JCY International Berhad

(713422 X)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

30 September 2019

713422 X

JCY International Berhad
(Incorporated in Malaysia)

Contents

JCY International Berhad
(Incorporated in Malaysia)

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 2019.

Principal activities

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

Results

	Group RM'000	Company RM'000
Loss net of tax	(54,173)	(1,933)

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

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

Dividends

On 27 November 2019, the Company declared a single tier first interim dividend in respect of the financial year ended 30 September 2019 of 0.50 sen per ordinary share on 2,060,912,300 ordinary shares amounting to a dividend payable of RM10,340,560. This dividend will be accounted in equity as an appropriation of retained earnings in the financial year ending 30 September 2020.

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 (resigned on 31 December 2019)

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Directors' benefits

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

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

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and bonus	5,008	50
Fees	940	840
Defined contribution plan	105	-
Other emoluments	300	300
	6,353	1,190

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

Indemnifying directors or officers

Expenses incurred on indemnity given or insurance effected for directors and officers of the Company and its subsidiaries during the financial year amounted to RM41,000 (2018: RM41,000).

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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 2018	**Acquired**	**Sold**	**30 September 2019**
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 2019, the Company held as treasury shares, a total of 15,946,700 of its 2,076,859,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM15,584,000 and further relevant details are disclosed in Note 23(b) to the financial statements.

Holding company

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

Other statutory information

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

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

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Other statutory information (cont'd)

(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) it necessary to write off bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

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Significant events

Details of a significant event are disclosed in Note 33 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	494	113
Other auditors	41	-
	535	113

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 January 2020.

Goh Chye Kang

Dato' Wong King Kheng

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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 76 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 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 January 2020.

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 76 are in my opinion correct, and I make this solemn declaration by virtue of the provisions of the Oaths and Declaration Act (Cap. 211), and subject to the penalties provided by that Act for the making of false statements in statutory declarations, conscientiously believing the statements contained in this declaration to be true in every particular.

Subscribed and solemnly declared by the)
abovenamed Dato' Wong King Kheng)
iin Singapore on 15 January 2020.)
) Dato' Wong King Kheng

Before me,

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Independent auditors' report to the members of
JCY International Berhad
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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 2019 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 76.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. 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.

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 2019, the Group's property, plant and equipment amounted to RM278.5 million and represented 26% 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 RM29.7 million during the current financial year.

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
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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 directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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.

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

Responsibilities of the directors for the financial statements

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

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

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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.

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.

Other matters

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

Ernst & Young PLT	Tan Jin Xiang
202006000003 (LLP0022760-LCA) & AF 0039	03348/01/2022 J
Chartered Accountants	Chartered Accountant

Johor Bahru, Malaysia
Date: 15 January 2020

JCY International Berhad
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Statements of comprehensive income
For the financial year ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	1,037,110	1,390,916	-	40,658
Cost of sales		(1,066,625)	(1,408,337)	-	-
Gross (loss)/profit		(29,515)	(17,421)	-	40,658
Other items of income					
Other operating income		46,071	11,594	2,704	-
Other items of expense					
General and administrative expenses		(51,716)	(32,170)	(4,637)	(10,630)
Impairment loss on property, plant and equipment		(29,712)	(90,098)	-	-
Finance costs	8	(2,916)	(3,151)	-	-
(Loss)/profit before tax	5	(67,788)	(131,246)	(1,933)	30,028
Taxation	9	13,615	19,152	-	-
(Loss)/profit net of tax		(54,173)	(112,094)	(1,933)	30,028
Other comprehensive loss					
Foreign currency translation		(5,464)	(12,262)	-	-
Total comprehensive (loss)/income for the year		(59,637)	(124,356)	(1,933)	30,028
Basic loss per share (sen)	10	(2.6)	(5.4)		
Diluted loss per share (sen)	10	(2.5)	(5.4)		

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

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Statements of financial position as at 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	278,452	393,372	-	-
Land use rights	13	25,143	26,962	-	-
Investment in subsidiaries	14	-	-	462,123	458,011
Restricted bank deposits	18	1,769	1,652	-	-
		305,364	421,986	462,123	458,011
Current assets					
Inventories	15	192,202	253,488	-	-
Trade and other receivables	16	285,913	285,162	210,188	211,185
Other current asset	17	6,605	5,648	31	31
Tax recoverable		894	9,277	-	-
Cash and bank balances	18	287,632	213,810	241	104
		773,246	767,385	210,460	211,320
Total assets		1,078,610	1,189,371	672,583	669,331
Equity and liabilities					
Current liabilities					
Trade and other payables	19	135,812	174,192	4,169	3,457
Borrowings	20	47,517	52,996	-	-
Tax liabilities		313	317	-	-
		183,642	227,505	4,169	3,457
Net current assets		589,604	539,880	206,291	207,863
Non-current liabilities					
Long term employee benefits	21	5,248	3,356	-	-
Deferred tax liabilities	22	1,040	14,666	-	-
		6,288	18,022	-	-
Total liabilities		189,930	245,527	4,169	3,457
Net assets		888,680	943,844	668,414	665,874
Equity attributable to equity holders of the Company					
Share capital	23	536,732	536,732	536,732	536,732
Reserves		351,948	407,112	131,682	129,142
Total equity		888,680	943,844	668,414	665,874
Total equity and liabilities		1,078,610	1,189,371	672,583	669,331

