submitting questions or remarks in relation to the agenda items into the text box given in the live stream player within the same SSeP page.

The Chairman also has ensured that all questions raised during general meetings would be getting responses either during the meeting itself or after the meeting via email. The responses would be published on the corporate website after the general meetings.

13.5 During the 17th AGM, the Company had appointed SS E Solutions Sdn Bhd. as the service provider of Remote Participation and Voting (“**RPV**”) facilities via the Securities Services e-Portal (“**SSeP**”). SSeP is an all-in solution for facilitating RPV at meetings.

At the 17th AGM, the Chairman informed that shareholders may exercise their rights to vote remotely at the meeting.

To ensure effective communication with the shareholders at a virtual general meeting, questions posed by shareholders were displayed on the screen for all the meeting participants’ reference whilst the Chairman read out and answered the shareholders’ questions.

13.6 The Minutes of the 17th AGM held on 23 February 2023 are available on the corporate website at www.jcyinternational.com and were published no later than thirty (30) business days after the AGM.

The Corporate Governance Overview Statement and the Corporate Governance Report were duly approved at the Board of Directors’ Meeting held on 17 January 2024.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continue to strengthen the Company’s existing corporate governance framework, policies and practices in order to safeguard the interest of all stakeholders.

Moving forward, the Board will continue to operationalise and improve the Company’s corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

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 2023.

COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. None of the Independent Non-Executive Directors have appointed Alternate Directors. The Chairman of the Audit Committee, Mr. Ho Tat Heng, is a member of the Association of Chartered Certified Accountants 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 2023, the Audit Committee conducted six (6) meetings. The details of attendance of the members of the Audit Committee are as follows:

Name	Directorship	Designation	Meeting Attendance
Mr. Ho Tat Heng (appointed on 31 May 2023)	Independent Non-Executive Director	Chairman	1/1
Ms. Wong Ling Yah (appointed on 31 May 2023)	Independent Non-Executive Director	Member	1/1
Mr. Lai Kuan Loong, Victor (appointed on 3 October 2023)	Senior Independent Non-Executive Director	Member	N/A
Dr. Rozali Bin Mohamed Ali (ceased on 3 October 2023)	Non-Independent Non-Executive Director	Member	6/6
Mr. Chang Wei Ming (ceased on 31 May 2023)	Independent Non-Executive Director	Outgoing Chairman	5/5
Mr. Chan Boon Hui (ceased on 31 May 2023)	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, which are consistent with the requirements of the MMLR of Bursa Securities and the recommendations of the Malaysian Code on Corporate Governance, 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 before 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
22 November 2022	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the fourth quarter ended 30 September 2022
29 November 2022	Revised Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the fourth quarter ended 30 September 2022
16 January 2023	Audited Financial Statements for the financial year ended 30 September 2022 Audit Committee Report and Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2022
23 February 2023	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the first quarter ended 31 December 2022
19 May 2023	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the second quarter ended 31 March 2023
21 August 2023	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the third quarter ended 30 June 2023

- (iii) Reported to the Board its finding on financial 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 External Auditors' performance, independence, and effectiveness 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 the financial year ended 30 September 2023 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 Auditor. The Audit Committee acknowledges that the recommendations take into account the management's responses but are subject to the Audit Committee's review.
- (iv) Carried out private meetings with the Internal Auditor without the presence of the Executive Directors and Management of the Group.
- (v) Reviewed the performance of the Internal Auditor.

(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 allocation of the options being granted through the Executives' Share Option Scheme ("ESOS") as being in compliance with the criteria stipulated in the by-laws of the ESOS of the Company.
- (ii) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to submitting the same to the Board for consideration and inclusion in the Annual Report.

SUMMARY WORK OF THE INTERNAL AUDIT FUNCTION

The Company has an in-house Internal Audit Department which reports directly to the Audit Committee and assists the Audit Committee in discharging its functions and duties. The internal audit function is independent of operational activities and has its own service charter to ensure the internal audit activities are performed with impartiality, proficiency and due professional care. The Head of the Internal Audit Department resigned from her position after the end of the financial year 2023. The Group is currently sourcing for appropriate personnel to lead the Internal Audit function.

The costs incurred for the internal audit function in respect of the financial year ended 30 September 2023 amounted to RM109,000/-.

During the financial year, the Internal Audit Department conducted follow-up audits on key overhead cost controls and jigs and fixtures inventory recordings controls, and risks management reviews on selected business units. 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 closing the meeting with Management and in the quarterly Audit Committee meetings.

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 to maintaining a sound system of risk management and internal control. Accordingly, 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 in accordance with the principles and recommendations relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance (“**MCCG**”).

This Statement outlines the nature and scope of risk management and internal control of the Group for the financial year ended 30 September 2023. 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” issued by the Task Force on Internal Control with the support and endorsement of the Bursa Securities and Principle B of the MCCG – Risk Management and Internal Control Framework.

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 establishing an appropriate control environment and framework and reviewing the system’s effectiveness, adequacy, and integrity.

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 Enterprise Risk Management Committee (“**ERMC**”) is established to assist the Board in identifying and assessing the risks faced by the Group and thereafter designing, implementing, and monitoring 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 eliminating 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 ERM Committee are subject to periodic review. In addition, the ERM Committee would actively refine and continuously seek improvements in the existing Risk Management System.

CONTROL ENVIRONMENT AND KEY ELEMENTS OF INTERNAL CONTROL

The Board is committed to 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:-

i. 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 to enhance the Group's performance.

ii. 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 by the Executive Directors, and significant investments and projects are tabled to the Board for notation or approval.

iii. 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*

iv. 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 are 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.

v. 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.

vi. Quality Control

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

vii. 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 have 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, emphasizing the scope of audits, quality, and independence of the Internal Audit Department.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department (“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 according to the risk-based annual audit plan approved by the Audit Committee. The 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.

The Head of the Internal Audit Department resigned from her position after the end of the financial year 2023. The Group is currently sourcing for appropriate personnel to lead the Internal Audit function. Details of the internal audit function activities 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 Chairman and the Group Chief Executive 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 to 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 the Securities and pursuant to the scope set out in Audit and Assurance Practice Guide (“AAPG”) 3: (Revised) issued by the Malaysian Institute of Accountants, the External Auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 30 September 2023.

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 the 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 was approved by the Board on 17 January 2024.

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 2023.

2. AUDIT AND NON-AUDIT FEES

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

	Company (RM)	Group (RM)
Statutory Audit Fees	120,000	598,000
Non-Audit Fees	-	10,000
Total Fees	120,000	608,000

3. MATERIAL CONTRACTS

There were no material contracts involving the Directors', chief executives' (who are not Directors) and major shareholders' interests, either subsisting at the end of the financial year ended 30 September 2023 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 for a period of five (5) years and had been extended for another five (5) years until 16 April 2028 as recommended by the ESOS Committee and approved by the Board via a Directors' Resolution in Writing on 16 April 2023. The information in relation to the ESOS, is as follows:-

Details	ESOS Options
Total number of options outstanding as at 1 October 2022	34,673,200
Total number of options granted during the year	-
Total number of options exercised during the year	-
Total number of options forfeited during the year	(4,506,000)
Total number of options outstanding as at 30 September 2023	30,167,200
Granted to Directors	ESOS Options
Aggregate options outstanding as at 1 October 2022	6,000,000
Aggregate options granted during the year	-
Aggregate options exercised during the year	-
Aggregate options for directors resigned during the year	(750,000)
Aggregate options outstanding as at 30 September 2023	5,250,000
Granted to Directors and Senior Management	ESOS Options
Aggregate maximum allocation in percentage	80%
Actual percentage granted	31%

ADDITIONAL COMPLIANCE INFORMATION

cont'd

4. EXECUTIVES' SHARE OPTION SCHEME *cont'd*

The breakdown of the options movements for Non-Executive Director during the financial year under review was as follows:-

Name of Director	Balance as at 01.10.2022	Granted	Exercised	Balance as at 30.09.2023
Dr. Rozali Bin Mohamed Ali	250,000	-	-	250,000

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 2023 did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the annual financial statements of the Company and its subsidiaries (“the Group”) are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group as at the end of the financial year, and of the results and cash flows of the Group for the financial year.

In the preparation the financial statements, the Directors have ensured that:-

- appropriate and relevant 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 keep proper accounting records which disclose the financial position of the Group 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; and
- 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 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.

The Directors confirmed that they have complied with the above requirements for the annual financial statements for the financial year ended 30 September 2023.

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 2023.

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 net of tax	90,304	52,268

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 other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

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:

Gouw Kim San	
Dato' Wong King Kheng *	
Ho Tat Heng	(Appointed on 31 May 2023)
Wong Ling Yah	(Appointed on 31 May 2023)
Lai Kuan Loong, Victor	(Appointed on 3 October 2023)
Chang Wei Ming	(Resigned on 31 May 2023)
Chan Boon Hui	(Resigned on 31 May 2023)
Dr. Rozali Bin Mohamed Ali	(Resigned on 3 October 2023)

* *Director of the Company and certain subsidiaries*

The names of the directors of the Company's subsidiaries (excluding directors who are also directors of the Company) in office since the beginning of the financial year to the date of this report are:

Yong Yong Chai
Yong Yoong Kian
Lim Su Kiat
Teo Swee Fong

DIRECTORS' REPORT

cont'd

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 of the Company are as follows:

	Group	Company
	RM'000	RM'000
Salaries and bonus	3,098	-
Fees	873	740
Other emoluments	300	300
	<u>4,271</u>	<u>1,040</u>

The Company maintains a liability insurance for the directors of the Group. The total 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 RM48,426 (2022: RM46,120).

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 2022	Acquired	Sold	30 September 2023
Ordinary shares of the Company				
Direct interest:				
Dr. Rozali Bin Mohamed Ali	2,000,000	-	-	2,000,000
Dato' Wong King Kheng	4,800,000	-	-	4,800,000

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *cont'd*

	Number of ordinary shares of the Company under the option pursuant to the ESOS			30 September 2023
	1 October 2022	Granted	Exercised	
Employee Share Option Scheme (ESOS) of the Company				
Dr. Rozali Bin Mohamed Ali	250,000	-	-	250,000
Gouw Kim San	3,000,000	-	-	3,000,000
Dato' Wong King Kheng	2,000,000	-	-	2,000,000

TREASURY SHARES

As at 30 September 2023, the Company held as treasury shares, a total of 15,946,700 of its 2,126,746,800 issued ordinary shares. Such treasury shares are held at a carrying amount of RM15,584,000 and further relevant details are disclosed in Note 26(b) to the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

EMPLOYEE SHARE OPTION SCHEME

The ESOS was approved at the Extraordinary General Meeting of the Company held on 27 February 2018 and implemented on 16 April 2018 with a duration of 5 years. The Options Committee has the discretion to extend the duration of the ESOS for another 5 years. In April 2023, the Options Committee recommended and the Board of Directors of the Company had approved the extension of the ESOS for another 5 years until 16 April 2028. 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 ESOS Committee comprises of 3 members, namely Gouw Kim San, Dato' Wong King Kheng and Yong Yong Chai.

There is no grant of new share options under the ESOS to eligible executives of the Group during the financial year.

The information in relation to the ESOS is as follows:-

	Number of ESOS Options
Total number of options outstanding as at 1 October 2022	34,673,200
Total number of options forfeited during the year	(4,506,000)
Total number of options outstanding as at 30 September 2023	<u>30,167,200</u>

ESOS Options granted to directors are detailed in the Directors' interests above.

HOLDING COMPANY

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

DIRECTORS' REPORT

cont'd

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 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 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.
- (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 subsequent event are disclosed in Note 36 to the financial statements.

DIRECTORS' REPORT

cont'd

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT		
- current year	573	120
- other services	10	-
Other auditors	25	-
	<hr/> 608	<hr/> 120

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 January 2024.

Gouw Kim San

Dato' Wong King Kheng

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Gouw Kim San 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 61 to 123 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 2023 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 18 January 2024.

Gouw Kim San

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 61 to 123 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)
 dated 18 January 2024)

Dato' Wong King Kheng

Before me,

PESURUHJAYA SUMPAH MALAYSIA
 No. J252
 SERENA KAUR

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 2023 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 61 to 123.

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 2023, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

a) Impairment assessment on property, plant and equipment ("PPE") and right-of-use ("ROU") assets

The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and whether an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Group shall estimate the recoverable amount of that asset.

Due to the existence of indicators of impairment during the year as a result of the operating loss recorded for the current financial year, the Group has estimated the recoverable amount of the cash-generating unit ("CGU") relating to the PPE and ROU assets in respect of hard disk drive components manufacturing ("HDD") using fair value less cost of disposal ("FVLCD") method and concluded that no additional impairment loss is required for the current financial year. As at 30 September 2023, the aggregate carrying amount of PPE and ROU assets in respect of HDD CGU was RM274.7 million, representing 35% of the Group's total assets.

