

JCY INTERNATIONAL BERHAD
(713422 X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 September 2018

713422 X

**JCY International Berhad
(Incorporated in Malaysia)**

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JCY International Berhad
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Directors' report

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

Principal activities

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

Results

| | Group RM'000 | Company RM'000 |
|--------------------------|-------------------------|---------------------------|
| (Loss)/profit net of tax | <u>(112,094)</u> | <u>30,028</u> |

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

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

Dividends

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

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

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

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Directors

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

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

Directors' benefits

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

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

The directors' benefits are as follows :

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

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

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Indemnifying directors or officers

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

Directors' interests

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

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

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

Treasury shares

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

Holding company

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

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Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (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.

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Other statutory information (cont'd)

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Subsequent event

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

Auditors

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

Auditors' remuneration is as follows:

| | Group RM'000 | Company RM'000 |
|----------------|-------------------------|---------------------------|
| Ernst & Young | 484 | 113 |
| Other auditors | 43 | - |
| | <u>527</u> | <u>113</u> |

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

Signed on behalf of the Board in accordance with a resolution of the directors dated

Goh Chye Kang

Dato' Wong King Kheng

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**JCY International Berhad
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**Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016**

We, Goh Chye Kang and Dato' Wong King Kheng, being two of the directors of JCY International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 13 to 78 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated

Goh Chye Kang

Dato' Wong King Kheng

**Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016**

I, Dato' Wong King Kheng, being the director primarily responsible for the financial management of JCY International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 78 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

Dato' Wong King Kheng

Before me,

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Independent auditors' report to the members of
JCY International Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of JCY International Berhad, which comprise the statements of financial position as at 30 September 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 13 to 78.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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Independent auditors' report to the members of
JCY International Berhad (cont'd)
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Key audit matters (cont'd)

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

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

Impairment assessment on property, plant and equipment

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

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

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

- Evaluated and assessed the appropriateness of the methodology and approach applied;
- Assessed the reasonableness of key assumptions used particularly the projected growth rates and gross profit margins;
- Assessed whether the discount rate used to determine the present value of the cash flows reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive; and
- Evaluated the adequacy of the Group's disclosures regarding the impairment of these property, plant and equipment, which are included in Note 12 to the consolidated financial statements.

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Independent auditors' report to the members of
JCY International Berhad (cont'd)
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Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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Independent auditors' report to the members of
JCY International Berhad (cont'd)
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Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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Independent auditors' report to the members of
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Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

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

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.

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Independent auditors' report to the members of
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Other matters

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

Ernst & Young
AF 0039
Chartered Accountants

Tan Jin Xiang
03348/01/2020 J
Chartered Accountant

Johor Bahru, Malaysia
Date: 15 January 2019

JCY International Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 30 September 2018

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

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

JCY International Berhad
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Statements of financial position as at 30 September 2018

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

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

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Consolidated statement of changes in equity
For the financial year ended 30 September 2018

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

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Consolidated statement of changes in equity (cont'd)
For the financial year ended 30 September 2018

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

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

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JCY International Berhad
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Company statement of changes in equity
For the financial year ended 30 September 2018

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

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JCY International Berhad
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Company statement of changes in equity (cont'd)
For the financial year ended 30 September 2018

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

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

JCY International Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 30 September 2018

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

JCY International Berhad
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Statements of cash flows (cont'd)
For the financial year ended 30 September 2018

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

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

**JCY International Berhad
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**Notes to the financial statements
For the financial year ended 30 September 2018**

1. Corporate information

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

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies

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

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

Description

MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)

MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
(Amendments to MFRS 112)

**JCY International Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd)

Description

Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12
Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

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

2.3 Standards and interpretations issued but not yet effective

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

| <u>Description</u> | <u>Effective for annual periods beginning on or after</u> |
|---|--|
| MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2) | 1 January 2018 |
| MFRS 9 Financial Instruments | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 140 Transfers of Investment Property (Amendments to MFRS 140) | 1 January 2018 |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycle | 1 January 2018 |
| IC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9) | 1 January 2019 |
| MFRS 16 Leases | 1 January 2019 |
| MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015–2017 Cycle | 1 January 2019 |
| MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119) | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 2 Share - based Payment | 1 January 2020 |

