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

Statement by Directors and Audited Financial Statements
30 September 2011

713422 X

JCY International Berhad
(Incorporated in Malaysia)

Contents

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 30 September 2011.

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.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	13,466	22,293

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

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

Dividends

The amount of dividend paid by the Company since 30 September 2010 was as follows:

	RM'000
In respect of financial year ended 30 September 2010:	
Single tier interim dividend of 0.75 sen per ordinary share on 2,044,860,000 ordinary shares, declared on 20 December 2010 and paid on 24 January 2011	15,336

The directors do not recommend the payment of final dividend for the financial year ended 30 September 2011.

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Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are :

Dr. Rozali Bin Mohamed Ali	
Wong King Kheng	
Chang Wei Ming	
Chan Boon Hui	
Goh Chye Kang	
Tan Shih Leng	(appointed on 1 July 2011)
Lim Ching Tee Peter	(appointed on 1 January 2012)
Chatar Singh A/L Santa Singh	(resigned on 30 June 2011)
Yong Yong Chai	(resigned on 31 December 2011)

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.

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 in Note 7 to the financial statements) 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, except as disclosed in Note 26 to the financial statements.

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 of RM0.25 Each			
The Company	**1 October 2010/Date of appointment**	**Bought**	**Sold**	**30 September 2011**
Direct Interest				
Yong Yong Chai	5,000,000	-	-	5,000,000
Wong King Kheng	3,500,000	-	-	3,500,000
Chang Wei Ming	25,000	-	-	25,000
Dr. Rozali Bin Mohamed Ali	650,000	-	-	650,000
Goh Chye Kang	600,000	-	-	600,000
Tan Shih Leng	950,000	-	-	950,000

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Directors' interests (cont'd)

As at 30 September 2011, the holding company of the Company, YKY Investments Ltd ("YKY"), held 1,515,833,052 ordinary shares in the Company. Yong Yong Chai, the director of the Company, is the brother of Yong Yoon Kiong, the sole director of YKY and indirect substantial shareholder of the Company.

Treasury shares

During the financial year, the Company purchased 100,000 of its issued ordinary shares from the open market at an average price of RM0.415 per share. The total consideration paid for the purchase including transaction costs was RM41,728. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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 no provision for doubtful debts was necessary; and

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

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

  (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group or of the Company; 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.

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Other statutory information (cont'd)

(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.

Significant events

The significant events are disclosed in Note 32 to the financial statements.

Subsequent event

Details of subsequent event are disclosed in Note 33 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 January 2012.

Goh Chye Kang

Wong King Kheng

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Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Goh Chye Kang and 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 9 to 64 are drawn up in accordance with applicable Financial Reporting Standards and the provisions of the Companies Act, 1965 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 2011 and of their financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 35 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 January 2012.

Goh Chye Kang   Wong King Kheng

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, 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 9 to 65 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Wong King Kheng at Johor)
Bahru in the State of Johor Darul Ta'zim)
on 30 January 2012)   Wong King Kheng

Before me,
Commissioner of Oath
Periethamby A/L Supaiya
No: J 149

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Independent auditors' report to the members of
JCY International Berhad
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Report on the financial statements

We have audited the financial statements of JCY International Berhad, which comprise the statements of financial position as at 30 September 2011 of the Group and of the Company, and the 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 64.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements comprising the statements of financial position as at 30 September 2011 of the Group and of the Company, and the 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 64, have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 35 on page 65 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Abraham Verghese A/L T.V. Abraham
AF 0039	1664/10/12(J)
Chartered Accountants	Chartered Accountant