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 2019

	Note	Share capital (Note 23(a)) RM'000	Treasury shares (Note 23(b)) RM'000	Employee share options reserve (Note 24(a)) RM'000	Foreign currency translation reserve (Note 24(b)) RM'000	Retained earnings (Note 25) RM'000	Total RM'000
		<---------------- Non-distributable			----------------->	Distributable	
2019							
At 1 October 2018		536,732	(15,584)	-	53,645	369,051	943,844
Total comprehensive loss for the year		-	-	-	(5,464)	(54,173)	(59,637)
Transactions with owners							
Grant of equity-settled share options to employees		-	-	4,473	-	-	4,473
At 30 September 2019		536,732	(15,584)	4,473	48,181	314,878	888,680
2018							
At 1 October 2017		536,732	(15,584)	-	65,907	501,755	1,088,810
Total comprehensive loss for the year		-	-	-	(12,262)	(112,094)	(124,356)
Transactions with owners							
Dividends	11	-	-	-	-	(20,610)	(20,610)
At 30 September 2018		536,732	(15,584)	-	53,645	369,051	943,844

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

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Company statement of changes in equity
For the financial year ended 30 September 2019

	Note	<----- Non-distributable -----> Share capital (Note 23(a)) RM'000	Treasury shares (Note 23(b)) RM'000	Employee share options reserve (Note 24(a)) RM'000	Distributable Retained earnings (Note 25) RM'000	Total RM'000
2019						
At 1 October 2018		536,732	(15,584)	-	144,726	665,874
Total comprehensive loss for the year		-	-	-	(1,933)	(1,933)
Transactions with owners						
Grant of equity-settled share options to employees		-	-	4,473	-	4,473
At 30 September 2019		536,732	(15,584)	4,473	142,793	668,414
2018						
At 1 October 2017		536,732	(15,584)	-	135,308	656,456
Total comprehensive income for the year		-	-	-	30,028	30,028
Transactions with owners						
Dividends	11	-	-	-	(20,610)	(20,610)
At 30 September 2018		536,732	(15,584)	-	144,726	665,874

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

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Statements of cash flows
For the financial year ended 30 September 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Operating activities				
(Loss)/profit before tax	(67,788)	(131,246)	(1,933)	30,028
Adjustments for:				
Depreciation	49,479	80,745	-	-
Dividend income	-	-	-	(40,658)
Amortisation of land use rights	623	641	-	-
Allowances for doubtful debts on amount due from subsidiaries	-	-	2,174	4,168
Impairment loss on property, plant and equipment	29,712	90,098	-	-
Gain on disposal of property, plant and equipment and land-use rights	(23,024)	(2,224)	-	-
Unrealised (gain)/loss on foreign exchange	(5,275)	(9,754)	(2,704)	4,214
Property, plant and equipment written-off	921	3,400	-	-
Inventories written down to net realisable value	-	5,896	-	-
Defined benefit plans	1,682	(207)	-	-
Interest income	(4,463)	(5,824)	-	-
Grant of equity-settled share options to employees	4,473	-	361	-
Interest expenses	2,555	2,294	-	-
Operating cash flows before working capital changes	(11,105)	33,819	(2,102)	(2,248)
Inventories	61,286	(24,502)	-	-
Receivables	54,854	41,442	2,749	75
Other current asset	(957)	3,326	-	(2)
Payables	(32,429)	(38,229)	84	(54)
Cash flows generated from/(used in) operations	71,649	15,856	731	(2,229)
Interest paid	(2,555)	(2,294)	-	-
Tax refunded/(paid)	8,368	(3,015)	-	-
Net cash flows generated from/ (used in) operating activities	77,462	10,547	731	(2,229)

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Statements of cash flows (cont'd)
For the financial year ended 30 September 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Investing activities				
Interest received	4,463	5,824	-	-
Additions to unit trust fund	(1,683)	(1,548)	-	-
Additions to restricted bank deposits	(117)	(19)	-	-
Purchase of property, plant and and equipment	(24,142)	(67,528)	-	-
Proceeds from disposal of property, plant and equipment	25,538	8,181	-	-
Dividend income received	-	-	-	40,658
Loan to subsidiaries	-	-	(595)	(2,530)
Net cash flows generated from/ (used in) investing activities	4,059	(55,090)	(595)	38,128
Financing activities				
Dividends paid	-	(36,067)	-	(36,067)
Repayment of short-term borrowings	(4,653)	(2,566)	-	-
Net cash flows used in financing activities	(4,653)	(38,633)	-	(36,067)
Net increase/(decrease) in cash and cash equivalents	76,868	(83,176)	136	(168)
Effect of exchange rate changes on cash and cash equivalents	(4,729)	(868)	1	-
Cash and cash equivalents at beginning of financial year	170,033	254,077	104	272
Cash and cash equivalents at end of financial year (Note 18)	242,172	170,033	241	104

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

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Notes to the financial statements
For the financial year ended 30 September 2019

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 2018, the Group and the Company adopted the following new standards, IC Interpretation and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018:

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

Description	**Effective for annual periods beginning on or after**
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

The adoption of the above new standards, IC Interpretation and amendments did not have any significant impact on the financial statements except for those discussed below.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment; and hedge accounting.