**JCY International Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd)

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

| <u>Description</u> | <u>Effective for annual periods beginning on or after</u> |
|---|---|
| Amendment to MFRS 3 Business Combinations | 1 January 2020 |
| Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources | 1 January 2020 |
| Amendment to MFRS 14 Regulatory Deferral Accounts | 1 January 2020 |
| Amendments to MFRS 101 Presentation of Financial Statements | 1 January 2020 |
| Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2020 |
| Amendments to MFRS 134 Interim Financial Reporting | 1 January 2020 |
| Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets | 1 January 2020 |
| Amendment to MFRS 138 Intangible Assets | 1 January 2020 |
| Amendment to IC Interpretation 12 Service Concession Arrangements | 1 January 2020 |
| Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | 1 January 2020 |
| Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine | 1 January 2020 |
| Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance | 1 January 2020 |
| Amendment to IC Interpretation 132 Intangible Assets - Web Site Costs | 1 January 2020 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

**JCY International Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd)

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

MFRS 9 Financial Instruments

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

**JCY International Berhad
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd)

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

MFRS 16 Leases

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

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

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

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

2.4 Current versus non-current classification

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

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

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

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

All other liabilities are classified as non-current.

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

**JCY International Berhad
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2. Significant accounting policies (cont'd)

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.

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2. Significant accounting policies (cont'd)

2.5 Basis of consolidation (cont'd)

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

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

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

2.6 Business combinations and goodwill

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

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

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

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

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2. Significant accounting policies (cont'd)

2.6 Business combinations and goodwill (cont'd)

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

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

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

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

2.7 Fair value measurement

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

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

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2. Significant accounting policies (cont'd)

2.7 Fair value measurement (cont'd)

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.

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.

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2. Significant accounting policies (cont'd)

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 | 20% |
| Motor vehicles | 20% |
| Plant, machinery and equipment | 6.7% - 20% |
| Electrical installation | 10% - 20% |
| Renovation | 10% - 20% |

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

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

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

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2. Significant accounting policies (cont'd)

2.9 Impairment of non-financial assets

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

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

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

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

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

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2. Significant accounting policies (cont'd)

2.10 Inventories

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

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

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

2.11 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

**JCY International Berhad
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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

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

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

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

- **Loans and receivables**

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

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

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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

- Held-to-maturity investments

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

- AFS financial assets

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

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

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

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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

- AFS financial assets (cont'd)

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

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

Derecognition

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

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

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

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

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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

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

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

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

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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

- Loans and borrowings

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

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

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

- Financial guarantee contracts

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

Derecognition

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

(c) Offsetting of financial instruments

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

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2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(d) Derivative financial instruments

Initial recognition and subsequent measurement

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

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

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

2.12 Cash and cash equivalents

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

2.13 Borrowing costs

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

2.14 Leases

As lessee

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

2.15 Land use rights

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

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2. Significant accounting policies (cont'd)

2.16 Taxes

(a) Current tax

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

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

(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.

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2. Significant accounting policies (cont'd)

2.16 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

(c) Goods and Services Tax (“GST”)

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

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

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

2.17 Provisions

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

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

2.18 Employee benefits

(a) Defined contribution plans

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

**JCY International Berhad
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd)****2.18 Employee benefits (cont'd)****(b) Employee share option plans**

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

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

(c) Defined benefit plan

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

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

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

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2. Significant accounting policies (cont'd)

2.19 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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2. Significant accounting policies (cont'd)

2.19 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.

2.20 Revenue

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

(i) Sales of goods

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

(ii) Interest income

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

(iii) Dividend income

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

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2. Significant accounting policies (cont'd)

2.21 Segment reporting

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

2.22 Treasury shares

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

2.23 Contingencies

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

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

3. Significant accounting estimates and judgements

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

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3. Significant accounting estimates and judgements (cont'd)

3.1 Key sources of estimation uncertainty

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

(a) Deferred tax

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

(b) Income tax

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

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

(c) Impairment of non-financial assets

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

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4. Revenue

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

5. (Loss)/profit before tax

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| (Loss)/profit before tax is stated after charging: | | | | |
| Depreciation (Note 12) | 80,745 | 94,264 | - | - |
| Amortisation of land use rights (Note 13) | 641 | 641 | - | - |
| Allowances for doubtful debts: | | | | |
| - amount due from subsidiaries | - | - | 4,168 | - |
| Auditors' remuneration: | | | | |
| - statutory audit | | | | |
| - current year | 462 | 423 | 113 | 106 |
| - underprovision in prior year | 7 | 1 | - | 1 |
| - other services | 58 | 66 | - | 53 |
| Employee benefits expense (Note 6) | 263,081 | 252,488 | 530 | 530 |
| Impairment loss on property, plant and equipment (Note 12) | 90,098 | - | - | - |
| Inventories written down to net realisable value | 5,896 | 4,376 | - | - |
| Non-executive directors' remuneration (Note 7) | | | | |
| - fees | 360 | 360 | 360 | 360 |
| - other emoluments | 300 | 300 | 300 | 300 |
| Rental of land and building | 1,491 | 1,724 | - | - |
| Rental of equipment | 1,106 | 1,525 | - | - |
| Rental of hostel | 7,036 | 7,788 | - | - |
| Rental of office | - | 38 | - | - |
| Loss on disposal of property, plant and equipment | - | 268 | - | - |
| Property, plant and equipment written off | 3,400 | 1,466 | - | - |