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

a) Impairment assessment on property, plant and equipment ("PPE") and right-of-use ("ROU") assets *cont'd*

We consider this to be an area of audit focus due to the significance of the amount and the complexity and subjectivity involved in the impairment assessment. Our procedures in reviewing the recoverable amount of the CGUs include, amongst others, the following:

- Evaluated and assessed the appropriateness of the methodology and approach applied in determining the recoverable amount;
- Verified the recoverable amount is determined based on the higher of value in use or FVLCD;
- Assessed the competence, objectivity, independence, experience and expertise of the independent valuers;
- Obtained an understanding of the methodologies adopted by the independent valuers in estimating the fair value of the lands and buildings and plant and machinery and assessed whether such methodology is consistent with those used in the industry;
- Had discussions with independent valuers to obtain an understanding of the inputs to the valuation models and assessed the reasonableness of those inputs;
- Verified, on sampling basis, the key inputs used in the valuations in determining the fair values of land and buildings and plant and machinery of the CGUs; and
- Evaluated the adequacy of the disclosures as disclosed in Note 3.1(c) and Note 32 to the consolidated financial statements.

b) Revenue recognition

Revenue from sale of finished goods recognised by the Group during the year amounted to RM475.4 million. We have identified sale of finished goods to be a key audit matter as we consider the voluminous sales transactions during the year to be the possible cause for higher risk of material misstatements. We focused our audit efforts on addressing the possibility of overstatement of revenue.

In addressing this risk, we performed, amongst others, the following procedures:

- Obtained understanding on the Group's internal controls over the point when the Group recognises the revenue upon the transfer of the promised goods to customers and the transaction price recorded as revenue;
- Performed correlation analysis between revenue, trade receivables and cash and bank balances using data analytics;
- Inspected the terms of significant sales transactions to determine the point of transfer of control and assessed whether revenue was recognised in accordance with the terms stated in the respective sales agreements, sales invoices and shipping documents; and
- Traced from the sales records one month preceding and two weeks post year end to the supporting acknowledged delivery orders, bills of lading or other supporting shipping documents and reviewed the debit and credit notes issued subsequent to year end to assess whether the transactions were recorded within the correct financial year.

The Group's disclosures on revenue recognition are included in Note 2.19 and Note 4 to the consolidated financial statements.

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*

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprise 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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.

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.

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 cont'd

- 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, actions taken to eliminate threats or safeguards applied.

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.

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Johor Bahru, Malaysia
Date: 18 January 2024

Lee Ming Li
02983/03/2024 J
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 September 2023

	Note	Group		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Revenue	4	475,368	830,638	-	-
Cost of sales	16	(561,159)	(873,583)	-	-
Gross loss		(85,791)	(42,945)	-	-
Other items of income					
Other operating income		34,275	8,901	1,479	22,537
Other items of expense					
General and administrative expenses		(30,072)	(42,625)	(2,177)	(2,394)
Other operating expenses		(8,950)	(16,350)	(51,559)	(181,800)
Finance costs	8	(4,138)	(2,905)	(1)	(1)
Loss before tax	5	(94,676)	(95,924)	(52,258)	(161,658)
Taxation	9	4,372	6,743	(10)	(167)
Loss after tax		(90,304)	(89,181)	(52,268)	(161,825)
Other comprehensive (loss)/income					
Foreign currency translation		(905)	2,593	-	-
Recycling of foreign currency translation reserve on liquidation of foreign subsidiaries		(8,924)	-	-	-
Total comprehensive loss for the year		(100,133)	(86,588)	(52,268)	(161,825)
Basic loss per share (sen)	10	(4.3)	(4.2)		
Diluted loss per share (sen)	10	(4.2)	(4.2)		

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

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	253,871	297,094	-	-
Right-of-use assets	12	23,172	24,396	-	-
Goodwill	13	-	4,393	-	-
Investment in subsidiaries	14	-	-	464,688	464,445
Due from subsidiaries	15	-	-	424	8,828
Restricted bank deposits	19	1,813	1,585	-	-
		<u>278,856</u>	<u>327,468</u>	<u>465,112</u>	<u>473,273</u>
Current assets					
Right-of-use assets	12	-	494	-	-
Due from subsidiaries	15	-	-	609	7,633
Inventories	16	230,122	330,209	-	-
Trade and other receivables	17	168,753	109,229	-	-
Other current assets	18	8,115	15,878	-	-
Tax recoverable		839	1,145	147	25
Cash and bank balances	19	103,126	165,448	51,983	88,065
		<u>510,955</u>	<u>622,403</u>	<u>52,739</u>	<u>95,723</u>
Assets held for sale	25	3,450	-	-	-
		<u>514,405</u>	<u>622,403</u>	<u>52,739</u>	<u>95,723</u>
Total assets		<u>793,261</u>	<u>949,871</u>	<u>517,851</u>	<u>568,996</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	20	63,473	89,340	708	870
Tax payable		71	80	-	-
Borrowings	21	44,143	70,242	-	-
Lease liabilities	24	402	1,249	-	-
		<u>108,089</u>	<u>160,911</u>	<u>708</u>	<u>870</u>
Net current assets		<u>406,316</u>	<u>461,492</u>	<u>52,031</u>	<u>94,853</u>

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2023

cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current liabilities					
Long term employee benefits	22	1,172	1,315	-	-
Lease liabilities	24	92	477	-	-
Deferred tax liabilities	23	54	4,466	-	-
		1,318	6,258	-	-
Total liabilities		109,407	167,169	708	870
Net assets		683,854	782,702	517,143	568,126
Equity attributable to equity holders of the Company					
Share capital	26	549,204	549,204	549,204	549,204
Reserves	27	134,650	233,498	(32,061)	18,922
Total equity		683,854	782,702	517,143	568,126
Total equity and liabilities		793,261	949,871	517,851	568,996

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 2023

	← Non-distributable →			Distributable		Total
	Share capital (Note 26(a))	Treasury shares (Note 26(b))	Employee share options reserve (Note 27(a))	Foreign currency translation reserve (Note 27(b))	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023						
At 1 October 2022	549,204	(15,584)	5,905	36,697	206,480	782,702
Total comprehensive loss for the year	-	-	-	(9,829)	(90,304)	(100,133)
Transactions with owners						
Grant of equity-settled share options to employees	-	-	1,285	-	-	1,285
At 30 September 2023	549,204	(15,584)	7,190	26,868	116,176	683,854
2022						
At 1 October 2021	549,131	(15,584)	4,884	34,104	295,661	868,196
Total comprehensive loss for the year	-	-	-	2,593	(89,181)	(86,588)
Transactions with owners						
Exercise of employee share options	73	-	-	-	-	73
Grant of equity-settled share options to employees	-	-	1,021	-	-	1,021
At 30 September 2022	549,204	(15,584)	5,905	36,697	206,480	782,702

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 2023

	← Non-distributable →			Distributable	
	Share capital (Note 26(a))	Treasury shares (Note 26(b))	Employee share options reserve (Note 27(a))	Retained earnings (Note 28)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2023					
At 1 October 2022	549,204	(15,584)	5,905	28,601	568,126
Total comprehensive loss for the year	-	-	-	(52,268)	(52,268)
Transactions with owners					
Grant of equity-settled share options to employees	-	-	1,285	-	1,285
At 30 September 2023	549,204	(15,584)	7,190	(23,667)	517,143
2022					
At 1 October 2021	549,131	(15,584)	4,884	190,426	728,857
Total comprehensive loss for the year	-	-	-	(161,825)	(161,825)
Transactions with owners					
Exercise of employee share options	73	-	-	-	73
Grant of equity-settled share options to employees	-	-	1,021	-	1,021
At 30 September 2022	549,204	(15,584)	5,905	28,601	568,126

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 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Operating activities				
Loss before tax	(94,676)	(95,924)	(52,258)	(161,658)
Adjustments for:				
Depreciation	44,303	47,958	-	-
Amortisation of right-of-use assets	1,740	2,211	-	-
Allowances for doubtful debts on amounts due from subsidiaries	-	-	50,559	181,800
Gain on change in lease term for right-of use-assets	-	(221)	-	-
(Reversal of)/Additional impairment loss on:				
- property, plant and equipment	-	12,408	-	-
- receivables	(2,255)	2,541	-	-
- goodwill	4,393	-	-	-
- investment in subsidiary	-	-	1,000	-
Reversal of provision for cost relating to Responsible Business Alliance ("RBA") compliance	(1,344)	-	-	-
Gain from recycling of foreign currency reserve on liquidation of foreign subsidiaries	(8,924)	-	-	-
Loss on disposal of property, plant and equipment	209	823	-	-
Unrealised (gain)/loss on foreign exchange	(10,989)	(10,516)	381	(22,290)
Property, plant and equipment written off	282	134	-	-
Inventories written down to net realisable value	267	487	-	-
Provision for slow moving and obsolete inventories	3,212	-	-	-
Defined benefit plans	305	628	-	-
Interest income	(4,509)	(1,341)	(1,479)	(648)
Investment income	-	(373)	-	-
Grant of equity-settled share options to employees	1,285	1,021	43	31
Interest expenses	3,547	2,359	-	-
Interest on lease liabilities	47	115	-	-
Operating cash flows before working capital changes	(63,107)	(37,690)	(1,754)	(2,765)
Inventories	96,608	(97,099)	-	-
Receivables	(70,821)	129,583	-	-
Other current assets	7,763	1,642	-	246
Payables	(7,537)	(84,710)	(162)	20
Cash flows used in operations	(37,094)	(88,274)	(1,916)	(2,499)
Interest paid	(3,594)	(2,474)	-	-
Defined benefit plans paid	(512)	(1,446)	-	-
Tax recovered/(paid)	257	(528)	(132)	(155)
Net cash flows used in operating activities	(40,943)	(92,722)	(2,048)	(2,654)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 September 2023

cont'd

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Investing activities				
Interest received	4,509	1,341	1,479	648
Investment income received	-	373	-	-
Withdrawal from short term funds	-	47,813	-	-
Purchase of property, plant and and equipment	(5,984)	(33,847)	-	-
Payment for acquisition of business accrued in prior year	(1,616)	(1,616)	-	-
Proceeds from disposal of property, plant and equipment	5,381	516	-	-
Proceeds from disposal of asset held for sale	-	390	-	-
Placement of restricted bank deposit	(153)	-	-	-
Withdrawal/(placement) of deposit for more than 3-months maturity with a licensed bank	9,329	(1,863)	7,602	(134)
Net loan to subsidiaries	-	-	(36,039)	(19,313)
Net cash flows generated from/(used in) investing activities	11,466	13,107	(26,958)	(18,799)
Financing activities				
Proceed from issuance of new shares pursuant to exercise of ESOS	-	73	-	73
Repayment of lease liabilities	(1,253)	(1,603)	-	-
Repayment of short-term borrowings	(23,793)	(28,340)	-	-
Net cash flows (used in)/generated from financing activities	(25,046)	(29,870)	-	73
Net decrease in cash and cash equivalents	(54,523)	(109,485)	(29,006)	(21,380)
Effect of exchange rate changes on cash and cash equivalents	1,530	2,860	526	857
Cash and cash equivalents at beginning of financial year	156,117	262,742	80,463	100,986
Cash and cash equivalents at end of financial year (Note 19)	103,124	156,117	51,983	80,463

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 2023

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 3, 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

These financial statements for the year ended 30 September 2023 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 2022, the Group and the Company adopted the following Standards, Annual Improvements and Amendments, mandatory for annual financial periods beginning on or after 1 January 2022:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

The adoption of the above Standards, Annual Improvements and Amendments did not have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Standards, Annual Improvements and Amendments to Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9—Comparative Information	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements	
- Classification of Liabilities as Current or Non-current	1 January 2023
- Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendment to MFRS 16: Leases - Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

With the exception of the following Amendments, the directors expect that the Standard and Amendments above would not have any material impact on the financial statements in the year of initial adoption.

- Amendments to MFRS 101: Presentation of Financial Statements (Disclosure of Accounting Policies)

The requirement for entities to disclose their 'significant' accounting policies have been replaced with a requirement to disclose their 'material' accounting policies. The Amendments may impact the accounting disclosures of the Group and the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Current versus non-current classification *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.5 Basis of consolidation *cont'd*

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 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is 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.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, which is measured at fair value with the changes in fair value recognised either in profit or loss or as a change to OCI in accordance with MFRS 9. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

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 re-assessment 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.6 Business combinations and goodwill *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.7 Fair value measurement *cont'd*

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.

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	10% - 20%
Motor vehicles	20%
Plant and machinery	10% - 20%
Electrical installation	20%
Renovation	5% - 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 ("FVLCD") 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.9 Impairment of non-financial assets *cont'd*

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.

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

Goodwill is tested for impairment annually at each reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 and the Company commit to purchase or sell the asset.

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) or financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(a) Financial assets *cont'd*

Initial recognition and measurement *cont'd*

- **Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost comprise solely of its trade and other receivables balance.

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 and Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Group and the Company have 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 and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have 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 and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company 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 and the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(a) Financial assets *cont'd*

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(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 and the Company's financial liability comprise of trade and other payables and borrowings.

Subsequent measurement

After initial recognition, financial liabilities classified as *borrowings* are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Financial instruments *cont'd*

(b) Financial liabilities *cont'd*

Subsequent measurement *cont'd*

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 statement of comprehensive income.

This category generally applies to the Group's and the Company's trade and other payables and borrowings.

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 comprehensive income.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

2.12 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

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.14 Leases *cont'd*

(a) Group as a lessee *cont'd*

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Land and buildings	2%
Machinery	22% to 33%

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9 Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.15 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.15 Taxes *cont'd*

(c) Sales and Services Tax ("SST")

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

- Where the amount of SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST 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 SST included.