Johor Bahru, Malaysia
Date: 30 January 2012

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Statements of comprehensive income
For the financial year ended 30 September 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	4	1,671,255	2,033,386	24,448	116,893
Cost of sales		(1,625,364)	(1,811,813)	(3,675)	(4,419)
Gross profit		45,891	221,573	20,773	112,474
Other items of income					
Other operating income		2,128	3,039	3,924	523
Other items of expense					
General and administrative expenses		(29,718)	(36,317)	(2,403)	(15,541)
Finance costs	8	(4,457)	(7,676)	(1)	-
Profit before taxation	5	13,844	180,619	22,293	97,456
Income tax expense	9	(378)	(6,856)	-	-
Profit net of tax		13,466	173,763	22,293	97,456
Other comprehensive income					
Foreign currency translation		13,996	(23,272)	-	-
Total comprehensive income for the year		27,462	150,491	22,293	97,456
Basic and diluted earnings per share (sen)	10	0.7	8.5		

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 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	702,311	753,846	9,145	11,673
Land use rights	13	19,005	19,239	-	-
Investment in subsidiaries	14	-	-	451,751	451,751
Deferred tax asset		9,458	9,557	-	-
		730,774	782,642	460,896	463,424
Current assets					
Inventories	15	224,864	213,321	-	-
Trade and other receivables	16	336,969	344,483	165,429	155,221
Other current assets	17	3,669	9,787	233	322
Tax recoverable		40	40	40	40
Cash and bank balances	18	93,468	128,834	320	94
		659,010	696,465	166,022	155,677
Total assets		1,389,784	1,479,107	626,918	619,101
Equity and liabilities					
Current liabilities					
Trade and other payables	19	257,740	243,408	76,321	75,419
Borrowings	20	224,708	262,935	-	-
Tax payable		582	956	-	-
		483,030	507,299	76,321	75,419
Net current assets		175,980	189,166	89,701	80,258
Non-current liabilities					
Borrowings	20	-	77,138	-	-
Deferred tax liabilities	21	21,447	21,447	-	-
		21,447	98,585	-	-
Total liabilities		504,477	605,884	76,321	75,419
Net assets		885,307	873,223	550,597	543,682

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Statements of financial position as at 30 September 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Equity attributable to equity holders of the Company					
Share capital	22	511,215	511,215	511,215	511,215
Reserves		374,092	362,008	39,382	32,467
Total equity		885,307	873,223	550,597	543,682
Total equity and liabilities		1,389,784	1,479,107	626,918	619,101

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 2011

		<-- Non-Distributable	-->		Distributable	
	Note	Share Capital (Note 22) RM'000	Treasury Shares (Note 22) RM'000	Foreign Currency Translation Reserve (Note 23) RM'000	Retained Earnings (Note 24) RM'000	Total RM'000
At 1 October 2010		511,215	-	(914)	362,922	873,223
Total comprehensive income		-	-	13,996	13,466	27,462
Transactions with owners						
Dividend	11	-	-	-	(15,336)	(15,336)
Purchase of treasury shares		-	(42)	-	-	(42)
At 30 September 2011		511,215	(42)	13,082	361,052	885,307
At 1 October 2009		511,215	-	22,358	269,113	802,686
Total comprehensive income		-	-	(23,272)	173,763	150,491
Transactions with owners						
Dividend	11	-	-	-	(79,954)	(79,954)
At 30 September 2010		511,215	-	(914)	362,922	873,223

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 2011

	Note	Share Capital (Note 22) RM'000	Non-Distributable Treasury Shares (Note 22) RM'000	Distributable Retained Earnings (Note 24) RM'000	Total RM'000
At 1 October 2010		511,215	-	32,467	543,682
Total comprehensive income		-	-	22,293	22,293
Transactions with owners					
Dividend	11	-	(42)	(15,336)	(15,378)
At 30 September 2011		511,215	(42)	39,424	550,597
At 1 October 2009		511,215	-	14,965	526,180
Total comprehensive income		-	-	97,456	97,456
Transactions with owners					
Dividend	11	-	-	(79,954)	(79,954)
At 30 September 2010		511,215	-	32,467	543,682