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5. (Loss)/profit before tax (cont'd)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| (Loss)/profit before tax is stated after charging (cont'd): | | | | |
| Loss on foreign exchange | | | | |
| - realised | 9,361 | - | - | - |
| - unrealised | - | 5,163 | 4,214 | - |
| And crediting: | | | | |
| Interest income from deposits | 4,276 | 2,770 | - | - |
| Investment income from unit trust fund | 1,548 | 1,447 | - | - |
| Gain on disposal of property, plant and equipment | 2,224 | - | - | - |
| Net fair value gain on derivatives | - | 3,959 | - | - |
| Gain on foreign exchange | | | | |
| - realised | - | 17,015 | - | - |
| - unrealised | 9,754 | - | - | 4,242 |

6. Employee benefits expense

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

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

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7. Directors' remuneration

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

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

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

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

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8. Finance costs

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

9. Taxation

Major components of taxation

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

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

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9. Taxation (cont'd)

Reconciliation between tax expense and accounting (loss)/profit

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

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

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

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

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

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9. Taxation (cont'd)

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

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

10. (Loss)/earnings per share

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

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

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

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

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11. Dividends

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

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12. Property, plant and equipment

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

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12. Property, plant and equipment (cont'd)

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

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12. Property, plant and equipment (cont'd)

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

13. Land use rights

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

14. Investment in subsidiaries

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

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14. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

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

* Audited by Ernst & Young, Malaysia

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

*** Audited by firms other than Ernst & Young

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15. Inventories

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

16. Trade and other receivables

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

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16. Trade and other receivables (cont'd)

(a) Trade receivables

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

Ageing analysis of trade receivables

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

| | Group | |
|---|----------------|----------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Neither past due nor impaired | 195,928 | 219,451 |
| 1 to 30 days past due but not impaired | 66,508 | 70,334 |
| 31 to 60 days past due but not impaired | 3,649 | 9,419 |
| 61 to 90 days past due but not impaired | 244 | 165 |
| More than 91 days past due but not impaired | 147 | 56 |
| | 70,548 | 79,974 |
| Impaired | - | 2,815 |
| | <u>266,476</u> | <u>302,240</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 RM70,548,000 (2017: RM79,974,000) that are past due at the reporting date but not impaired.

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

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16. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired

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

| | Group | |
|-----------------|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| At 1 October | 2,815 | 2,815 |
| Written off | (2,815) | - |
| At 30 September | <u>-</u> | <u>2,815</u> |

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

(b) Amounts due from subsidiaries - non-trade

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

Non-trade receivables that are impaired

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

| | Company | |
|--------------------------|----------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| At 1 October | - | - |
| Addition during the year | 4,168 | - |
| At 30 September | <u>4,168</u> | <u>-</u> |

17. Other current asset

| | Group | | Company | |
|-------------|---------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Prepayments | <u>5,648</u> | <u>8,975</u> | <u>31</u> | <u>29</u> |

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18. Cash and bank balances

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

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

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

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

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19. Trade and other payables

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

(a) Trade payable

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

(b) Amount due to subsidiary - non-trade

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

20. Borrowings

| | Group | |
|------------------------------|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Current | | |
| Unsecured: | | |
| Foreign currency trade loans | 52,996 | 54,602 |
| | <u>52,996</u> | <u>54,602</u> |

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

| | Group | |
|------------------------------|--------------------|--------------------|
| | 2018 | 2017 |
| Foreign currency trade loans | <u>2.32 - 2.74</u> | <u>1.40 - 1.68</u> |

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20. Borrowings (cont'd)

The Group's borrowings are secured by the following:

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

Movements in the borrowings were as follows:

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

21. Long term employee benefits

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

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

The expenses are recognised in general and administrative expenses.

