

JCY INTERNATIONAL BERHAD

(Company No. 713422-X)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT EMERALD 3 – LEVEL 3, GRAND PARAGON HOTEL, 18 JALAN HARIMAU, TAMAN CENTURY, 80250 JOHOR BAHRU, JOHOR, MALAYSIA ON WEDNESDAY, 27 FEBRUARY 2019 AT 10:00 A.M.

At the Thirteenth Annual General Meeting (“**13th AGM**”) of the Company held on 27 February 2019, the key questions posed by the shareholders present and the responses from the Board were as follows:-

Agenda 1

Audited Financial Statements for the financial year ended 30 September 2018 together with the Reports of the Directors and Auditors Reports thereon

- Q1. What is the future prospect of JCY Group’s businesses in the next few years?
- A1. All players in the industry including solid state drives (“**SSD**”) and hard disk drive (“**HDD**”) were facing competition and challenges over the past twelve (12) months. There were some changes in base structure of SSD and HDD as technology is improving.

The global economic environment is challenging as the HDD business is not growing but it still represents a significant business. With the expertise and capabilities of the Group, it will strive to show good stead for the future of the Group.

- Q2. What were the reasons for the decline of committed capital expenditure from RM20,069,000/- to RM7,969,000?
- A2. The Management had considered the cost versus benefits of each capital expenditure and being prudent is of the view that the capital commitment as at the end of the financial year 2018 of RM7,969,000 is adequate.

For the rest of the items on the Agenda, there were no questions raised by the shareholders at the 13th AGM of the Company.

In addition, the Company had received a letter dated 20 February 2019 from the Minority Shareholders Watch Group (“**MSWG**”) which raised the following questions. Below is the summary of reply from the Company in response to the points and questions raised by MSWG:

No.	Issues raised by MSWG	Reply from the Company
1.	As stated on page 7 of the Annual Report 2018 (AR2018), the Company recorded lower revenue of RM1.39 billion in the financial year ended 30 September 2018 (FY2018) mainly due to unfavourable	JCY will soon release the interim financial statements for the financial quarter ended 31 December 2018. JCY will discuss the prospects of the Group’s

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(Summary of the Minutes of the Thirteenth Annual General Meeting held on 27 February 2019 – cont'd)

	<p>exchange rate, as well as lower quantity shipped during the FY2018.</p> <p>Given that HDD shipment units are expected to shrink gradually in the foreseeable future, how would the topline perform in the near term?</p>	<p>business in Note B3 to the financial statements.</p>
2.	<p>As stated on page 9 of the AR2018, the Company has expanded horizontally to increase market share and offer wider range of products to more customers to ensure long term sustainability of the business. It will also diversify into other related and new industries.</p> <p>(i) What are the results achieved from the horizontal expansion strategy adopted over the past few years?</p> <p>(ii) What are the new areas that the Company will diversify to?</p>	<p>The horizontal expansion to other business opportunities within the HDD industry is gradually progressing and JCY is expecting positive results in the near future.</p> <p>The new areas that JCY is exploring for diversification include, but are not limited to, solid state drive, automotive and other electrical appliances industries which require precision components.</p>
3.	<p>The Company continues to invest in automation in order to reduce labour dependency. Does the current challenging environment encourage the Company to continue spending on automation? Has the automation effort yielded any visible operational benefit?</p>	<p>All of the major investments of JCY are subject to cost and benefit analysis and return on investment assessment. Only projects that are expected to yield a satisfactory return within a reasonable period are approved and implemented. JCY's efforts in robotics and automation have helped the Group to stay competitive in this challenging environment.</p>

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4.	The Company has made an impairment provision of RM90.09 million in FY2018 (page 7 of the AR2018). Based on the assessment of current condition, will there be further impairment required in FY2019?	Since the finalisation of the FY2018 financial statements, JCY has not observed any material deviation on its assumptions made for the provision of the impairment. At this junction, JCY does not anticipate any further impairment to be required in FY2019.
5.	As stated on page 78 of the AR 2018, spending on other staff related expenses increased to RM22.06 million from RM2.04 million in FY2017. What are the reasons for the 9.8 times increase in these expenses?	The increase was due mainly to reclassification within the employee benefit expenses. Payments of allowances to staff were reclassified as other staff related expenses in FY2018, as opposed to salaries and wages in prior years.
6.	The company did not comply with Malaysian Code of Corporate Governance 2017's (MCCG 2017) recommendation that the Remuneration Committee (" RC ") should only consist of Non-Executive Directors (page 31 of the Corporate Governance Overview Statement). When is the targeted timeline for the Board to comply with this recommendation?	The RC of JCY is also tasked on recommending remuneration matters for the senior management staff. The Board is of the view that having an Executive Director in the RC will be advantageous to provide realistic inputs relating to remuneration matters of the senior management team. The Board also believes that the independence quality of the RC will not be impaired by the inclusion of one (1) Executive Director.
7.	The Board does not have a policy which limits the tenure of its independent directors to nine years. Will the Board consider to implement such policy?	The independence of the Independent Directors is one of the Board's primary considerations to ensure an effective and balance boardroom composition. The Board will review the need to implement a tenure policy on a timely basis.

All the resolutions tabled at the 13th AGM were duly passed by way of poll, the results of which had been announced to Bursa Malaysia Securities Berhad on 27 February 2019.