The effect of adopting MFRS 9 is as follows:

(i) Classification and measurement

Under MFRS 9, the Group's and Company's debt financial instruments are measured at amortised cost. The classification is based on two criteria: the Group's and Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The assessment of the Group's and Company's business model was made as of the date of initial application, 1 October 2018. The assessment of whether contractual cash flows on financial assets comprised solely of payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as *Debt instruments at amortised cost.*

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and Company’s financial liabilities.

The classification and measurement requirements of MFRS 9 had no impact to the Group's and Company’s statement of financial position and statement of other comprehensive income.

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2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

(i) Classification and measurement (cont'd)

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

The classification and measurement requirements of MFRS 9 had no impact to Company's statements of financial position and statement of other comprehensive income.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 October 2018.

MFRS 139 measurement category	MFRS 9 measurement category Amortised cost	
	Group RM'000	**Company RM'000**
Loans and receivables		
Trade and other receivables	285,162	211,185

(ii) Impairment

The adoption of MFRS 9 has changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

MFRS 9 requires the Group and the Company to record an allowance for ECLs for all financial assets not held at fair value through profit or loss and contract assets.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive.

For trade and other receivables, the Group and the Company applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group and the Company have established a provision matrix that is based on the Group's and the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

(ii) Impairment (cont'd)

The Group and the Company consider a financial asset to be in default when contractual payment are 365 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external indicates that the Group and the Company is unlikely to receive outstanding contractual amounts in full amount before taking into account any credit enhancements held by the Group and the Company.

The adoption of the ECL requirements of MFRS 9 did not result in any increase in impairment allowance of the Group and the Company's financial assets.

The Group does not apply hedge accounting and as such the hedging requirements of MFRS 9 did not have an impact on the Group's financial statements.

MFRS 15 Revenue from contracts with customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 October 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to all contracts as at 1 October 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 118 and related Interpretations.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

MFRS 15 Revenue from contracts with customers (cont'd)

The adoption of MFRS 15 did not have any material impact on the financial statements of the Company as the revenue of the Company is already recognised in accordance with the principles of MFRS 15.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

The Group and the Company apply the amendments prospectively. Specific transition provisions apply to prospective application. The application of these amendments have no impact on the Group and the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and 108: Definition of Material	1 January 2020

2. Significant accounting policies (cont'd)

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

Description	**Effective for annual periods beginning on or after**
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	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

The directors are of the opinion that the standards, amendments, annual improvement and IC Interpretation above would not have any material impact on the financial statements in the year of initial adoption other than the following:

MFRS 16 Leases

MFRS 16 requires lessees to recognise most leases on balance sheet. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. MFRS 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt MFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of MFRS 16, the Group will measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

2. Significant accounting policies (cont'd)

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

MFRS 16 Leases (cont'd)

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 16 in 2019.

On the adoption of MFRS 16, the Group expects to recognise additional right-of-use assets and lease liabilities for its leases previously classified as operating leases.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

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.

2. Significant accounting policies (cont'd)

2.4 Current versus non-current classification (cont'd)

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

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

All other liabilities are classified as non-current.

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

2.5 Basis of consolidation

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

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

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

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

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

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

(ii) Rights arising from other contractual arrangements

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

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

2. Significant accounting policies (cont'd)

2.5 Basis of consolidation (cont'd)

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

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

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

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

2.6 Business combinations and goodwill

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

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

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.

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.

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

2. Significant accounting policies (cont'd)

2.7 Fair value measurement (cont'd)

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.

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.

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

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.

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 subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group's and the Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do no contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

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

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

2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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

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

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

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

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

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

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

    and

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

2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

- ***Financial assets at amortised cost (debt instruments) (cont'd)***

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

Derecognition

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

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

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

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

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

2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

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

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

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

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

(b) Financial liabilities

Initial recognition and measurement

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

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

The Group's and the Company’s financial liability comprise of trade and other payables and borrowings which are classified as *loans and borrowings* .

2. Significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

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

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

Derecognition

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

(c) Offsetting of financial instruments

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

2.12 Cash and cash equivalents

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

2. Significant accounting policies (cont'd)

2.13 Borrowing costs

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

2.14 Leases

As lessee

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

2.15 Land use rights

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

2.16 Taxes

(a) Current tax

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

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

(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.

2. Significant accounting policies (cont'd)

2.16 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (cont'd)

2.16 Taxes (cont'd)

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

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

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

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

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

2.17 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.

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

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).

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 from contracts with customers

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

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transfering promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

2. Significant accounting policies (cont'd)

2.20 Revenue from contracts with customers (cont'd)

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

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

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

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

(a) 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.

(b) Dividend income

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

2.21 Segment reporting

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

2. Significant accounting policies (cont'd)

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 judgments

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

3.1 Key sources of estimation uncertainty

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

(a) Deferred tax

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details of the recognised and unrecognised deferred tax assets are disclosed in Note 22.