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

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.17 Employee benefits *cont'd*

(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.

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

2.18 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).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.18 Foreign currency *cont'd*

(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.

2.19 Revenue from contracts with customers

The Group and the Company recognise revenue from contracts with customers based on the five-step model as set out below:

- (i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue are measured at the fair value of consideration received or receivable.

Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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 Non-current asset held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.23 Non-current asset held for sale *cont'd*

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 25. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.24 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

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

3.1 Key sources of estimation uncertainty *cont'd*

(c) Impairment of property, plant and equipment and right-of use assets

The Group assesses whether there are any indicators of impairment and impairment reversal for its property, plant and equipment ("PPE") and right-of-use ("ROU") assets at each reporting date. If any such indicator exists, the recoverable amount of these non-financial assets will be determined based on the higher of the value in use ("VIU") and the fair value less cost of disposal ("FVLCD").

Due to the existence of indicators of impairment during the year as a result of the operating loss recorded for the current financial year due to the challenging economic environment, the Group has performed impairment assessment of its non-financial assets relating to the PPE and ROU assets in respect of the hard disk drive components manufacturing ("HDD") using FVLCD method as it was concluded that the VIU of the CGU did not exceed the FVLCD.

The Group has engaged the independent valuers and obtained quotations from machine traders to perform valuation of the property, plant and equipment and right-of-use assets. The fair value hierarchy information and the valuation methodologies for the fair value of property, plant and equipment and right-of use assets are disclosed in Note 32(ii).

As a result of this analysis, management has determined that the FVLCD for its property, plant and equipment and right-of-use assets in respect of HDD CGU is higher than the carrying amount and hence no additional impairment losses has been recognised in the current financial year.

(d) Provision for expected credit loss of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and others receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(e) Impairment of net investment in subsidiaries

MFRS 136 Impairment of assets requires an entity to assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have increased. As at 30 September 2023, the financial statements of the Company recorded investment in subsidiaries amounting to RM464.7 million and amounts due from subsidiaries amounting to RM424,000 which represent advances given by the Company to its subsidiaries and were designated as part of the Company's net investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

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

3.1 Key sources of estimation uncertainty *cont'd*

(e) Impairment of net investment in subsidiaries *cont'd*

Due to the existence of indicators of impairment during the year as a result of the operating losses recorded by the subsidiaries, the Company has performed impairment assessment and recognised additional impairment losses on amounts due from subsidiaries of RM50.6 million for the current financial year. Accumulated impairment losses amounting to RM238.1 million have been written off during the year as a result of debt forgiveness granted to a few subsidiaries, accordingly recorded accumulated impairment losses of RM3.6 million as at 30 September 2023.

As disclosed in Note 15, the Company estimated the recoverable amounts of its net investment in subsidiaries based on the adjusted net assets of the respective subsidiaries.

(f) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. During the current financial year, the Group has performed impairment assessment of its non-financial assets relating to the plant and equipment and goodwill in respect of the automotive components manufacturing ("Automotive") using FVLCD method as it was concluded that the VIU did not exceed the FVLCD.

The Company has engaged the independent valuers to perform valuation of the plant and equipment. The fair value hierarchy information and the valuation method for the fair value of plant and equipment are disclosed in Note 32(ii).

As a result of this analysis, management has determined that the FVLCD for its plant and equipment is lower than the carrying amount of plant and equipment and goodwill in respect of Automotive CGU and hence impairment loss of RM4.4 million is recorded against the carrying amount of goodwill in current financial year. No impairment loss is recognised for the plant and equipment in current financial year.

(g) Provision for slow moving and obsolete inventories

The Group evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Provision is made against slow moving and obsolete inventories when events or changes in circumstances indicate that the carrying amounts may not be recoverable. When calculating provision for slow moving and obsolete inventories, management considers the nature and condition of the inventory, anticipated saleability of finished goods, future usage of raw materials and the past business practices with key customers on the compensation for end-of-life products. Further details on the carrying amount of inventories are disclosed in Note 16.

3.2 Judgements other than estimates

In the process of applying the Group's accounting policies, management has not made accounting judgements which have significant effect on the amounts recognised in the consolidated and separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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4. REVENUE

(a) Disaggregated revenue information

Set out below is the disaggregation of the Group's and Company's revenue from contracts with customers.

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Sales of hard disk drive components	438,086	772,603	-	-
Sales of other components	37,282	58,035	-	-
Revenue arising from contracts with customers	475,368	830,638	-	-
<u>Timing of revenue recognition</u>				
Point in time	475,368	830,638	-	-

(b) Contract balances

Information about receivables from contracts with customers is disclosed as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Trade receivables (Note 17)	166,989	96,880	-	-

5. LOSS BEFORE TAX

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Loss before tax is stated after charging:				
Depreciation (Note 11)	44,303	47,958	-	-
Amortisation of right-of-use assets (Note 12)	1,740	2,211	-	-
Allowances for doubtful debts on amount due from subsidiaries (Note 15(b))	-	-	50,559	181,800
Impairment on:				
- property, plant and equipment (Note 11)	-	12,408	-	-
- receivables (Note 17)	-	2,541	-	-
- goodwill (Note 13)	4,393	-	-	-
- investment in subsidiary	-	-	1,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

5. LOSS BEFORE TAX *cont'd*

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Auditors' remuneration:				
- statutory audit				
- current year	598	553	120	115
- underprovision in prior year	-	13	-	-
- other services	10	10	-	-
Employee benefits expense (Note 6)	116,078	211,645	1,161	1,461
Inventories written down to net realisable value	267	487	-	-
Provision for slow moving and obsolete inventories	3,212	-	-	-
Non-executive directors' remuneration (Note 7)				
- fees	360	360	360	360
- other emoluments	300	300	300	300
Rental of land and building	63	240	-	-
Rental of equipment	554	1,354	-	-
Rental of hostel	7,389	8,589	-	-
Loss on disposal of property, plant and equipment	209	823	-	-
Property, plant and equipment written off	282	134	-	-
Loss on foreign exchange				
- realised	-	4,292	1	400
- unrealised	-	-	381	-
And crediting:				
Interest income from deposits	4,509	1,341	1,479	648
Investment income from short term funds	-	373	-	-
Reversal of impairment loss on trade receivables (Note 17)	2,255	-	-	-
Reversal of provision for cost relating to Responsible Business Alliance ("RBA") compliance	1,344	-	-	-
Gain on change in lease term for right-of use-assets	-	221	-	-
Gain from recycling of foreign currency reserve on liquidation of foreign subsidiaries	8,924	-	-	-
Gain on foreign exchange				
- realised	5,512	-	-	-
- unrealised	10,989	10,516	-	22,290

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages and salaries	104,165	200,645	1,118	1,430
Defined contribution plans	3,001	4,499	-	-
Social security contributions	1,520	2,849	-	-
Share options granted under ESOS	1,285	1,021	43	31
Defined benefit plans (Note 22)	305	628	-	-
Other staff related expenses	5,802	2,003	-	-
	116,078	211,645	1,161	1,461

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,661,000 (2022: RM5,988,000) and RM380,000 (2022: RM480,000) 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Company				
Executive directors (Note 6) :				
Salaries and bonus	3,098	5,336	-	-
Fees	513	583	380	480
Defined contribution plan	-	69	-	-
	3,661	5,988	380	480
Non-executive directors (Note 5):				
Fees	360	360	360	360
Other emoluments	300	300	300	300
	660	660	660	660
	4,271	6,648	1,040	1,140
Directors of subsidiaries				
Salaries and bonus	1,015	1,331	13	13
Defined contribution plan	107	143	-	-
Fees	200	228	-	-
	1,322	1,702	13	13
Total directors' remuneration	5,593	8,350	1,053	1,153

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

8. FINANCE COSTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expenses on:				
- Foreign currency trade loans	2,881	987	-	-
- Bill payable	3	5	-	-
- Account receivables factoring	663	1,313	-	-
- Term loan	-	54	-	-
- Lease liabilities (Note 24)	47	115	-	-
Bank charges	544	431	1	1
	<u>4,138</u>	<u>2,905</u>	<u>1</u>	<u>1</u>

9. TAXATION

Major components of taxation

The major components of taxation for the financial years ended 30 September 2023 and 2022 are:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Statement of comprehensive income:				
Current income tax:				
Malaysian income tax	131	263	21	155
(Over)/Underprovision in prior year	(91)	108	(11)	12
	<u>40</u>	<u>371</u>	<u>10</u>	<u>167</u>
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	(6,404)	(7,374)	-	-
Underprovision in prior year	1,992	260	-	-
	<u>(4,412)</u>	<u>(7,114)</u>	<u>-</u>	<u>-</u>
	<u>(4,372)</u>	<u>(6,743)</u>	<u>10</u>	<u>167</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

9. TAXATION *cont'd*

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 30 September 2023 and 2022 are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loss before taxation	(94,676)	(95,924)	(52,258)	(161,658)
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	(22,722)	(23,022)	(12,542)	(38,798)
Effect of different tax rates in other countries	(582)	1,653	-	-
Income not subject to tax	(263)	(663)	-	(5,350)
Expenses not deductible for tax purposes	5,944	1,978	12,563	44,303
Deferred tax assets not recognised on unutilised tax losses	11,350	14,252	-	-
Deferred tax assets recognised on reinvestment allowance	-	(1,309)	-	-
Over/(under)provision of income tax in prior year	(91)	108	(11)	12
Underprovision of deferred tax in prior year	1,992	260	-	-
Income tax (credit)/expense recognised in profit or loss	(4,372)	(6,743)	10	167

A subsidiary of the Group, JCY HDD Technology Company Limited, has been granted a full income tax exemption by the relevant authorities on the income arising from the manufacturing of certain categories of hard disk drive components for:

- (i) a period of eight (8) years commenced on 10 December 2010 and expired on 9 December 2018. Upon the expiry of the full tax exemption period, a 50% tax exemption for hard disk drive components had continued for the next five (5) years commenced on 10 December 2018 and expiring on 9 December 2023. The unabsorbed tax losses can be carried forward for 5 years from the expiry of the full income tax exemption period.
- (ii) a period of four (4) years commenced on 1 September 2020 and will expire on 30 August 2024. The unabsorbed tax losses can be carried forward for 5 years from the expiry of the full income tax exemption period.

Domestic current income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

9. TAXATION *cont'd*

The details of the unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances of the Group are as follows. Certain deferred tax assets have not been recognised in the financial statements due to uncertainty of its realisation in the foreseeable future.

	Group	
	2023	2022
	RM'000	RM'000
<u>Malaysia</u>		
Unutilised tax losses, expiring on:		
- 30 September 2028	14,577	14,577
- 30 September 2032	9,240	14,060
- 30 September 2033	37,553	-
Total unutilised tax losses	61,370	28,637
Unutilised reinvestment allowances, expiring in year of assessment 2038	21,480	26,934
Unabsorbed capital allowances	74,554	50,878
	157,404	106,449
Amount recognised as deferred tax assets	(120,814)	(106,449)
	36,590	-
<u>Thailand</u>		
Unutilised tax losses, expiring on:		
- 8 December 2023	63,020	60,129
- 30 August 2029	198,632	177,363
Total unutilised tax losses	261,652	237,492

At the reporting date, the Group had tax losses of approximately RM262 million (2022: RM238 million) in JCY HDD Technology Company Limited that are available for offset against future taxable profits of the company, for which no deferred tax assets are recognised due to uncertainty over their recoverability. The use of tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which the subsidiary operates. The unabsorbed tax losses can be carried forward for 5 years from the expiry of the full income tax exemption period, as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

10. LOSS PER SHARE

Basic loss per share is calculated by dividing loss 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 per share is calculated by dividing loss 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 reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 30 September:

	Group	
	2023 RM'000	2022 RM'000
Loss attributable to ordinary equity holders of the Company (RM'000)	(90,304)	(89,181)
Weighted average number of ordinary shares for basic loss per share computation ('000 units)	2,110,800	2,110,682
Effects of dilution:-		
Share options ('000 units)	33,075	19,431
Weighted average number of ordinary shares for diluted loss per share computation ('000 units)	2,143,875	2,130,113
Basic loss per share (sen)	(4.3)	(4.2)
Diluted loss per share (sen)	(4.2)	(4.2)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