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21. Long term employee benefits (cont'd)

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

| | 2018 | 2017 |
|---------------------------------|--------------|--------------|
| Discount rate at 30 September | 3.25% | 2.80% |
| Rate of future salary increases | <u>3.00%</u> | <u>3.00%</u> |

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

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

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

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

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

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22. Deferred tax assets/(liabilities)

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

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:

| | Unutilised tax losses and allowances | | Other temporary differences | Total |
|--|---|------------------------------|------------------------------------|-----------------|
| | Property, plant and equipment | unabsorbed allowances | RM'000 | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 2018 | | | | |
| Deferred tax (liabilities)/assets | | | | |
| At beginning of financial year | (42,271) | - | 8,543 | (33,728) |
| Recognised in profit or loss | 15,236 | 11,617 | (7,749) | 19,104 |
| Translation difference | - | - | (42) | (42) |
| At end of financial year | <u>(27,035)</u> | <u>11,617</u> | <u>752</u> | <u>(14,666)</u> |
| 2017 | | | Other temporary differences | Total |
| | | | RM'000 | RM'000 |
| Deferred tax (liabilities)/assets | | | | |
| At beginning of financial year | | (39,560) | 9,444 | (30,116) |
| Recognised in profit or loss | | (2,711) | (1,062) | (3,773) |
| Translation difference | | - | 161 | 161 |
| At end of financial year | | <u>(42,271)</u> | <u>8,543</u> | <u>(33,728)</u> |

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

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23. Share capital

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

(a) Share capital

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

Implementation of Companies Act 2016

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

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

(b) Treasury shares

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

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

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24. Other reserves

(a) Employee share options reserve

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

(b) Foreign currency translation reserve

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

25. Retained earnings

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

26. Executives' share options scheme

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

Description of the ESOS

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

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

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26. 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 RM0.61 each | |
|--|---|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Outstanding at beginning of financial year | - | 5,181 |
| - Expired | - | (4,441) |
| - Exercised | - | (740) |
| Outstanding at end of financial year | <u>-</u> | <u>-</u> |
| Exercisable at end of financial year | <u>-</u> | <u>-</u> |

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

New ESOS scheme in 2018

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

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

27. Commitments

(a) Capital commitments

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

| | Group | |
|-------------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Approved and contracted for: | | |
| Property, plant and equipment | <u>7,969</u> | <u>20,069</u> |

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27. Commitments (cont'd)

(b) Operating lease commitments – as lessee

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

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

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

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

28. Related party transactions

(a) Sales and purchases of goods and services

| | 2018 | 2017 |
|-----------------------------------|---------------|----------------|
| | RM'000 | RM'000 |
| Company | | |
| Dividend income from a subsidiary | <u>40,658</u> | <u>108,420</u> |

(b) Compensation to key management personnel

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

(c) Guarantees

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

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

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29. Fair value

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

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

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

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

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

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

Investment in subsidiaries

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

30. Financial risk management objectives and policies

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

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

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30. 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.

Exposure to credit risk

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

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

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

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30. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

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

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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30. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

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

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

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30. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

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

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

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

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

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:

| Net financial assets/ (liabilities) held in non-functional currency | Functional currency of group companies | | | Total RM'000 |
|---|--|-------------------------------|-------------------------------|-----------------|
| | Thai Baht RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | |
| 2018 | | | | |
| United States Dollars | (172,232) | 478,141 | 30,677 | 336,586 |
| Singapore Dollars | (3,020) | (8,703) | - | (11,723) |
| Thai Baht | - | (596) | - | (596) |
| Others | - | (170) | - | (170) |
| | <u>(175,252)</u> | <u>468,672</u> | <u>30,677</u> | <u>324,097</u> |

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30. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

| Net financial assets/ (liabilities) held in non-functional currency | Functional currency of group companies | | | |
|--|--|-------------------------------|-------------------------------|-----------------|
| | Thai Baht RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | Total RM'000 |
| 2017 | | | | |
| United States Dollars | (180,963) | 323,119 | 23,155 | 165,311 |
| Singapore Dollars | - | (14,117) | - | (14,117) |
| Thai Baht | - | (322) | - | (322) |
| Euro | - | (498) | - | (498) |
| Others | - | (8) | - | (8) |
| | <u>(180,963)</u> | <u>308,174</u> | <u>23,155</u> | <u>150,366</u> |

Sensitivity analysis for foreign currency risk

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

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

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31. Capital management

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

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

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

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32. Segment information

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

- (i) Malaysia
- (ii) Thailand
- (iii) Others : These consist of segments which are outside Malaysia but which individually fall below the 10% threshold of a reportable segment.

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

Geographical segments

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

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

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32. Segment information (cont'd)

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

33. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the directors on 15 January 2019.