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

3.1 Key sources of estimation uncertainty (cont'd)

(b) Income tax

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

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

(c) Impairment of non-financial assets

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

4. Revenue

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sales of hard disk drive components	995,913	1,336,201	-	-
Sales of other components	41,197	54,715	-	-
Revenue arising from contracts with customers	1,037,110	1,390,916	-	-
Dividend income	-	-	-	40,658
	1,037,110	1,390,916	-	40,658

5. (Loss)/profit before tax

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/profit before tax is stated after charging:				
Depreciation (Note 12)	49,479	80,745	-	-
Amortisation of land use rights (Note 13)	623	641	-	-
Allowances for doubtful debts on amount due from subsidiaries (Note 16(c))	-	-	2,174	4,168
Auditors' remuneration:				
- statutory audit				
- current year	525	510	113	113
- underprovision in prior year	-	7	-	-
- other services	10	10	-	-
Employee benefits expense (Note 6)	207,591	263,081	891	530
Impairment loss on property, plant and equipment (Note 12)	29,712	90,098	-	-
Inventories written down to net realisable value	-	5,896	-	-
Non-executive directors' remuneration (Note 7)				
- fees	360	360	360	360
- other emoluments	300	300	300	300
Rental of land and building	1,052	1,491	-	-
Rental of equipment	943	1,106	-	-
Rental of hostel	8,770	7,036	-	-
Loss on disposal of land-use rights	1,202	-	-	-
Property, plant and equipment written off	921	3,400	-	-
Loss on foreign exchange				
- realised	-	9,361	-	-
- unrealised	-	-	-	4,214
And crediting:				
Interest income from deposits	2,788	4,276	-	-
Investment income from unit trust fund	1,675	1,548	-	-
Gain on disposal of property, plant and equipment	24,226	2,224	-	-
Gain on foreign exchange				
- realised	8,767	-	-	-
- unrealised	5,275	9,754	2,704	-

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6. Employee benefits expense

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	191,539	233,059	530	530
Defined contribution plans	4,811	5,384	-	-
Social security contributions	2,683	2,784	-	-
Share options granted under ESOS	4,473	-	361	-
Defined benefit plans (Note 21)	1,682	(207)	-	-
Other staff related expenses	2,403	22,061	-	-
	207,591	263,081	891	530

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM5,693,000 (2018: RM6,017,000) and RM530,000 (2018: RM530,000) respectively, as further disclosed in Note 7.

7. Directors' remuneration

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Company				
Executive directors (Note 6) :				
Salaries and bonus	5,008	5,314	50	50
Fees	580	580	480	480
Defined contribution plan	105	123	-	-
	5,693	6,017	530	530
Non-executive directors (Note 5) :				
Fees	360	360	360	360
Other emoluments	300	300	300	300
	660	660	660	660
	6,353	6,677	1,190	1,190
Directors of subsidiaries				
Salaries and bonus	1,116	954	-	-
Defined contribution plan	119	100	-	-
Fees	225	225	-	-
	1,460	1,279	-	-
Total directors' remuneration	7,813	7,956	1,190	1,190

7. Directors' remuneration (cont'd)

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

	Number of directors	
	2019	2018
Executive directors:		
Below or equal to RM1,000,000	-	-
RM1,050,001 - RM1,100,000	1	-
RM1,100,001 - RM1,150,000	1	1
RM1,150,001 - RM1,200,000	-	1
RM1,450,001 - RM1,500,000	1	-
RM1,500,001 - RM1,550,000	-	1
RM2,000,001 - RM2,050,000	1	-
RM2,100,001 - RM2,150,000	-	1
Non-executive directors:		
RM100,001 - RM150,000	2	2
RM400,001 - RM450,000	1	1

8. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expenses on:				
- Bankers' acceptances	1,377	1,079	-	-
- Bill payable	4	11	-	-
- Account receivables factoring	1,174	1,204	-	-
Bank charges	361	857	-	-
	2,916	3,151	-	-

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9. Taxation

Major components of taxation

The major components of taxation for the financial years ended 30 September 2019 and 2018 are:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statement of comprehensive income:				
Current income tax:				
Malaysian income tax	-	437	-	-
Under/(over)provision in prior year	11	(485)	-	-
	11	(48)	-	-
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	(14,362)	(23,002)	-	-
Underprovision in prior year	736	3,898	-	-
	(13,626)	(19,104)	-	-
	(13,615)	(19,152)	-	-

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 2019 and 2018 are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/profit before taxation	(67,788)	(131,246)	(1,933)	30,028
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	(16,269)	(31,499)	(464)	7,207
Income not subject to tax	(3,153)	(371)	(655)	(9,757)
Expenses not deductible for tax purposes	5,331	7,904	1,119	2,550
Deferred tax assets not recognised on unutilised tax losses	-	1,401	-	-
Utilisation of previously unrecognised tax losses	(271)	-	-	-
Under/(over)provision of income tax in prior year	11	(485)	-	-
Underprovision of deferred tax in prior year	736	3,898	-	-
Income tax expense recognised in profit or loss	(13,615)	(19,152)	-	-

9. Taxation (cont'd)

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. These tax incentives expired on 31 March 2016, 31 March 2017 and 9 December 2018.