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 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating activities				
Profit before taxation	13,844	180,619	22,293	97,456
Adjustments for:				
Depreciation	98,275	93,670	2,528	2,531
Amortisation of land use rights	341	240	-	-
Gain on disposal of property, plant and equipment	(723)	(101)	-	(523)
Gain on disposal of non-current assets classified as held for sale	-	(185)	-	-
Unrealised (gain)/loss on foreign exchange	(9,768)	15,665	(3,924)	13,627
Property, plant and equipment written off	1,753	437	-	-
Interest income	(799)	(1,729)	-	-
Interest expenses	3,756	7,352	-	-
Operating cash flows before working capital changes	106,679	295,968	20,897	113,091
Inventories	(11,543)	(28,330)	-	-
Receivables	43,009	(25,030)	-	(2)
Other current assets	6,118	(2,532)	89	(285)
Payables	975	(47,479)	(72)	332
Amount due to/from subsidiaries	-	-	(5,310)	(34,797)
Cash flows from operations	145,238	192,597	15,604	78,339
Interest paid	(3,756)	(7,352)	-	-
Tax paid	(653)	(908)	-	(3)
Net cash flows from operating activities	140,829	184,337	15,604	78,336

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Cash flow statements (cont'd)
For the financial year ended 30 September 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investing activities				
Interest income	799	1,729	-	-
Purchase of property, plant and and equipment	(47,561)	(220,261)	-	(13)
Proceeds from disposal of non-current assets classified as held for sale	-	28,986	-	-
Proceeds from disposal of property, plant and equipment	12,253	324	-	1,669
Net cash flows (used in)/from investing activities	(34,509)	(189,222)	-	1,656
Financing activities				
Amount due to shareholder	-	(173,236)	-	-
Dividends paid	(15,336)	(79,954)	(15,336)	(79,954)
Proceeds from term loan	-	163,125	-	-
Repayment of term loan	(55,635)	(31,991)	-	-
Treasury shares purchased	(42)		(42)	
(Repayment)/Drawdown of short-term borrowings	(72,100)	22,817	-	-
Net cash flows used in financing activities	(143,113)	(99,239)	(15,378)	(79,954)
Net (decrease)/increase in cash and cash equivalents	(36,793)	(104,124)	226	38
Effect of exchange rate changes on cash and cash equivalents	1,427	(5,712)	-	-
Cash and cash equivalents at beginning of year	128,834	238,670	94	56
Cash and cash equivalents at end of year (Note 18)	93,468	128,834	320	94

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 2011

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 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. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 October 2010 as described fully in Note 2.2.

The financial statements which have been prepared on a historical basis, 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 the following:

On 1 October 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 September 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs

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2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

- FRS 139 : Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRSs in 2009
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to FRS 132: Classification of Rights Issues
- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (Revised)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions are also+A238 effective for annual financial periods beginning on or after 1 January 2010. These FRSs are, however, not applicable to the Group and the Company.

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

<u>FRS 7 Financial Instruments: Disclosures</u>

Prior to 1 October 2010, information on financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 7 Financial Instruments: Disclosures (cont'd)

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 30 September 2011.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 30).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 October 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 October 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments
  Prior to 1 October 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 October 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date. Investments in equity instruments whose fair value cannot be reliably measured continued to be carried at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

- Non-hedging derivatives
  Prior to 1 October 2010, all derivative financial instruments were recognised in the financial statements only upon settlement. These instruments do not qualify for hedge accounting under FRS 139. Hence, upon the adoption of FRS 139, all derivatives held by the Group as at 1 October 2010 are recognised at their fair values and are classified as financial assets at fair value through profit or loss.

- Impairment of trade receivables
  Prior to 1 October 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 October 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and concluded that there was no adjustment which was required to be made to the opening retained earnings as at 1 October 2010.

- Financial guarantee contracts
  During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 October 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 October 2010.

- Inter-company loans
  During the current and prior years, the Company granted interest-free loans and advances to its related companies. Prior to 1 October 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free loans or advances continued to be recorded at cost as the loans and advances repayable do not have any fixed terms of repayment and are repayable on demand . Therefore, the effect of discounting is considered as immaterial and the fair value of the loans is equal to the amount of the advances given or received. No adjustments were made to the opening balance of retained earnings as at 1 October 2010.