11. PROPERTY, PLANT AND EQUIPMENT

2023 Group	Freehold land RM'000	Buildings RM'000	Construction in progress RM'000	Fixtures, fittings and office equipment				Plant and machinery RM'000	Electrical installation RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
				RM'000	RM'000	RM'000	RM'000					
Cost												
At 1 October 2022	8,715	185,482	653	7,519	1,210,583	9,269	15,115	2,324	1,439,660			
Additions	-	-	643	6	5,076	-	259	-	5,984			
Disposals	-	-	-	(123)	(11,427)	-	(2,977)	(17)	(14,544)			
Transfer to assets held for sales (Note 25)	(1,200)	(3,750)	-	-	-	-	-	-	(4,950)			
Reclassifications	-	-	(1,145)	-	1,145	-	-	-	-			
Written off	-	-	-	(125)	(690)	-	(7)	-	(822)			
Exchange differences	361	3,398	6	146	11,936	-	(61)	25	15,811			
At 30 September 2023	7,876	185,130	157	7,423	1,216,623	9,269	12,329	2,332	1,441,139			
Accumulated depreciation and impairment loss												
At 1 October 2022	-	76,566	-	6,456	1,034,536	9,260	13,763	1,985	1,142,566			
Depreciation charge for the year (Note 5)	-	5,794	-	522	37,493	-	384	110	44,303			
Disposals	-	-	-	(40)	(5,932)	-	(2,976)	(6)	(8,954)			
Transfer to assets held for sales (Note 25)	-	(1,500)	-	-	-	-	-	-	(1,500)			
Written off	-	-	-	(125)	(408)	-	(7)	-	(540)			
Exchange differences	-	2,011	-	125	9,297	-	(61)	21	11,393			
At 30 September 2023	-	82,871	-	6,938	1,074,986	9,260	11,103	2,110	1,187,268			
At 30 September 2023												
- Accumulated depreciation	-	82,871	-	6,301	983,553	9,251	10,123	2,077	1,094,176			
- Accumulated impairment loss	-	-	-	637	91,433	9	980	33	93,092			
	-	82,871	-	6,938	1,074,986	9,260	11,103	2,110	1,187,268			
Net carrying amount												
At 30 September 2023	7,876	102,259	157	485	141,637	9	1,226	222	253,871			

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

11. PROPERTY, PLANT AND EQUIPMENT cont'd

2022 Group	Freehold land RM'000	Buildings RM'000	Construction in progress RM'000	Fixtures, fittings and office equipment			Plant and machinery RM'000	Electrical installation RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
				RM'000	RM'000	RM'000					
Cost											
At 1 October 2021	8,776	184,411	4,774	7,473	1,230,177	9,607	14,947	2,328	1,462,493		
Additions	-	117	7,208	185	25,969	-	368	-	33,847		
Disposals	-	-	-	(16)	(50,826)	(338)	-	-	(51,180)		
Reclassifications	-	1,550	(11,357)	-	9,713	-	94	-	-		
Written off	-	-	(31)	(97)	(2,526)	-	(316)	-	(2,970)		
Exchange differences	(61)	(596)	59	(26)	(1,924)	-	22	(4)	(2,530)		
At 30 September 2022	8,715	185,482	653	7,519	1,210,583	9,269	15,115	2,324	1,439,660		
Accumulated depreciation and impairment loss											
At 1 October 2021	-	71,294	-	5,968	1,036,729	9,598	11,464	1,863	1,136,916		
Depreciation charge for the year (Note 5)	-	5,655	-	625	40,544	-	1,008	126	47,958		
Disposals	-	-	-	(16)	(49,487)	(338)	-	-	(49,841)		
Written off	-	-	-	(97)	(2,423)	-	(316)	-	(2,836)		
Impairment (Note 5)	-	-	-	-	10,794	-	1,614	-	12,408		
Exchange differences	-	(383)	-	(24)	(1,621)	-	(7)	(4)	(2,039)		
At 30 September 2022	-	76,566	-	6,456	1,034,536	9,260	13,763	1,985	1,142,566		
At 30 September 2022											
- Accumulated depreciation	-	76,566	-	5,827	939,535	9,251	11,169	1,953	1,044,301		
- Accumulated impairment loss	-	-	-	629	95,001	9	2,594	32	98,265		
	-	76,566	-	6,456	1,034,536	9,260	13,763	1,985	1,142,566		
Net carrying amount											
At 30 September 2022	8,715	108,916	653	1,063	176,047	9	1,352	339	297,094		

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

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

Impairment assessment for hard disk drive components manufacturing

During the current financial year, the Group has performed impairment assessment of its non-financial assets relating to the PPE and ROU assets in respect of the hard disk drive components manufacturing (“HDD”) using fair value less cost of disposal (“FVLCD”) method.

As a result of this analysis, the Group has determined that the FVLCD for its property, plant and equipment and right-of-use assets in respect of HDD CGU is higher than the carrying amount and hence no additional impairment losses has been recognised in the current financial year.

In determining the FVLCD, the Group has applied the valuation methodologies as disclosed in Note 3.1(c) and Note 32(ii) to the consolidated financial statements.

12. RIGHT-OF-USE ASSETS

Group	State-owned land	Buildings	Equipment	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 October 2021	31,186	5,863	2,208	39,257
Addition	-	-	179	179
Expiry of lease	-	-	(75)	(75)
Change of lease term	-	(2,467)	-	(2,467)
Exchange difference	-	61	(12)	49
At 1 October 2022	31,186	3,457	2,300	36,943
Expiry of lease	-	(3,388)	-	(3,388)
Exchange difference	-	(69)	65	(4)
At 30 September 2023	31,186	-	2,365	33,551
Accumulated depreciation				
At 1 October 2021	7,257	1,953	706	9,916
Amortisation (Note 5)	607	1,000	604	2,211
Expiry of lease	-	-	(75)	(75)
Exchange difference	-	10	(9)	1
At 1 October 2022	7,864	2,963	1,226	12,053
Amortisation (Note 5)	607	484	649	1,740
Expiry of lease	-	(3,388)	-	(3,388)
Exchange difference	-	(59)	33	(26)
At 30 September 2023	8,471	-	1,908	10,379
Net carrying amount				
At 30 September 2023	22,715	-	457	23,172
At 30 September 2022	23,322	494	1,074	24,890

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

12. RIGHT-OF-USE ASSETS *cont'd*

	2023 RM'000	2022 RM'000
Presented as:		
Non-current	23,172	24,396
Current	-	494
	<u>23,172</u>	<u>24,890</u>

13. GOODWILL

	Group	
	2023 RM'000	2022 RM'000
Cost		
At beginning of the financial year	4,393	4,393
Impairment (Note 5)	(4,393)	-
At end of the financial year	<u>-</u>	<u>4,393</u>

Goodwill arising from business combination in prior year have been allocated to cash-generating unit ("CGU") relating to automotive components manufacturing ("Automotive").

During the current financial year, the Group has performed impairment assessment of its non-financial assets relating to the plant and equipment and goodwill in respect of the Automotive CGU using fair value less cost of disposal ("FVLCD") method.

As a result of this analysis, the Group has determined that the FVLCD for its plant and equipment is lower than the carrying amount of plant and equipment and goodwill in respect of Automotive CGU and hence impairment loss of RM4.4 million are recorded against the carrying amount of goodwill in current financial year. No impairment loss is recognised for the plant and equipment in current financial year.

In determining the FVLCD, the Group has applied the valuation methodologies as disclosed in Note 3.1(f) and Note 32(ii) to the consolidated financial statements.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost:		
- In Malaysia	453,751	453,751
- Outside Malaysia	-	2,300
	<u>453,751</u>	<u>456,051</u>
Less: Accumulated impairment losses	(1,000)	(2,300)
	<u>452,751</u>	<u>453,751</u>
ESOS granted to employees of subsidiaries	11,937	10,694
	<u>464,688</u>	<u>464,445</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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14. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Equity interest		Principal activities
		2023 %	2022 %	
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.** (Note (ii))	Singapore	- #	100.00	Dormant
JCY HDD Industries Sdn. Bhd.*	Malaysia	100.00	100.00	Dormant
Minarex Holdings Limited*	Mauritius	100.00	100.00	Investment holding
JCY Auto Sdn. Bhd.*	Malaysia	100.00	100.00	Manufacturing and trading of automotive components
Held by Minarex Holdings Limited:				
PCA Hard.Com Sdn. Bhd. Limited* (Note (ii))	British Virgin Island	- #	100.00	Dormant
JCY HDD Technology Company Limited ** (Note (i))	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:				
YQ Technology (Jiangsu) Co. Ltd.*** (Note (iii))	The People's Republic of China	100.00	100.00	Manufacturing and trading of mechanical 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 PLT

** Audited by member firms of Ernst & Young Global in the respective countries

*** Audited by firms other than Ernst & Young Global

Liquidated during the financial year

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

14. INVESTMENT IN SUBSIDIARIES *cont'd*

- (i) A wholly owned subsidiary of the Company, Minarex Holdings Limited, has subscribed for additional 3,592,000 shares in JCY HDD Technology Company Limited ("JCYT") for a cash consideration of USD10,000,000. There is no change in the effective equity interest of the Company in JCYT.
- (ii) A wholly owned subsidiary of the Company, JCY HDD Technology Pte. Ltd., and an indirect wholly owned subsidiary of the Company, PCA Hard.Com Sdn. Bhd. Limited, have undergone and completed voluntary winding up process during the financial year, resulting in a net gain of RM8,924,000 from the recycling of the translation differences to the profit and loss.
- (iii) An indirect wholly owned subsidiary of the Company, YQ Technology (Jiangsu) Co. Ltd., is in the process of applying for voluntary liquidation as at the end of the financial year. The liquidation process has been completed post financial year ended 30 September 2023.

15. DUE FROM SUBSIDIARIES

	Company	
	2023	2022
	RM'000	RM'000
Current		
Due from subsidiaries	609	15,126
Less: Accumulated impairment losses	-	(7,493)
	609	7,633
Non-current		
Due from subsidiaries	3,992	192,487
Less: Accumulated impairment losses	(3,568)	(183,659)
	424	8,828
Total amount due from subsidiaries	1,033	16,461
Add: Cash and bank balances (Note 19)	51,983	88,065
Total financial assets at amortised cost	53,016	104,526

(a) Amounts due from subsidiaries - current

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

(b) Amounts due from subsidiaries - non-current

The amounts due from subsidiaries represents advances given by the Company to its subsidiaries and were designated as part of the Group's net investment of subsidiaries in prior years for which settlement is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

15. DUE FROM SUBSIDIARIES *cont'd*

Due to the existence of indicators of impairment during the year as a result of the operating losses recorded by the subsidiaries, the Company has performed impairment assessment and recognised additional impairment losses on amounts due from subsidiaries of RM50.6 million for the current financial year. Accumulated impairment losses amounting to RM238.1 million have been written off during the year as a result of debt forgiveness granted to a few subsidiaries, accordingly recorded accumulated impairment losses of RM3.6 million as at 30 September 2023.

The Company estimated the recoverable amounts of its net investment in subsidiaries based on the adjusted net assets of the respective subsidiaries. In determining the FVLCD, the Company has applied the valuation methodologies as disclosed in Note 3.1(e) to the financial statements.

The Company's amounts due from subsidiaries that are impaired at the reporting date and the movement of the allowances accounts used to record the impairment are as follows:

	Company	
	2023 RM'000	2022 RM'000
At beginning of financial year	191,152	9,352
Addition during the year (Note 5)	50,559	181,800
Debt forgiveness during the year	(238,143)	-
At end of financial year	3,568	191,152

16. INVENTORIES

	Group	
	2023 RM'000	2022 RM'000
At cost:		
Raw materials	89,826	127,682
Work-in-progress	50,842	56,756
Finished goods	58,913	110,748
Consumables	14,817	15,772
	214,398	310,958
At net realisable value:		
Work-in-progress	8,768	4,863
Finished goods	6,956	14,388
	15,724	19,251
	230,122	330,209

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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16. INVENTORIES *cont'd*

During the financial year, the following amounts were recognised as an expense in:

	2023	2022
	RM'000	RM'000
Cost of sales of the Group		
- cost of inventories recognised as expenses	557,680	873,096
- inventories written down to net realisable value (Note 5)	267	487
- provision for slow moving and obsolete inventories (Note 5)	3,212	-
	561,159	873,583

17. TRADE AND OTHER RECEIVABLES

	Group	
	2023	2022
	RM'000	RM'000
Current		
Trade receivables		
Third parties	167,275	99,421
Less: Accumulated impairment losses	(286)	(2,541)
	166,989	96,880
Other receivables		
Sundry receivables	607	841
Staff advances	49	630
Deposits	1,108	1,223
Reimbursement of cost recoverable from customer	-	9,655
	1,764	12,349
Total trade and other receivables	168,753	109,229
Add: Cash and bank balances (Note 19)	104,939	167,033
Total financial assets at amortised cost	273,692	276,262

(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 90 days (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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17. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

Ageing analysis of trade receivables

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

	Group	
	2023 RM'000	2022 RM'000
Neither past due nor impaired	82,420	76,746
1 to 30 days past due but not impaired	38,382	18,297
31 to 60 days past due but not impaired	28,497	1,837
61 to 90 days past due but not impaired	12,849	-
More than 91 days past due but not impaired	4,841	-
	84,569	20,134
Impaired	286	2,541
	<u>167,275</u>	<u>99,421</u>

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 RM84,569,000 (2022: RM20,134,000) 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.

Receivables that are impaired

Receivables that are determined to be impaired at the reporting date when one or more events that have a detrimental impact on the estimated cash flow have occurred. These instances include adverse changes in the financial capability of the debtors and default or significant delays on payments. These receivables are not secured by any collateral or credit enhancements.

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	
	2023 RM'000	2022 RM'000
At beginning of financial year	2,541	-
Addition for the year (Note 5)	-	2,541
Reversal of impairment loss (Note 5)	(2,255)	-
At end of financial year	<u>286</u>	<u>2,541</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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18. OTHER CURRENT ASSETS

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Prepayments	7,457	10,161	-	-
Costs incurred in fulfilling a contract	658	5,717	-	-
	8,115	15,878	-	-

Costs incurred in fulfilling a contract represent production line set up cost incurred for the manufacturing of certain goods which are deferred and recognised as cost of sales when the goods are sold.