Domestic current income tax is calculated at the statutory tax rate of 24% (2018 : 24%) of the estimated assessable profit for the year.

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

The computation of deferred tax as at 30 September 2019 and 2018 has reflected the effects of the above items.

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

10. Loss per share

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

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

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

	Group	
	2019	**2018**
Loss attributable to ordinary equity holders of the Company (RM'000)	(54,173)	(112,094)
Weighted average number of ordinary shares for basic loss per share computation ('000 units)	2,060,912	2,060,912
Effects of dilution:-		
Share options ('000 units)	65,289	-
Weighted average number of ordinary shares for diluted loss per share computation ('000 units)	2,126,201	2,060,912
Basic loss per share (sen)	(2.6)	(5.4)
Diluted loss per share (sen)	(2.5)	(5.4)

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11. Dividends

	Dividend recognised in year	
	2019	**2018**
	RM'000	**RM'000**
In respect of financial year ended 2017:		
Single tier interim dividend of 0.50 sen per ordinary share on 2,060,912,300 ordinary shares	-	10,305
In respect of financial year ended 2018:		
Single tier interim dividend of 0.50 sen per ordinary share on 2,060,912,300 ordinary shares	-	10,305
	-	20,610

On 27 November 2019, the Company declared a single tier first interim dividend in respect of the financial year ended 30 September 2019 of 0.50 sen per ordinary share on 2,060,912,300 ordinary shares amounting to a dividend payable of RM10,340,560. This dividend will be accounted in equity as an appropriation of retained earnings in the financial year ending 30 September 2020.

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12. Property, plant and equipment

2019 Group	**Freehold land RM'000**	**Buildings RM'000**	**Construction in progress RM'000**	**Fixtures, fittings and office equipment RM'000**	**Plant and machinery RM'000**	**Equipment RM'000**	**Electrical installation RM'000**	**Renovation RM'000**	**Motor vehicles RM'000**	**Total RM'000**
Cost										
At 1 October 2018	9,033	228,382	29,243	11,338	1,171,954	152,310	9,524	19,923	2,411	1,634,118
Additions	-	41	7,031	638	11,333	4,767	-	332	-	24,142
Disposals	-	(52,707)	-	(27)	(164,241)	(2,374)	-	(6,445)	-	(225,794)
Reclassifications	-	732	(7,027)	42	5,176	978	-	99	-	-
Written off	-	-	(162)	(2,928)	(4,688)	(15)	-	(151)	-	(7,944)
Exchange differences	558	4,098	1,792	544	12,906	1,462	-	279	(26)	21,613
At 30 September 2019	9,591	180,546	30,877	9,607	1,032,440	157,128	9,524	14,037	2,385	1,446,135
Accumulated depreciation and impairment loss										
At 1 October 2018	-	71,183	8,207	9,863	993,594	129,529	9,485	16,647	2,238	1,240,746
Depreciation charge for the year (Note 5)	-	6,280	-	510	33,122	7,841	39	1,603	84	49,479
Impairment loss (Note 5)	-	-	1,971	407	23,043	4,922	-	(608)	(23)	29,712
Disposals	-	(16,214)	-	(26)	(142,136)	(648)	-	(2,889)	-	(161,913)
Written off	-	-	-	(2,872)	(3,985)	(15)	-	(151)	-	(7,023)
Exchange differences	-	2,027	(219)	477	12,894	1,278	-	248	(23)	16,682
At 30 September 2019	-	63,276	9,959	8,359	916,532	142,907	9,524	14,850	2,276	1,167,683
At 30 September 2019										
- Accumulated depreciation	-	63,276	-	7,377	817,159	123,146	9,509	14,180	2,232	1,036,879
- Accumulated impairment loss	-	-	9,959	982	99,373	19,761	15	670	44	130,804
	-	63,276	9,959	8,359	916,532	142,907	9,524	14,850	2,276	1,167,683
Net carrying amount										
At 30 September 2019	9,591	117,270	20,918	1,248	115,908	14,221	-	(813)	109	278,452

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

2018 Group	Freehold land RM'000	Buildings RM'000	Construction in progress RM'000	Fixtures, fittings and office equipment RM'000	Plant and machinery RM'000	Equipment RM'000	Electrical installation RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Cost										
At 1 October 2017	8,941	230,367	9,867	10,034	1,203,284	143,905	9,524	18,710	2,532	1,637,164
Additions	-	318	19,732	1,407	30,656	13,737	-	1,571	107	67,528
Disposals	-	-	-	(64)	(47,755)	(5,332)	-	-	(210)	(53,361)
Reclassifications	-	-	(889)	16	873	-	-	-	-	-
Written off	-	(4)	(8)	(10)	(3,392)	-	-	-	-	(3,414)
Exchange differences	92	(2,299)	541	(45)	(11,712)	-	-	(358)	(18)	(13,799)
At 30 September 2018	9,033	228,382	29,243	11,338	1,171,954	152,310	9,524	19,923	2,411	1,634,118
Accumulated depreciation and impairment loss										
At 1 October 2017	-	63,190	-	8,832	913,746	115,285	9,388	14,325	2,273	1,127,039
Depreciation charge for the year (Note 5)	-	8,369	-	561	62,830	7,620	82	1,160	123	80,745
Impairment loss (Note 5)	-	-	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
At 30 September 2018										
- Accumulated depreciation	-	71,183	-	9,288	917,264	114,690	9,470	15,369	2,171	1,139,435
- Accumulated impairment loss	-	-	8,207	575	76,330	14,839	15	1,278	67	101,311
	-	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