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2. Summary of significant accounting policies (cont'd)

2.3 Standards and interpretations issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but are not yet effective:

FRSs and IC Interpretations	**Effective for annual periods beginning or after**
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-Time Adopters	1 January 2011
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
IC Interpretation 4: Determining whether on Arrangement contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
TR 3: Guidance on Disclosure of Transition to IFRSs	1 January 2011
TR i - 4: Shariah Compliant Sale Contracts	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14: Prepayment of a Minimum Funding Requirement	1 July 2011

Except for the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

<u>Malaysian Financial Reporting Standards (MFRS Framework)</u>

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 September 2013.

The directors are of the opinion that the financial performance and financial position as disclosed in these financial statements for the year ended 30 September 2011 would not be significantly different if prepared under the MFRS Framework.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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.

In the case of other acquisitions, the purchase method of consolidation is applied wherein, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group’s share in the net fair value of the acquired subsidiary’s identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group’s share in the net fair value of the acquired subsidiary’s identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 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, plant and equipment and furniture and fixtures 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%
Fixtures, fittings and office equipment	20%
Motor vehicles	20%
Plant, machinery and equipment	10% - 20%
Electrical installation	10% - 20%
Renovation	10% - 20%

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

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.

2.7 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 such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (cont'd)

2.8 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.

2.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition. The Group's and the Company's financial assets are categorised as loans and receivables.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.11 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 amount of cash and which are subject to an insignificant risk of changes in value.

2.12 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are categorised as either financial liabilities at fair value through profit or loss or other financial liabilities. These include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2. Summary of significant accounting policies (cont'd)

2.15 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.

2.16 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.

2.17 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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2. Summary of significant accounting policies (cont'd)

2.17 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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) Sales tax

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

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

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

2. Summary of significant accounting policies (cont'd)

2.18 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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where 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.

2.19 Employee benefits

(a) Defined contribution plans

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

(b) Employee share option plans

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

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

2. Summary of significant accounting policies (cont'd)

2.20 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.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

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2. Summary of significant accounting policies (cont'd)

2.21 Revenue

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

(i) Sales of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Rendering of services

Revenue from the design and development services rendered is recognised when the services are performed at the reporting date. Revenue is recognised to the extent of the expenses recognised that on recoverable.

(iii) Interest income

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

(iv) Dividend income

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

2.22 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 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. Summary of significant accounting policies (cont'd)

2.24 Contingencies

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

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

3. Significant accounting estimates and judgements

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

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) Depreciation of plant and machinery.

The cost of plant and machinery for the manufacture of hard disk drive components is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to range from 5 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Deferred tax assets

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 together with future tax planning strategies. Further details of the recognised and unrecognised deferred tax assets are disclosed in Note 21.

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4. Revenue

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Sales of hard disk drive components	1,671,255	2,033,386	-	-
Rendering of design and development services	-	-	1,860	3,955
Dividend income	-	-	22,588	112,938
	1,671,255	2,033,386	24,448	116,893

5. Profit before taxation

The following items have been included in arriving at profit before tax:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit from operations is stated after charging:				
Depreciation (Note 12)	98,275	93,670	2,528	2,531
Amortisation of land use rights (Note 13)	341	240	-	-
Auditors' remuneration:				
- Statutory audit				
- current year	353	322	55	55
- (over)/underprovision in prior year	-	(11)	-	5
- Other services	59	55	-	-
Employee benefits expense (Note 5)	83,064	82,425	1,844	1,812
Non-executive directors' remuneration (Note 6)				
- Fee	150	150	150	150
- Other emoluments	300	300	300	300
Rental of land and building	2,791	3,494	-	-
Rental of equipment	1,714	1,737	-	-
Rental of hostel	6,210	10,817	-	-
Rental of office	184	184	184	184
Property, plant and equipment written off	1,753	437	-	-
Loss on foreign exchange				
- Realised	11,171	-	-	-
- Unrealised	-	15,665	-	13,627

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5. Profit before taxation (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
And crediting:				
Interest income from deposits	799	1,729	-	-
Gain on disposal of property, plant and equipment	723	101	-	523
Gain on disposal of non-current assets classified as held for sale	-	185	-	-
Gain on foreign exchange				
- Realised	-	5,725	-	-
- Unrealised	9,768	-	3,924	-

6. Employee benefits expense

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	70,479	74,918	1,767	1,720
Defined contribution plans	3,088	2,842	71	85
Social security contributions	2,797	2,555	6	7
Other staff related expenses	6,700	2,110	-	-
	83,064	82,425	1,844	1,812

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,930,000 (2010: RM3,342,000) and RM1,221,000 (2010: RM1,107,000) respectively as further disclosed in Note 7.