19. CASH AND BANK BALANCES

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current:				
Cash on hand and cash at bank	66,251	130,373	51,983	80,463
Short term money market deposits	36,873	25,744	-	-
Cash and cash equivalents	103,124	156,117	51,983	80,463
Deposit for more than 3 months maturity period with a licensed bank	2	9,331	-	7,602
	103,126	165,448	51,983	88,065
Non-current:				
Restricted bank deposits	1,813	1,585	-	-
Total cash and bank balances (Notes 15 and 17)	104,939	167,033	51,983	88,065

The Group's restricted bank deposits comprise of bank balances pledged for bank guarantee facilities granted to a subsidiary. The interest rates and maturities of short term money market 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	
	2023	2022	2023	2022
	%	%	Days	Days
Short term money market deposits	2.80 - 4.95	2.25 - 2.50	3	1 - 32
Restricted bank deposits	0.50 - 0.90	0.20 - 0.25	>365	>365

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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20. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current				
Trade payable				
Third parties	38,819	58,075	-	-
Other payables				
Sundry payables	4,457	5,025	-	-
Provision of cost on compliance to Responsible Business Alliance ("RBA") code of conduct	6,395	12,940	-	-
Accruals	13,802	11,684	708	870
Payable related to acquisition of business in prior year	-	1,616	-	-
	24,654	31,265	708	870
Total trade and other payables	63,473	89,340	708	870
Add:				
Borrowings (Note 21)	44,143	70,242	-	-
Lease liabilities (Note 24)	494	1,726	-	-
Less:				
Provision of cost on compliance to RBA's code of conduct	(6,395)	(12,940)	-	-
Total financial liabilities carried at amortised cost	101,715	148,368	708	870

(a) Trade payable

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

(b) Provision of cost on compliance to RBA's code of conduct

The provisions of cost on compliance to RBA's code of conduct is related to the reimbursement of recruitment fees to foreign workers.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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21. BORROWINGS

	Group	
	2023	2022
	RM'000	RM'000
Current		
Unsecured:		
Foreign currency trade loans	44,143	70,242

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

	Group	
	2023	2022
Foreign currency trade loans	3.98 - 5.95	2.92 - 4.15

The Group's borrowings are secured by the following:

- Corporate guarantee from the Company; and
- Negative pledge over the assets of a subsidiary.

Movements in the borrowings were as follows:

	Group	
	2023	2022
	RM'000	RM'000
At beginning of financial year	70,242	96,038
Repayment of foreign currency trade loans	(23,793)	(28,340)
Effect of exchange rate differences	(2,306)	2,544
At end of financial year	44,143	70,242

22. 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	
	2023	2022
	RM'000	RM'000
Non-current liability		
Present value of unfunded obligations	1,172	1,315

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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22. LONG TERM EMPLOYEE BENEFITS *cont'd*

	Group	
	2023	2022
	RM'000	RM'000
Movement in the present value of defined benefit obligation		
At beginning of financial year	1,315	2,134
Recognised in the profit or loss (Note 6)	305	628
Utilised during the year	(512)	(1,446)
Exchange differences	64	(1)
At end of financial year	1,172	1,315
	2023	2022
	RM'000	RM'000
Expenses recognised in profit or loss		
Current service costs	311	543
Interest expense	23	85
Actuarial gain	(29)	-
	305	628

The expenses are recognised in general and administrative expenses.

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

	2023	2022
Discount rate at 30 September	3.25%	2.33%
Rate of future salary increases	3.00%	3.00%

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

	Decrease/(Increase) in loss net of tax	
	2023	2022
	RM'000	RM'000
Discount rate:		
1% increase	44	54
1% decrease	(47)	(58)
Rate of future salary increases:		
1% increase	(51)	(62)
1% decrease	49	59

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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22. LONG TERM EMPLOYEE BENEFITS *cont'd*

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 are expected payments of the defined benefit in future years:

	2023 RM'000	2022 RM'000
Within the next 12 months	316	300
Between 2 and 5 years	633	607
Between 5 and 10 years	187	344
Beyond 10 years	36	64
Total expected payments	1,172	1,315

23. DEFERRED TAX LIABILITIES

	Group	
	2023 RM'000	2022 RM'000
At beginning of financial year	(4,466)	(11,585)
Recognised in profit or loss (Note 9)	4,412	7,114
Translation difference	-	5
At end of financial year	(54)	(4,466)

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:

2023	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	(30,150)	25,530	154	(4,466)
Recognised in profit or loss	1,454	3,465	(507)	4,412
At end of financial year	(28,696)	28,995	(353)	(54)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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23. DEFERRED TAX LIABILITIES *cont'd*

2022	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	(28,695)	12,454	4,656	(11,585)
Recognised in profit or loss	(1,455)	13,087	(4,518)	7,114
Translation difference	-	(11)	16	5
At end of financial year	(30,150)	25,530	154	(4,466)

24. LEASE LIABILITIES

The Group has entered into non-cancellable operating lease agreements for the use of land, buildings and equipment, which are recognised as right-of-use assets as disclosed in Note 12.

	Group	
	2023 RM'000	2022 RM'000
Current		
Lease liabilities	402	1,249
Non-current		
Lease liabilities	92	477
Total lease liabilities	494	1,726

The remaining maturities of the lease liabilities are as follows:

	Group	
	2023 RM'000	2022 RM'000
Within one year	402	1,249
More than 1 year and less than 2 years	92	477
	494	1,726

At the reporting date, the interest rate of the lease liabilities ranged from 5.4% to 5.5% (2022: 4.3% to 5.5%).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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24. LEASE LIABILITIES *cont'd*

The movement of lease liabilities during the financial year is as follows:

	Group	
	2023	2022
	RM'000	RM'000
At 1 October	1,726	5,786
Additional lease liabilities	-	179
Change of lease term	-	(2,467)
Interest expense on lease liabilities (Note 8)	47	115
Gain on change of lease term	-	(221)
Payments of:		
- Principal	(1,253)	(1,603)
- Interest (Note 8)	(47)	(115)
Exchange differences	21	52
At 30 September	494	1,726

25. ASSETS HELD FOR SALE

	Group	
	2023	2022
	RM'000	RM'000
Net carrying amount upon classification as held for sales	-	390
Addition	3,450	-
Less: Disposal	-	(390)
	3,450	-

On 18 May 2023, a subsidiary of the Company has entered into sale and purchase agreement to dispose freehold land and building at Jasin for RM 8,000,000. Accordingly, the carrying amounts of freehold land and building were reclassified from property, plant and equipment to assets held for sale as the carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The disposal has been completed subsequent to year end.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Treasury shares RM'000
Issued and paid up				
2023				
At beginning and end of year	2,126,747	(15,947)	549,204	(15,584)
2022				
At beginning of financial year	2,126,457	(15,947)	549,131	(15,584)
Exercise of employee share options during the year	290	-	73	-
At end of financial year	2,126,747	(15,947)	549,204	(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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27. OTHER RESERVES

(a) Employee share options reserve

Employee share options reserve arises from equity-settled share options granted to employees (Note 29). 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.

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Movement				
At 1 October	5,905	4,884	5,905	4,884
Recognised during the year	1,285	1,021	1,285	1,021
At 30 September	7,190	5,905	7,190	5,905

(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.

28. RETAINED EARNINGS

The entire retained earnings of the Company as at 30 September 2023 may be distributed as dividends under the single tier system.

29. EXECUTIVES' SHARE OPTIONS SCHEME

In prior year, the Company introduced a new 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 27 February 2018 and implemented on 16 April 2018 with a duration of 5 years. The Options Committee has the discretion to extend the duration of the ESOS for another 5 years. In April 2023, the Options Committee recommended and the Board of Directors of the Company had approved the extension of the ESOS for another 5 years until 16 April 2028. 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.

On 8 October 2018 (Batch A) and 27 April 2022 (Batch B) respectively, the Group announced the grant of the following share options under the above ESOS to eligible employees and directors of the Group.

The exercise price of the share options granted under the ESOS is RM0.25 each. All Batch A options granted are divided into 3 tranches which vest on 8 October 2018, 1 October 2019 and 1 October 2020, whereas the Batch B options granted are divided into 4 tranches which vest on 1 May 2022, 1 May 2023, 1 May 2024 and 1 May 2025. 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, unless waiver is received from Option Committee.

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For the Financial Year Ended 30 September 2023

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

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 RM0.25 each	
	2023 (‘000)	2022 (‘000)
Outstanding at beginning of financial year	34,673	6,102
- Granted	-	31,403
- Exercised	-	(290)
- Forfeited	(4,506)	(2,542)
Outstanding at end of financial year	30,167	34,673
Exercisable at end of financial year	30,167	34,673

There was NIL shares (2022: 290,000) exercised in current financial year.

The weighted average share price at the date of exercise of the options exercised in the last financial year was RM0.263.

30. COMMITMENTS

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

	Group	
	2023 RM'000	2022 RM'000
Approved and contracted for:		
Property, plant and equipment	2,076	12,837

31. RELATED PARTY DISCLOSURES

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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31. RELATED PARTY DISCLOSURES *cont'd*

(b) Guarantees

The Company has provided the following guarantees to its subsidiary, JCY HDD Technology Sdn. Bhd. as at 30 September 2023:

- Guarantee to utilities providers, RM11,598,000 (2022: RM11,305,000). No liability is expected to arise from the guarantee.
- Guarantee to customs for potential claims and taxes, RM550,000 (2022: RM550,000). No liability is expected to arise from the guarantee.

The Company determines the probability of default of the guaranteed amounts individually using internal information available and concluded that the guarantees are not likely to be called upon by the respective counterparties. Accordingly, the Company did not recognise any allowance for impairment in respect of financial guarantees since the fair value on initial recognition was not material.

32. FAIR VALUE

(i) 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	17
Trade and other payables	20
Borrowings	21

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values due to their short-term nature.

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

(ii) Assets for which recoverable amount is measured at fair value

As at 30 September 2023, the Group held the following assets of which fair value are measured:

	Total	Level 1	Level 2	Level 3
	RM	RM	RM	RM
At 30 September 2023				
Assets for which recoverable amount is measured at fair value				
- Freehold land and buildings	7,876	-	-	7,876
- Buildings and renovation	103,485	-	-	103,485
- Plant and machinery	141,637	-	-	141,637
- Right-of-use assets	23,172	-	-	23,172

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

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32. FAIR VALUE *cont'd*

(ii) Assets for which recoverable amount is measured at fair value *cont'd*

As at 30 September 2023, the Group held the following assets of which fair value are measured: *cont'd*

	Total	Level 1	Level 2	Level 3
	RM	RM	RM	RM
At 30 September 2022				
Assets for which recoverable amount is measured at fair value				
- Freehold land and buildings	8,715	-	-	8,715
- Buildings and renovation	108,916	-	-	108,916
- Plant and machinery	175,077	-	-	175,077
- Right-of-use assets	24,890	-	-	24,890

The valuation method for land (freehold and leasehold) and buildings is based on comparison approach which entails analysing recent sale transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, size, age and condition of unit and building, tenure, title restrictions if any and other relevant characteristics to arrive at the market value.

The valuation methods for common plant and machinery include depreciated replacement cost approach and market data approach.

The depreciated replacement cost method considers first to establish the cost of replacement, new, or the cost to reproduce or replace in new condition the assets appraised, with the same or of equivalent utility, considering current prices for materials, labour, manufactured machinery and equipment, freight, installation and commissioning and start up (if any), and other attendant costs and related charges, as of the specified cut-off date of the valuation. The net value arrived at after deducting from the cost of replacement or new considerations for the depreciation due to physical deterioration arising from utility, age, wear and tear, and where further adjustments are made either upward or downward as to the appraiser's judgement of his observed condition of the asset, obsolescence (if any) and other relevant contributory factors which would either adversely or positively affect the value of the assets at the time of inspection, would be the accumulated depreciated value, or the fair market value.

The market data approach is used in valuing assets where there is an established market comparable. This considers prices for offers and/or transacted sales for similar assets, and where further adjustments (if deemed needed) are then imputed relative to these comparable data, to reflect the condition and utility of the subject assets in order to arrive at the fair market value.

The valuation method for specialised plant and machinery is based on salvage value which is estimated based on the prevailing scrap metal price as at reporting date.

33. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

Group

30 September 2023

	Days past due				Total
	Current	1-30 days	31-90 days	More than 91 days	
Expected credit loss rate	0%	0%	0%	6%	0%
Estimated total gross carrying amount (RM'000)	82,420	38,382	41,346	5,127	167,275
Expected credit loss (RM'000)	-	-	-	286	286

30 September 2022

	Days past due				Total
	Current	1-30 days	31-90 days	More than 91 days	
Expected credit loss rate	0%	0%	0%	100%	0%
Estimated total gross carrying amount (RM'000)	76,746	18,297	1,837	2,541	99,421
Expected credit loss (RM'000)	-	-	-	2,541	2,541

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

(a) Credit risk *cont'd*

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 RM44,143,000 (2022: RM70,242,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to a subsidiary. As at 30 September 2023 and 2022, the Company has not recognised any financial liability relating to corporate guarantees given to subsidiary as the subsidiary did not default on any credit facilities.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17(a).