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

The impairment loss of RM29,712,000 (2018: RM90,098,000) during the 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 2019 was based on value in use ("VIU"). In determining the VIU, the key assumptions applied were negative growth rates on sales volume ranging between 2.0% to 25.6% (2018: 1.1% to 21.9%) and pre-tax discount rate of 12% (2018: 11%).

13. Land use rights

	Group	
	2019	**2018**
	RM'000	**RM'000**
As at beginning of financial year	26,962	27,672
Amortisation for the financial year (Note 5)	(623)	(641)
Disposal during the financial year	(1,202)	-
Exchange differences	6	(69)
As at end of financial year	25,143	26,962
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	21,940	23,759
	25,143	26,962

14. Investment in subsidiaries

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares, at cost:		
- In Malaysia	452,751	452,751
- Outside Malaysia	2,300	2,300
	455,051	455,051
Less: Accumulated impairment losses	(2,300)	(2,300)
	452,751	452,751
ESOS granted to employees of subsidiaries	9,372	5,260
	462,123	458,011

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14. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	2019 %	2018 %	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:				
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 2019 RM'000	Group 2018 RM'000
At cost:		
Raw materials	42,532	70,226
Work-in-progress	51,985	90,212
Finished goods	58,649	29,331
Consumables	15,938	19,760
	169,104	209,529
At net realisable value:		
Work-in-progress	11,343	8,686
Finished goods	7,424	29,953
Consumables	4,331	5,320
	23,098	43,959
	192,202	253,488

16. Trade and other receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Trade receivables				
Third parties	210,996	266,476	-	-
Other receivables				
Sundry receivables	73,749	17,024	-	-
Staff advances	-	154	-	-
Deposits	1,168	1,508	-	-
Due from subsidiaries	-	-	216,530	215,353
Less: Allowance for impairment	-	-	(6,342)	(4,168)
	74,917	18,686	210,188	211,185
Total trade and other receivables	285,913	285,162	210,188	211,185
Add: Cash and bank balances (Note 18)	289,401	215,462	241	104
Total financial assets	575,314	500,624	210,429	211,289

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	
	2019	**2018**
	RM'000	**RM'000**
Neither past due nor impaired	205,882	195,928
1 to 30 days past due but not impaired	4,586	66,508
31 to 60 days past due but not impaired	102	3,649
61 to 90 days past due but not impaired	2	244
More than 91 days past due but not impaired	424	147
	5,114	70,548
Impaired	-	-
	210,996	266,476

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 RM5,114,000 (2018: RM70,548,000) 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.

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	
	2019 RM'000	2018 RM'000
At 1 October	-	2,815
Written off	-	(2,815)
At 30 September	-	-

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) Sundry receivables

Included in sundry receivables is an amount of RM6,970,000 (2018: RM6,970,000) due from a shareholder relating to undertaking by the shareholder to make good on any amount payable arising from any under payment of electricity charges in previous years. It is unsecured and non-interest bearing.

(c) 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	
	2019 RM'000	2018 RM'000
At 1 October	4,168	-
Addition during the year (Note 5)	2,174	4,168
At 30 September	6,342	4,168

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17. Other current asset

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Prepayments	6,605	5,648	31	31

18. Cash and bank balances

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Cash on hand and cash at bank	49,375	89,149	241	104
Repurchase agreements	76,490	35,711	-	-
Fixed deposits with commercial banks	116,307	45,173	-	-
Cash and cash equivalents	242,172	170,033	241	104
Unit trust fund	45,460	43,777	-	-
	287,632	213,810	241	104
Non-current:				
Restricted bank deposits	1,769	1,652	-	-
Total cash and bank balances (Note 16)	289,401	215,462	241	104

The Group's restricted bank deposits comprise of bank balances pledged for bank guarantee facilities granted to a subsidiary.The interest rates and maturities of 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	
	2019	**2018**	**2019**	**2018**
	%	**%**	**Days**	**Days**
Repurchase agreements	1.60 - 2.85	1.30 - 3.00	1	1 - 3
Fixed deposits with commercial banks	1.00 - 1.30	1.00 - 1.98	180 - 365	180 - 365
Restricted bank deposits	1.00 - 1.50	1.00 - 1.50	>365	>365