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			
	2023		2022	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	8,135	5	13,128	14
Singapore	17,787	11	5,475	6
Thailand	133,441	79	76,167	78
Other countries	7,626	5	2,110	2
	166,989	100	96,880	100

At the reporting date, approximately 96% (2022: 94%) of the Group's trade receivables were due from 3 (2022: 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 17. 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 17(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

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

(b) Liquidity risk *cont'd*

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

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
2023			
Group			
Financial liabilities:			
Trade and other payables	63,473	-	63,473
Loans and borrowings	44,463	-	44,463
Lease liabilities	414	95	509
Total undiscounted financial liabilities	108,350	95	108,445
Company			
Financial liabilities:			
Trade and other payables, excluding financial guarantees*	708	-	708
2022			
Group			
Financial liabilities:			
Trade and other payables	89,340	-	89,340
Loans and borrowings	70,626	-	70,626
Lease liabilities	1,295	491	1,786
Total undiscounted financial liabilities	161,261	491	161,752
Company			
Financial liabilities:			
Trade and other payables, excluding financial guarantees*	870	-	870

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the default have not occurred. Accordingly, financial guarantees under the scope of MFRS 9 are not included in the above maturity profile analysis.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

33. 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 and the Company's significant interest-bearing financial instruments mainly consist of deposit placements and interest-bearing debt and are at fixed interest rate. As such, the interest rate risk is minimal to the Group and the Company.

(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 93% (2022: 94%) of the Group's sales are denominated in foreign currencies whilst 42% (2022: 40%) 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 also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM31,294,000 (2022: RM91,804,000).

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			
	Thai Baht RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Total RM'000
Net financial assets/(liabilities) held in non-functional currency				
2023				
United States Dollars	(107,385)	246,901	-	139,516
Singapore Dollars	(134)	(2,507)	-	(2,641)
Thai Baht	-	(146)	-	(146)
Others	-	(9)	-	(9)
	<u>(107,519)</u>	<u>244,239</u>	<u>-</u>	<u>136,720</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

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

(d) Foreign currency risk *cont'd*

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

	Functional currency of group companies			
	Thai Baht	Ringgit Malaysia	Chinese Renminbi	Total
	RM'000	RM'000	RM'000	RM'000
Net financial assets/(liabilities) held in non-functional currency <i>cont'd</i>				
2022				
United States Dollars	(167,788)	208,589	(18,170)	22,631
Singapore Dollars	(107)	(5,491)	-	(5,598)
Thai Baht	21,728	(101)	-	21,627
Others	-	750	-	750
	(146,167)	203,747	(18,170)	39,410

Sensitivity analysis for foreign currency risk

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

		Group	
		Decrease/(Increase) in loss net of tax	
		2023	2022
		RM'000	RM'000
USD/RM	- strengthened 10% (2022: 10%)	24,690	20,859
	- weakened 10% (2022: 10%)	(24,690)	(20,859)
USD/Baht	- strengthened 10% (2022: 10%)	(10,739)	(16,779)
	- weakened 10% (2022: 10%)	10,739	16,779
USD/RMB	- strengthened 10% (2022: 10%)	-	(1,817)
	- weakened 10% (2022: 10%)	-	1,817
SGD/RM	- strengthened 10% (2022: 10%)	(251)	(549)
	- weakened 10% (2022: 10%)	251	549
SGD/Baht	- strengthened 10% (2022: 10%)	(13)	(11)
	- weakened 10% (2022: 10%)	13	11
Baht/RM	- strengthened 10% (2022: 10%)	(15)	(10)
	- weakened 10% (2022: 10%)	15	10

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

34. 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 2023 and 30 September 2022.

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.

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Lease liabilities	24	494	1,726	-	-
Borrowings	21	44,143	70,242	-	-
Trade and other payables	20	63,473	89,340	708	870
Less: Cash and bank balances	19	(104,939)	(167,033)	(51,983)	(88,065)
Net debt/(cash)		3,171	(5,725)	(51,275)	(87,195)
Equity attributable to the owners of the parent, represents total capital		683,854	782,702	517,143	568,126
Capital and net debt		687,025	776,977	465,868	480,931
Gearing ratio		0.5%	N/A	N/A	N/A

35. SEGMENT INFORMATION

The Group's activities are predominantly in the trading, manufacturing and assembling of HDD components and other mechanical 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 2023

cont'd

35. 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 2023					
Revenue					
Sales to external customers	391,921	83,203	244	-	475,368
Inter-segment sales	35,653	-	-	(35,653)	-
Total revenue	427,574	83,203	244	(35,653)	475,368
Results					
Segment results	(118,916)	(24,882)	76,263	(23,003)	(90,538)
Finance costs	(3,217)	(867)	(54)	-	(4,138)
Loss before tax	(122,133)	(25,749)	76,209	(23,003)	(94,676)
Income tax	4,593	-	-	(221)	4,372
Loss before tax	(117,540)	(25,749)	76,209	(23,224)	(90,304)
Assets and liabilities					
Segment assets	1,247,619	153,445	4,300	(612,103)	793,261
Segment liabilities	125,737	129,070	46,930	(192,330)	109,407
Other segment information					
- Depreciation	27,456	17,314	-	(467)	44,303
- Amortisation	923	333	484	-	1,740

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2023

cont'd

35. 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 2022					
Revenue					
Sales to external customers	540,359	285,231	5,048	-	830,638
Inter-segment sales	186,895	-	-	(186,895)	-
Total revenue	727,254	285,231	5,048	(186,895)	830,638
Results					
Segment results	(189,781)	(44,096)	(289,277)	430,135	(93,019)
Finance costs	(1,446)	(1,355)	(249)	145	(2,905)
Loss before tax	(191,227)	(45,451)	(289,526)	430,280	(95,924)
Income tax	7,464	(446)	-	(275)	6,743
Loss before tax	(183,763)	(45,897)	(289,526)	430,005	(89,181)
Assets and liabilities					
Segment assets	1,409,518	180,028	15,332	(655,007)	949,871
Segment liabilities	172,439	176,475	351,390	(533,135)	167,169
Other segment information					
- Depreciation	30,806	15,931	1,646	(425)	47,958
- Amortisation	923	288	1,000	-	2,211
- Impairment	5,023	1,547	5,838	-	12,408

36. SUBSEQUENT EVENT

Voluntary liquidation of a foreign subsidiary

An indirect wholly owned subsidiary of the Company, YQ Technology (Jiangsu) Co. Ltd., was in the process of applying for voluntary liquidation as at the end of the financial year. The liquidation process has been completed post financial year ended 30 September 2023.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 30 September 2023 were authorised for issue in accordance with a resolution of the directors on 18 January 2024.

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 2023 (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	21.5 years	3,260,000
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	22 years	3,552,000
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	21 years	9,052,000
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	21 years	3,895,000
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	18.5 years	11,606,000
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	13 years	25,643,000
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	21 years	9,111,000

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 2023 (RM)
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	20 years	3,450,000
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	13 years	12,453,000
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	17.5 years	19,636,000
11	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	16 years	34,641,000

SHARE BUY-BACK STATEMENT

1. DISCLAIMER STATEMENT

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused this Statement prior to its issuance as it is an exempt document pursuant to the provision of the Practice Note 18 of the Main Market Listing Requirements ("**Listing Requirements**") of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents therein.

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The Board proposes to seek approval from the shareholders for the renewal of the authority to enable the Company to purchase and/or hold from time to time and at any time, in aggregate such number of shares representing not more than ten per centum (10%) of the total number of issued shares of the Company, through the stockbrokers to be appointed by the Company at a later date.

For illustrative purposes, as at 29 December 2023, being the latest practicable date prior to the date of this Statement ("**LPD**"), the total number of issued shares of the Company stood at 2,126,746,800 Shares. Assuming that no further Shares are issued and none of the Executives' Share Option Scheme ("**ESOS**") are exercised as at LPD, the maximum number of Shares that may be purchased by the Company pursuant to the Proposed Share Buy-back is 212,674,680 Shares, inclusive of the 15,946,700 Shares that have already been bought back by the Company and retained as treasury shares.

For the avoidance of doubt, throughout this Statement including the proforma effects as disclosed in Section 4, the following have not been taken into account:

- (i) any grant of options or Shares to the eligible employees and/or Directors of the Group after the LPD;
- (ii) any purchase of Shares by JCY after the LPD pursuant to the previous mandate for share buy-back approved by the shareholders at the 17th Annual General Meeting ("**AGM**"); and
- (iii) any issuance of additional Shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("**the Act**") after the LPD.

The Company has granted 98,573,000 ESOS Options to the eligible employees and/or Directors of the Company, 49,887,800 ESOS Options has been exercised by the respective employees and/or Directors and 18,518,000 ESOS Options has been forfeited. As at LPD, the outstanding ESOS Options is 30,167,200.

The Proposed Renewal of Authority for Share Buy-back is subject to the compliance with Section 127 of the Act, the Listing Requirements and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase, including the compliance with the public shareholding spread as required by the Listing Requirements.

The authority from shareholders for the Proposed Share Buy-back, if renewed, will be effective immediately upon the passing of the ordinary resolution to be tabled at the forthcoming 18th AGM of the Company and will continue to be in force until:

- (i) the conclusion of the next AGM of the Company, at which time the authority shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

SHARE BUY-BACK STATEMENT

cont'd

The Proposed Renewal of Authority for Share Buy-back does not impose an obligation on the Company to purchase its own Shares but rather, it will allow the Board to exercise the power of the Company to purchase its own Shares at any time within the abovementioned time period.

The actual number of Shares to be purchased, the total amount of funds involved for each purchase and the funding of the purchase will depend on the market conditions and sentiments of the stock market as well as the financial resources available to the Company.

Nevertheless, the Board will ensure that the Company satisfies the solvency test as stated under Section 112(2) of the Act before executing any buy-back of its own Shares.

2.1 Status and Treatment of Treasury Shares

Pursuant to the provisions of Section 127(7) of the Act, the Board may, at its discretion, deal with the shares purchased pursuant to the Proposed Renewal of Share Buy-back ("**Purchased Shares**") in the following manner:

- (i) cancel the Shares so purchased; or
- (ii) retain the Shares so purchased as treasury shares; or
- (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- (iv) distribute the treasury shares as share dividends to shareholders; or
- (v) resell the treasury shares or any of the said Shares on Bursa Securities in accordance with the Listing Requirements; or
- (vi) transfer the treasury shares, or any of the Shares for the purposes of or under an employees' share scheme established by the Company; or
- (vii) transfer the treasury shares, or any of the said Shares as purchase consideration.

Appropriate announcement(s) and notice(s) will be made to Bursa Securities and the relevant authorities in respect of the Board's decision on the treatment of the Purchased Shares in compliance with the Listing Requirements and the Act. The Board may decide to cancel the Purchased Shares if the cancellation of the said shares is expected to enhance the Earnings per share ("**EPS**") of the Group and thereby in the long term, have a positive impact on the market price of the Shares. If the Board decides to retain the Purchased Shares as treasury shares, it may distribute the treasury shares as share dividends to the Company's shareholders and/or resell the Purchased Shares in accordance with the Listing Requirements and utilise the proceeds for any feasible investment opportunity arising in future or as working capital.

While the Purchased Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions and otherwise are suspended, and the treasury shares shall not be taken into account in calculating the number or percentage of Shares of a class of shares in the Company for any purposes including the determination on substantial shareholders' shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on resolution at a meeting of the shareholders.

2.2 Source of Funds

Paragraph 12.10(1) of the Listing Requirements stipulates that the Proposed Share Buy-back must be made wholly out of the retained earnings of the Company. Therefore, the Board proposes to allocate a maximum amount of funds not exceeding the retained profits of the Company for the Proposed Share Buy-back. Based on the latest audited financial statements of the Company for the financial year ended 30 September 2023, the retained earnings of the Company stood at negative RM23,667,000.

The Proposed Share Buy-back will be funded from internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of purchase consideration as well as the availability of internally generated funds and borrowings and repayment capabilities of the Company at the time of purchase.

In the event that the Proposed Share Buy-back is to be partly financed by bank borrowings, the Board will ensure that the Group has sufficient funds to repay the external borrowings and that the repayment will not adversely affect the operations and cash flows of the JCY Group.

SHARE BUY-BACK STATEMENT

cont'd

The Board is mindful of the interest of the Company and its shareholders and will be prudent in respect of the Proposed Share Buy-back exercise.

2.3 Pricing

Pursuant to the provisions of the Listing Requirements, the Company may only purchase its own shares on Bursa Securities at a price which is not more than fifteen per centum (15%) above the weighted average market price for JCY Shares for the five (5) market days immediately preceding the date of purchase.

In the case of resale of the Purchased Shares held as treasury shares, the Company may only resell the JCY Shares on Bursa Securities at:

- (a) price which is not less than the weighted average market price of the JCY Shares for the five (5) market days immediately before the resale; or
- (b) discounted price of not more than five per centum (5%) to the weighted average market price of the JCY Shares for the five (5) market days immediately before the resale provided that:-
 - the resale takes place not earlier than thirty (30) days from the date of purchase; and
 - the resale price is not less than the cost of purchase of the JCY Shares being resold.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-back will enable the JCY Group to utilise any of its surplus financial resources to purchase the JCY Shares. It also provides the opportunity for the Company to stabilise the supply and demand of the JCY Shares in the open market and thereby allowing the share price of JCY to better reflect the fundamental value of JCY Shares. If the purchased JCY Shares are subsequently cancelled, the long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company with the proportionate strengthening of the EPS of the Company.

The Purchased Shares can also be held as treasury shares and resold in accordance with the Listing Requirements on the market of Bursa Securities at a higher price with the intention of realising a potential gain without affecting the total number of issued shares of JCY. In the event the treasury shares are distributed as share dividends to shareholders, this would serve as a reward to the shareholders of the Company.

The Proposed Renewal of Authority for Share Buy-back will also provide flexibility to the Company to use the Purchased Shares which are held as treasury shares for the purposes of the employees' share scheme established by the Company or as the purchase consideration.

4. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The effects of the Proposed Renewal of Authority for Share Buy-back on the share capital, Net assets ("NA"), working capital, EPS and dividend of the Company, assuming the purchase of own shares are up to the maximum ten per centum (10%) of the total number of issued shares of JCY, are set out below:-

4.1 Total Number of Issued Shares

The effects of the Proposed Share Buy-back on the share capital of the Company will depend on the intention of the Board as to the treatment of the Purchased Shares.

For illustrative purposes only, the proforma effect of the Proposed Renewal of Authority for Share Buy-back on the total number of issued shares of the Company is based on the following scenarios:

- | | |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Minimum scenario: | Assuming that none of the ESOS Options are exercised as at the LPD and the Proposed Share Buy-back is implemented in full and all the Purchased Shares are cancelled. |
| Maximum scenario: | Assuming that all the outstanding ESOS Options are fully exercised as at LPD and a total of 30,062,200 Shares are issued pursuant thereto and the Proposed Share Buy-back is implemented in full and all the Purchased Shares are cancelled. |

SHARE BUY-BACK STATEMENT

cont'd

	No. of Shares	
	Minimum scenario	Maximum scenario
Total number of issued Shares as at LPD	2,126,746,800	2,126,746,800
Number of Shares to be issued arising from the exercise of ESOS Options	-	30,167,200
	2,126,746,800	2,156,914,000
Less: 10% of the total number of shares purchased and cancelled	(212,674,680)	(215,691,400)
Total number of issued shares after the Proposed Share Buy-Back	1,914,072,120	1,941,222,600

The above illustration assumes that all the Purchased Shares are cancelled. Nevertheless, if the Purchased Shares are retained as treasury shares, resold or distributed to the shareholders of the Company, there will have no effect on the number of issued shares of the Company.

4.2 NA

The effect of the Proposed Share Buy-back on the consolidated NA of the JCY Group is dependent on the number of Purchased Shares, the purchase prices of the Shares, the treatment of the Purchased Shares and the effective funding cost to JCY Group to finance such purchases or any loss in interest income.

When the Company purchases its own Shares, regardless of whether they are retained as treasury shares or are subsequently cancelled, the NA per Share of JCY Group will decrease if the cost per Share purchased exceeds the NA per Share of the Group at the time of purchase. Conversely, if the cost per Share purchased is below the NA per Share of the Group at the time of purchase, the NA per Share of the Group will increase.

In the case where the Purchased Shares are held as treasury shares and are subsequently resold on Bursa Securities, the NA per Share of the JCY Group will increase if the Company realises a gain from the resale, and vice versa.

If the treasury shares are distributed to the shareholders as share dividends, the NA of the Group will decrease by the cost of the treasury shares.

4.3 Working Capital

The Proposed Share Buy-back will reduce the working capital and cash flow of the JCY Group, the quantum of which will depend on, amongst others, the number of Shares purchased, the purchase price(s) of the Shares and the funding cost, if any.

However, the cash flow or working capital position of the Group will be restored if the purchased JCY Shares are resold at least at its purchase price.

4.4 Earnings and EPS

The effect of the Proposed Share Buy-back on the EPS of the Group will depend on the number of Shares purchased, the purchase price(s) of the Shares and the effective cost or loss in interest income and/or the opportunity cost in relation to other investment opportunities of the Group.

The Proposed Share Buy-back may increase the EPS of the JCY Group if the Company realises a gain from the resale. Similarly, if the Purchased Shares are treated as treasury shares and subsequently resold, the extent of the effect to the earnings of the JCY Group will depend on the actual selling price(s), the number of treasury shares resold and the effective gain or interest savings arising from the resale.

SHARE BUY-BACK STATEMENT

cont'd

4.5 Dividends

The Proposed Share Buy-back is not expected to have any material effect on the dividend payments of the Company. The dividend to be declared by the Company in the future would be determined by the Board after taking into consideration the Company's solvency, the performance of the Group and the prevailing economic conditions.

However, as stated in Sections 2 and 3 above, the Board may distribute future dividends in the form of treasury shares pursuant to the Proposed Share Buy-back.

4.6 Directors' and Substantial Shareholders' Shareholdings

Based on the Company's Registers of Directors' and Substantial Shareholders' Shareholdings as at LPD, and assuming the Company acquires the maximum number of the Shares authorised under the Proposed Share Buy-back and that all the Purchased Shares are fully cancelled, the effect of the Proposed Share Buy-back on the shareholdings of the Directors and Substantial Shareholders of the Company are as follows:

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SHARE BUY-BACK STATEMENT

cont'd

Minimum scenario: Assuming that none of the ESOS Options are exercised as at the LPD and the Proposed Share Buy-back is implemented in full.

Directors	As at LPD			After full implementation of the Proposed Share Buy-back		
	No. of Shares	%	Indirect	No. of Shares	%	Indirect
Dato' Wong King Kheng	4,800,000	0.23	-	4,800,000	0.25	-
Gouw Kim San	-	-	-	-	-	-
Ho Tat Heng	-	-	-	-	-	-
Wong Ling Yah	-	-	-	-	-	-
Lai Kuan Loong, Victor	-	-	-	-	-	-

Substantial Shareholders	As at LPD			After full implementation of the Proposed Share Buy-back		
	No. of Shares	%	Indirect	No. of Shares	%	Indirect
YKY Investments Ltd	1,515,833,052	71.81	-	1,515,833,052	79.19	-
Yong Yoon Kiong *	-	-	1,515,833,052	-	-	1,515,833,052
Liew Wan *	-	-	1,515,833,052	-	-	1,515,833,052
Jeremy Yong Wei Quan *	-	-	1,515,833,052	-	-	1,515,833,052
Cheryl Yong Sunn Sunn *	-	-	1,515,833,052	-	-	1,515,833,052

Note:

* Deemed interested by virtue of his/her interest in *YKY Investments Ltd.*

SHARE BUY-BACK STATEMENT

cont'd

Maximum scenario: Assuming that all the ESOS Options are fully exercised as at LPD and the Proposed Share Buy-back is implemented in full.

Directors	As at LPD			After full exercise of ESOS Options (I)			After (I) and full implementation of the Proposed Share Buy-back		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Dato' Wong King Kheng	4,800,000	-	0.23	6,800,000	-	0.32	6,800,000	-	0.35
Gouw Kim San	-	-	-	3,000,000	-	0.14	3,000,000	-	0.15
Ho Tat Heng	-	-	-	-	-	-	-	-	-
Wong Ling Yah	-	-	-	-	-	-	-	-	-
Lai Kuan Loong, Victor	-	-	-	-	-	-	-	-	-

Substantial Shareholders	As at LPD			After full exercise of ESOS Options (I)			After (I) and full implementation of the Proposed Share Buy-back		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
YKY Investments Ltd	1,515,833,052	-	71.81	1,515,833,052	-	70.80	1,515,833,052	-	78.09
Yong Yoon Kiong *	-	1,515,833,052	71.81	-	1,515,833,052	70.80	-	1,515,833,052	78.09
Liew Wan *	-	1,515,833,052	71.81	-	1,515,833,052	70.80	-	1,515,833,052	78.09
Jeremy Yong Wei Quan *	-	1,515,833,052	71.81	-	1,515,833,052	70.80	-	1,515,833,052	78.09
Cheryl Yong Sunn Sunn *	-	1,515,833,052	71.81	-	1,515,833,052	70.80	-	1,515,833,052	78.09

Note:

* Deemed interested by virtue of his/her interest in *YKY Investments Ltd.*

SHARE BUY-BACK STATEMENT

cont'd

5. PUBLIC SHAREHOLDING SPREAD

The Proposed Share Buy-back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required under Paragraph 8.02(1) of the Listing Requirements.

Based on the Company's Record of Depositors as at LPD, the public shareholding spread of the Company was 27.94%. In implementing the Proposed Renewal of Authority for Share Buy-back, the Board is mindful of the compliance with public shareholding spread as required by the Listing Requirements and will use its best endeavours when purchasing its own Shares to such extent that it will not result in the Company being in breach of the minimum public shareholding spread of 25%.

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

Advantages

- (i) The Proposed Share Buy-back provides the opportunity for the Company to stabilise the supply and demand of JCY Shares in the open market, thereby reducing the volatility of Shares and allowing the price of JCY Shares to better reflect its fundamental value.
- (ii) The Proposed Share Buy-back is expected to enhance the EPS and the return on equity in the event of cancellation of the Shares bought back by the Company which will benefit its shareholders.
- (iii) The Purchased Shares can be held as treasury shares and resold in accordance with the Listing Requirements on the Bursa Securities at a higher price with the intention of realising a potential gain without affecting the total number of issued shares of JCY.
- (iv) In the event the treasury shares are distributed as share dividends to shareholders, this would serve as a reward to the shareholders of the Company. The Purchased Shares can also be transferred to employees of the Group for the purposes of the employees' share scheme established by the Company.

Disadvantages

- (i) The Proposed Share Buy-back, if implemented, would reduce the financial resources of the Group, which may result in the Group having to forgo other feasible investment opportunities that may emerge in the future or deprive the Group of the interest income that can be earned from deposits with licensed financial institution.
- (ii) The Proposed Share Buy-back would also reduce the amount of resources available for distribution in the form of dividends to shareholders in the future.

However, the financial resources of the Group may increase if the Purchased Shares held as treasury shares are resold in the market at prices higher than the purchase price.

Notwithstanding that, the Board will be mindful of the interests of the Company and its shareholders when undertaking the Proposed Share Buy-back and in the subsequent resale of treasury shares on Bursa Securities. Hence, the Proposed Share Buy-back is not expected to have any potential material disadvantage to the Company and the shareholders.

SHARE BUY-BACK STATEMENT

cont'd

7. IMPLICATION OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK IN RELATION TO THE RULES

Pursuant to the Rules, a person of a group of persons acting in concert will be required to make a mandatory general offer if his/their stake(s) in the Company is/are increased to beyond 33% of its total number of issued shares or if his/their existing shareholding(s) is/are more than 33% but less than 50% and it exceeds by another 2% in any six (6) months' period.

In the event that the share buy-back exercise results in the shareholdings of any of the above parties being affected, the said person or group of persons acting in concert will be obliged to make a mandatory general offer for the remaining JCY Shares not held by him/them. However, an exemption from a mandatory offer obligation may be granted by Securities Commission Malaysia under the Rules, subject to the affected person and the parties acting in concert complying with certain conditions, if the obligation is triggered as a result of action outside their direct participation.

As it is not intended for the share buy-back exercise to trigger the obligation to undertake a mandatory general offer by any of its Substantial Shareholders and/or parties acting in concert with them, the Directors of the Company will ensure that only such number of shares are purchased, retained as treasury shares, cancelled or distributed such that the Rules will not be triggered.

8. PURCHASE, RESALE AND CANCELLATION OF PURCHASED SHARES MADE IN THE PAST TWELVE (12) MONTHS

The Company has not made any purchase or cancellation of its Shares or resale of treasury shares since it obtained the shareholders' mandate at the 17th AGM held on 23 February 2023 up to the date of this Statement. As at LPD, the total number of Shares retained as treasury shares was 15,946,700.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of JCY Shares as traded on the Main Market of Bursa Securities for the last twelve (12) months from January 2023 to December 2023 are as follows:

2023	Highest (RM)	Lowest (RM)
January	0.185	0.140
February	0.225	0.160
March	0.180	0.155
April	0.190	0.160
May	0.200	0.145
June	0.175	0.145
July	0.195	0.160
August	0.200	0.160
September	0.210	0.175
October	0.210	0.175
November	0.250	0.195
December	0.230	0.200

The last transacted price of JCY Shares on the LPD was RM0.220.

(Source: Investing.com)

SHARE BUY-BACK STATEMENT

cont'd

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings including, amongst others, the voting rights of the shareholders of the Company as a result of the Proposed Share Buy-back, none of the Directors and/or Substantial Shareholders of the Company and/or persons connected with them have any interest, whether direct or indirect in the Proposed Renewal of Authority for Share Buy-back.

11. APPROVAL REQUIRED

The Proposed Renewal of Authority for Share Buy-back is subject to the approval of the shareholders at the forthcoming 18th AGM of the Company.

12. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Renewal of Authority for Share Buy-back, is of the opinion that the Proposed Renewal of Authority for Share Buy-back is in the best interests of the Company. Accordingly, the Board recommends that you vote in favour of the ordinary resolution for the Proposed Renewal of Authority for Share Buy-back to be tabled at the forthcoming 18th AGM.