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19. Trade and other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payable				
Third parties	100,537	131,880	-	-
Other payables				
Sundry payables	14,893	20,068	97	-
Tax payables	-	28	-	-
Accruals	20,382	22,216	895	907
Amount due to subsidiary	-	-	3,177	2,550
	35,275	42,312	4,169	3,457
Total trade and other payables	135,812	174,192	4,169	3,457
Add: Borrowings (Note 20)	47,517	52,996	-	-
Total financial liabilities carried at amortised cost	183,329	227,188	4,169	3,457

(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	
	2019	**2018**
	RM'000	**RM'000**
Current		
Unsecured:		
Foreign currency trade loans	47,517	52,996

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

	Group	
	2019	**2018**
Foreign currency trade loans	2.30 - 2.55	2.32 - 2.74

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	
	2019 RM'000	2018 RM'000
At 1 October 2018/2017	52,996	54,602
Repayment of foreign currency trade loans	(4,653)	(2,566)
Effect of exchange rate differences	(826)	960
At 30 September	47,517	52,996

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	
	2019 RM'000	2018 RM'000
Non-current liability		
Present value of unfunded obligations	5,248	3,356
Movement in the present value of defined benefit obligation		
At 1 October	3,356	5,052
Recognised in the profit or loss (Note 6)	1,682	(207)
Utilised during the year	(108)	(1,548)
Exchange differences	318	59
At 30 September	5,248	3,356
Expenses recognised in profit or loss		
Current service costs	1,022	5,957
Interest expense	53	166
Effect of changes in financial assumptions	607	(6,330)
	1,682	(207)

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:

	2019	2018
Discount rate at 30 September	1.56%	3.25%
Rate of future salary increases	3.00%	3.00%

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

	Increase/(decrease) in profit net of tax	
	2019	2018
	RM'000	RM'000
Discount rate:		
0.5% increase	(292)	(192)
0.5% decrease	287	208
Rate of future salary increases:		
0.5% increase	280	208
0.5% decrease	(316)	(193)

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

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

	2019	2018
	RM'000	RM'000
Within the next 12 months	42	58
Between 2 and 5 years	574	238
Between 5 and 10 years	1,900	1,306
Beyond 10 years	2,732	1,754
Total expected payments	5,248	3,356

22. Deferred tax liabilities

	Group 2019 RM'000	Group 2018 RM'000
At beginning of financial year	(14,666)	(33,728)
Recognised in profit or loss (Note 9)	13,626	19,104
Translation difference	-	(42)
At end of financial year	(1,040)	(14,666)

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:

2019	Property, plant and equipment RM'000	Unutilised tax losses and unabsorbed allowances RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax (liabilities)/assets				
At beginning of financial year	(27,035)	11,617	752	(14,666)
Recognised in profit or loss	7,414	6,251	(39)	13,626
At end of financial year	(19,621)	17,868	713	(1,040)
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	(27,035)	11,617	752	(14,666)

At the reporting date, the Group had tax losses of approximately RM12,877,000 (2018: RM14,007,000) 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.

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 2019				
At beginning and end of financial year	2,076,859	(15,947)	536,732	(15,584)
Issued and paid up 2018				
At beginning and end of financial year	2,076,859	(15,947)	536,732	(15,584)

(a) Share capital

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

(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.

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.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Movement				
At 1 October	-	-	-	-
Recognised during the year	4,473	-	361	-
Charged back to subsidiaries	-	-	4,112	-
At 30 September	4,473	-	4,473	-

(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 2019 and 30 September 2018 may be distributed as dividends under the single tier system.

26. Executives' share options scheme

During the previous financial year, the Company introduced a new Executives' Share Options Scheme ("ESOS") to eligible employees of the Group.

Description of the ESOS

The ESOS was approved at the Extraordinary General Meeting of the Company held on 27 February 2018 and implemented on 17 April 2018 with a duration of 5 years. The Options Committee has the discretion to extend the duration of the ESOS for another 5 years. 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.

26. Executives' share options scheme (cont'd)

On 8 October 2018, the Group announced the grant of the following share options under the above ESOS to eligible employees and directors of the Group.

The exercise price of the share options granted under the ESOS is RM0.25 each. All options granted are divided into 3 equal tranches which vest on 8 October 2018, 1 October 2019 and 1 October 2020. 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.

Movement of share options during the financial year

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

	Number of share options at exercise price of RM0.25 each 2019 ('000)
Outstanding at beginning of financial year	-
- Granted	67,170
- Forfeited	(2,280)
Outstanding at end of financial year	64,890
Exercisable at end of financial year	20,110

No share option granted under the Company's ESOS was exercised during the year.

27. Commitments

(a) Capital commitments

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

	Group	
	2019 RM'000	2018 RM'000
Approved and contracted for:		
Property, plant and equipment	4,369	7,969

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 2019 amounted to RM11,388,000 (2018: RM10,430,000).

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

	Group	
	2019 RM'000	2018 RM'000
Future minimum rental payments:		
Not later than 1 year	1,752	2,243
Later than 1 year and not later than 5 years	9	2,260
	1,761	4,503

28. Related party transactions

(a) Sales and purchases of goods and services

	Company	
	2019 RM'000	2018 RM'000
Dividend income from a subsidiary	-	40,658

(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 2019:

- Guarantee to utilities providers, RM10,865,000 (2018: RM12,232,000). No liability is expected to arise from the guarantee.
- Guarantee to customs for potential claims and taxes, RM550,000 (2018: RM550,000). No liability is expected to arise from the guarantee.

29. Fair value

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

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

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

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

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

30. Financial risk management objectives and policies

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

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

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

(a) Credit risk

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

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

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

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

(a) Credit risk (cont'd)

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

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

Group

30 September 2019

		Days past due			
	Current	**1-30 days**	**31-90 days**	**More than 91 days**	**Total**
Expected credit loss rate	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default (RM'000)	205,882	4,586	104	424	210,996
Expected credit loss (RM'000)	-	-	-	-	-

<u>Exposure to credit risk</u>

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 RM47,517,000 (2018: RM52,996,000) 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).

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			
	2019		2018	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	3,066	1	121,171	45
Singapore	18,601	9	1,704	1
Thailand	189,326	90	143,543	54
Other countries	3	-	58	-
	210,996	100	266,476	100

At the reporting date, approximately 91% (2018: 98%) of the Group’s trade receivables were due from 3 (2018: 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).

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 RM5,248,000 (2018: RM3,356,000), 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 loss net of tax would have been RM261,000 (2018: RM272,000) 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.

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% (2018: 96%) of the Group's sales are denominated in foreign currencies whilst 55% (2018: 53%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in RMB and USD) amount to RM195,701,000 (2018: RM135,114,000).

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

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

	Functional currency of group companies			
Net financial assets/ (liabilities) held in non-functional currency	**Thai Baht RM'000**	**Ringgit Malaysia RM'000**	**Chinese Renminbi RM'000**	**Total RM'000**
2019				
United States Dollars	(182,252)	498,086	21,740	337,574
Singapore Dollars	(2,928)	(6,802)	-	(9,730)
Thai Baht	-	(307)	-	(307)
	(185,180)	490,977	21,740	327,537

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
2018				
United States Dollars	(172,232)	478,141	30,677	336,586
Singapore Dollars	(3,020)	(8,703)	-	(11,723)
Thai Baht	-	(596)	-	(596)
Others	-	(170)	-	(170)
	(175,252)	468,672	30,677	324,097

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD, SGD, 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 2019 RM'000	2018 RM'000
USD/RM	- strengthened 10% (2018: 10%)	49,809	47,814
	- weakened 10% (2018: 10%)	(49,809)	(47,814)
USD/Baht	- strengthened 10% (2018: 10%)	(18,225)	(17,223)
	- weakened 10% (2018: 10%)	18,225	17,223
USD/RMB	- strengthened 10% (2018: 10%)	(2,174)	(3,068)
	- weakened 10% (2018: 10%)	2,174	3,068
SGD/RM	- strengthened 10% (2018: 10%)	(680)	(870)
	- weakened 10% (2018: 10%)	680	870
SGD/Baht	- strengthened 10% (2018: 10%)	(293)	(302)
	- weakened 10% (2018: 10%)	293	302
Baht/RM	- strengthened 10% (2018: 10%)	(31)	(60)
	- weakened 10% (2018: 10%)	31	60

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 2019 and 30 September 2018.

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

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Borrowings	20	47,517	52,996	-	-
Trade and other payables	19	135,812	174,192	4,169	3,457
Less: Cash and bank balances	18	(287,632)	(213,810)	(241)	(104)
Net (asset)/debt		(104,303)	13,378	3,928	3,353
Equity attributable to the owners of the parent, represents total capital		888,680	943,844	668,414	665,874
Capital and net debt		784,377	957,222	672,342	669,227
Gearing ratio		N/A	1%	0%	1%

JCY International Berhad
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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 2019					
Revenue					
Sales to external customers	736,691	300,419	-	-	1,037,110
Inter-segment sales	168,702	-	26,308	(195,010)	-
Total revenue	905,393	300,419	26,308	(195,010)	1,037,110
Results					
Segment results	(23,204)	(14,342)	17,894	(45,220)	(64,872)
Finance costs	(1,739)	(1,174)	(3)	-	(2,916)
(Loss)/profit before tax	(24,943)	(15,516)	17,891	(45,220)	(67,788)
Income tax	13,615	-	-	-	13,615
(Loss)/profit net of tax	(11,328)	(15,516)	17,891	(45,220)	(54,173)
Assets and liabilities					
Segment assets	1,621,320	157,042	470,120	(1,169,872)	1,078,610
Segment liabilities	190,967	204,680	304,940	(510,657)	189,930
Other segment information					
Depreciation	33,907	12,255	4,038	(721)	49,479
Amortisation	607	-	16	-	623

32. Segment information (cont'd)

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

33. Significant event

During the current financial year, YK Technology (Suzhou) Co., Ltd, an indirect wholly-owned subsidiary of the Company, entered into a Non-residential Property Relocation Compensation Agreement with Guo Lane Street Relocation Office for the disposal of its properties. The total compensation sum amounted to approximately RM80,481,000 and the Group recognised the relating gain on disposal of approximately RM26,404,000 as part of its other operating income during the current financial year.

34. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2019 were authorised for issue in accordance with a resolution of the directors on 15 January 2020.