13. FURTHER INFORMATION

i. Directors' Responsibility Statement

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Statement, and there are no other facts and information the omission of which would make any statement in this Statement false or misleading.

ii. Material Litigations

As at 29 December 2023, being the latest practicable date of this Statement, neither the Company nor its subsidiary companies is engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Board is not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of the Company and/or its subsidiaries.

iii. Material Contracts

There are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business which have been entered into by the Company or its subsidiaries within two (2) years immediately preceding on the date of this Statement.

iv. Documents for Inspection

The following documents are available for inspection at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur, Wilayah Persekutuan during normal business hours (except public holidays) from the date of this Statement up to and including the date of the 18th AGM:-

- (a) Company's Constitution; and
- (b) The audited financial statements of the Company for the past two (2) financial years ended 30 September 2022 and 30 September 2023.

STATISTICS OF SHAREHOLDINGS

As at 29 December 2023

Number of Issued Share Capital : 2,126,746,800 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	14	0.09	257	0.00
100 – 1,000	1,488	9.38	1,037,102	0.05
1,001 – 10,000	7,349	46.30	45,166,168	2.14
10,001 – 100,000	6,105	38.46	214,141,521	10.15
100,001 – 105,540,004 (*)	915	5.76	334,972,000	15.87
105,540,005 and above (**)	1	0.01	1,515,483,052	71.80
TOTAL	15,872	100.00	2,110,800,100	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 29 December 2023.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of JCY International Berhad and their respective shareholdings based on the Register of Substantial Shareholders of JCY as at 29 December 2023 are as follows:-

Substantial Shareholders	Direct	No. of Shares		
		%#	Indirect	%#
YKY Investments Ltd	1,515,833,052	71.81	-	-
Yong Yoon Kiong*	-	-	1,515,833,052	71.81
Liew Wan*	-	-	1,515,833,052	71.81
Cheryl Yong Sunn Sunn*	-	-	1,515,833,052	71.81
Jeremy Yong Wei Quan*	-	-	1,515,833,052	71.81

Remarks:

* Deemed interested by virtue of his/her interest in YKY Investments Ltd.

After netting off 15,946,700 treasury shares held as at 29 December 2023

STATISTICS OF SHAREHOLDINGS

As at 29 December 2023

cont'd

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of JCY as at 29 December 2023 are as follows:-

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Wong King Kheng	4,800,000	0.23	-	-
Gouw Kim San	-	-	-	-
Ho Tat Heng	-	-	-	-
Wong Ling Yah	-	-	-	-
Lai Kuan Loong, Victor	-	-	-	-

THIRTY LARGEST SECURITIES ACCOUNT HODLERS BASED ON RECORD OF DEPOSITORS AS AT 29 DECEMBER 2023

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	%
1.	CITIGROUP NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)</i>	1,515,483,052	71.80
2.	TAI CHIN OON	8,600,000	0.41
3.	YAP LIM YORK	8,000,000	0.38
4.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>KHO CHAI YAM</i>	5,800,000	0.27
5.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>CIMB BANK FOR DATO' WONG KING KHENG (PB)</i>	4,800,000	0.23
6.	KONG TIONG KIAN	4,555,100	0.22
7.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR CHANG FOK CHIN</i>	2,980,000	0.14
8.	YEE CHIN CHIN	2,850,000	0.14
9.	CITIGROUP NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)</i>	2,710,000	0.13
10.	CGS-CIMB NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)</i>	2,685,500	0.13
11.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>CIMB FOR CHOW CHONG CHEK (PB)</i>	2,617,400	0.12
12.	HSBC NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)</i>	2,560,000	0.12
13.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR WONG ENGINEERING CORPORATION BERHAD</i>	2,300,000	0.11
14.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH CHING MUN</i>	2,200,000	0.10
15.	NG MENG WAH	2,190,000	0.10

STATISTICS OF SHAREHOLDINGS

As at 29 December 2023

cont'd

THIRTY LARGEST SECURITIES ACCOUNT HODLERS BASED ON RECORD OF DEPOSITORS AS AT 29 DECEMBER 2023 *cont'd*

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	%
16.	MAYBANK SECURITIES NOMINEES (ASING) SDN. BHD. <i>MAYBANK SECURITIES PTE LTD FOR YANG CHENG HONG</i>	2,100,000	0.10
17.	GOH CHIN CHONG	2,038,900	0.10
18.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT (7000875)</i>	2,000,000	0.09
19.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR TEH SHIOU CHERNG (J D B TUNGGAL BR-CL)</i>	2,000,000	0.09
20.	CITIGROUP NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)</i>	2,000,000	0.09
21.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>KONG TIONG KIAN</i>	2,000,000	0.09
22.	DR. ROZALI BIN MOHAMED ALI	2,000,000	0.09
23.	YEE CHIN CHIN	2,000,000	0.09
24.	LIM SEW KIM	1,973,300	0.09
25.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>SIEW CHEE SENG</i>	1,940,000	0.09
26.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR TAN KIEN WI (E-JCL/KPT)</i>	1,900,000	0.09
27.	ZAIANUDDIN BIN MOHAMED	1,800,000	0.09
28.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR LEE YOU LAM (E-KKU/BFT)</i>	1,780,500	0.08
29.	TAN CHOO MIT	1,768,900	0.08
30.	GRACE CHEAH YEONG SEN	1,723,200	0.08
TOTAL		1,599,355,852	75.77

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting (“**18th AGM**”) of the Company will be held at Sapphire 2, Level 4, Grand Paragon Hotel, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 27 February 2024 at 10:00 a.m. for the following purposes:-

AGENDA

- | | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 September 2023 together with the Reports of the Directors and the Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To approve the payment of Directors’ fees amounting to RM573,334.00 for the financial year ended 30 September 2023. | (Resolution 1) |
| 3. | To re-elect Mr. Gouw Kim San, who retires pursuant to Clause 113 of the Company’s Constitution and being eligible, has offered himself for re-election. | (Resolution 2) |
| 4. | To re-elect the following Directors who retire pursuant to Clause 112 of the Company’s Constitution and being eligible, have offered themselves for re-election:- | |
| | (a) Wong Ling Yah; | (Resolution 3) |
| | (b) Ho Tat Heng; and | (Resolution 4) |
| | (c) Lai Kuan Loong, Victor. | (Resolution 5) |
| 5. | To re-appoint Messrs. Ernst & Young PLT 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 6) |

As Special Business

To consider and if thought fit, to pass with or without any modification, the following resolutions as Ordinary Resolutions:-

- | | | |
|----|-------------------------------------------------------------------------------|-----------------------|
| 6. | ORDINARY RESOLUTION 1 - | |
| | AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO THE COMPANIES ACT 2016 | (Resolution 7) |

“**THAT** subject always to the Companies Act 2016 (“**the Act**”), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and any other relevant governmental and/or regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby authorised and empowered pursuant to the Act, to issue and allot shares in the Company, at any time, at such price, 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 issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being;

THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 68 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares pursuant to this mandate;

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 the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

cont'd

7. ORDINARY RESOLUTION 2 -

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")

(Resolution 8)

“THAT, subject always to the Companies Act 2016 (**“the Act”**), the provisions of the Company’s Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**“Bursa Securities”**) and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, 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 as the Directors may deem fit and expedient in the interest of the Company, provided that:-

- (i) the aggregate number of ordinary shares to be purchased and/or held by the Company does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and
- (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 based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s).

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder of the shares; and/or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

THAT such authority conferred by this resolution shall commence 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 it 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 at a general meeting;

whichever occurs first.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

cont'd

AND THAT the Directors of the Company be authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as they may deem fit and expedient in the best interest of the Company.”

8. To transact any other ordinary business of which due notice has been given.

By Order of the Board

CHUA SIEW CHUAN (SSM PC NO. 201908002648)(MAICSA 0777689)
YEOW SZE MIN (SSM PC NO. 201908003120)(MAICSA 7065735)
Company Secretaries

Johor Bahru
29 January 2024

Explanatory Notes: -

1. Item 1 of the Agenda – Audited Financial Statements

This Agenda item is meant for discussion only, as Section 340(1)(a) of the Companies Act 2016 (“the Act”) does not require approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item will not be put forward for voting.

2. Items 3 and 4 of the Agenda – Re-election of Directors

In determining the eligibility of the Directors to stand for re-election at the forthcoming 18th AGM, the Nomination Committee (“NC”) had reviewed and assessed the performance of each of the retiring Directors based on the following:-

- (i) Directors’ declaration on his fitness and propriety to continue acting as Directors of the Company in accordance with the Directors’ Fit and Proper Policy of the Company;*
- (ii) Directors’ self-assessment and peer-to-peer performance evaluation; and*
- (iii) Evaluation on the effectiveness of the Board as a whole and the Committees of the Board.*

The NC had recommended that, the re-election of the retiring Directors to be based on the following:-

- (i) satisfactory performance and have met Board’s expectation in discharging their duties and responsibilities;*
- (ii) met the fit and proper criteria in discharging their roles as Directors of the Company;*
- (iii) level of independence demonstrated by the INED; and*
- (iv) their ability to act in the best interest of the Company in decision-making.*

The Board approved the NC’s recommendation for the retiring Directors. All the retiring Directors have consented to their re-election and abstained from deliberation as well as decision on their own eligibility to stand for re-election at the relevant NC and Board meetings, where applicable.

The details of the retiring Directors are available in the Profile of Directors of the Annual Report 2023. The retiring Directors do not have any conflict of interest with the Company.

3. Item 5 of the Agenda – Re-appointment of Auditors

The performance and effectiveness of Messrs. Ernst & Young PLT had been evaluated by the Audit Committee (“AC”), which included an assessment of the independence and objectivity of Messrs. Ernst & Young PLT.

The AC, being satisfied with the performance, suitability and independence of Messrs. Ernst & Young PLT as external auditors, had recommended to the Board that Messrs. Ernst & Young PLT be re-appointed at the 18th AGM and its remuneration be determined by the Board. The Board in turn had endorsed the AC’s recommendation.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

cont'd

4. Item 6 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 shares of not more than 10% of the total issued share capital for the time being pursuant to the Act at the 18th AGM of the Company (hereinafter referred to as the “**General Mandate**”).

The Company had been granted a general mandate by its shareholders at the 17th AGM held on 23 February 2023 (hereinafter referred to as the “**Previous Mandate**”). As at the date of this Notice of 18th AGM, the Company did not implement any proposal for new allotment of shares under the Previous Mandate. Therefore, no proceeds have been raised under the Previous Mandate.

The purpose for the Company to seek the General Mandate is to waive the statutory pre-emptive rights of shareholders of the Company (“**Waiver of Pre-Emptive Rights**”) and to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next AGM. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

The Waiver of Pre-Emptive Rights will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

5. Item 7 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.

Further information on the proposed renewal of share buy-back authority is set out in the 2023 Annual Report.

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 February 2024 (“**General Meeting Record of Depositors**”) shall be eligible to attend, speak and vote at the Meeting or appoint proxy(ies) to attend, participate, speak and vote in his stead.
2. A member entitled to attend and vote at the Meeting, may appoint more than one (1) proxy to attend and vote in his stead. When a member appoints more than one (1) proxy to attend, participate, speak and vote at the same Meeting, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the member to attend, participate, speak and vote at the Meeting.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
5. 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, shall either be executed under the corporation’s common seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company.
6. The instrument appointing a proxy must be deposited at the office of the Share Registrar at Securities Services (Holdings) Sdn. Bhd., 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 for holding the Meeting or at any adjournment thereof.



JCY International Berhad
[Registration No.: 200501031285 (713422-X)]
(Incorporated in Malaysia)

FORM OF PROXY

Number of ordinary shares held	CDS Account No.

*I/We (full name), _____

bearing *NRIC No./Passport No./Registration 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 Eighteenth Annual General Meeting of the Company to be held at Sapphire 2, Level 4, Grand Paragon Hotel, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 27 February 2024 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.

Item No.	Agenda
1.	To receive the Audited Financial Statements for the financial year ended 30 September 2023 together with the Reports of the Directors and the Auditors thereon.

Item No.	Agenda	Resolution	For	Against
2.	To approve the payment of Directors' fees of RM573,334.00 for the financial year ended 30 September 2023.	1		
3.	To re-elect Mr. Gouw Kim San, who retires pursuant to Clause 113 of the Company's Constitution.	2		
4.	To re-elect Ms. Wong Ling Yah, who retires pursuant to Clause 112 of the Company's Constitution.	3		
5.	To re-elect Mr. Ho Tat Heng, who retires pursuant to Clause 112 of the Company's Constitution.	4		
6.	To re-elect Mr. Lai Kuan Loong, Victor, who retires pursuant to Clause 112 of the Company's Constitution.	5		
7.	To re-appoint Messrs. Ernst & Young PLT 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.	6		

Special Business

8.	Ordinary Resolution 1 Authority to issue and allot shares pursuant to the Companies Act 2016.	7		
9.	Ordinary Resolution 2 Proposed renewal of authority for the Company to purchase its own shares.	8		

As witness my/our hand(s) this day _____ of _____ 2024.

*Signature/Common Seal of Member

* Strike out whichever not applicable.

Fold this flap for sealing

Notes:-

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Then fold here

AFFIX
STAMP

The Share Registrar

JCY International Berhad

(Registration No. 200501031285 (713422-X))

c/o Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

1st fold here

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
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www.jcyinternational.com

JCY INTERNATIONAL BERHAD

No. 3, Jalan Firma 3
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Johor Darul Takzim, Malaysia

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