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7. Directors' remuneration

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive directors (Note 6) :				
Fees	240	200	200	200
Other emoluments	2,690	3,142	1,021	907
	2,930	3,342	1,221	1,107
Non-executive directors (Note 5) :				
Fees	150	150	150	150
Other emoluments	300	300	300	300
	450	450	450	450
Total directors' remuneration	3,380	3,792	1,671	1,557

Details of remuneration receivable by directors of the Company during the year are as follows :

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive :				
Salaries	2,613	2,902	972	844
Fees	240	200	200	200
Bonus	-	114	-	20
Defined contribution plan	77	126	49	43
	2,930	3,342	1,221	1,107
Non-Executive :				
Other emoluments	300	300	300	300
Fees	150	150	150	150
	3,380	3,792	1,671	1,557

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	
	2011	**2010**
Executive directors :		
RM150,001 - RM200,000	1	-
RM450,001 - RM500,000	1	1
RM500,001 - RM550,000	-	1
RM650,001 - RM700,000	1	1
RM800,001 - RM850,000	2	-
RM1,150,001 - RM1,200,000	-	1

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7. Directors' remuneration (cont'd)

	Number of Directors	
	2011	**2010**
Non-executive directors :		
Below RM100,000	2	2
RM300,001 - RM350,000	1	1

8. Finance costs

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on:				
Bankers' acceptances	1,132	2,674	-	-
Term loan	2,443	2,772	-	-
Bill payables	181	1,906	-	-
Bank charges	701	324	1	-
	4,457	7,676	1	-

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 September 2011 and 2010 are:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	170	502	-	-
Underprovision in prior year	109	-	-	-
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	99	6,354	-	-
	378	6,856	-	-

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9. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 September 2011 and 2010 are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation	13,844	180,619	22,293	97,456
Taxation at Malaysian statutory tax rate of 25% (2010 : 25%)	3,461	45,155	5,573	24,364
Income not subject to tax	(2,894)	(37,370)	(6,628)	(24,371)
Expenses not deductible for tax purposes	812	1,535	36	7
Deferred tax recognised at different tax rates	341	358	-	-
Deferred tax asset not recognised for unabsorbed losses	1,744	735	1,019	-
Deferred tax assets recognised on certain property, plant and equipment in respect of which the tax base exceeds the net carrying amount	(3,195)	(3,557)	-	-
Underprovision of income tax in prior year	109	-	-	-
Income tax expense recognised in profit or loss	378	6,856	-	-

Domestic current income tax is calculated at the statutory tax rate of 25% (2010 : 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain subsidiaries of the Group enjoy tax exemptions from the relevant authorities on their business income for current and future periods. The computation of deferred tax as at 30 September 2011 has reflected the effects of such exemptions.

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

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10. Earnings per share

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

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

	Group	
	2011	**2010**
Profit attributable to ordinary equity holders of the Company (RM'000)	13,466	173,763
Weighted average number of ordinary shares in issue ('000 units)	2,044,850	2,044,860
Basic and diluted earnings per share (sen)	0.7	8.5

11. Dividends

	Dividend in respect of year		Dividend recognised in year	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Single tier interim dividend of 3.91 sen per ordinary share on 2,044,860,000 ordinary shares	-	79,954	-	79,954
Single tier interim dividend of 0.75 sen per ordinary share on 2,044,860,000 ordinary shares	-	15,336	15,336	-
	-	95,290	15,336	79,954

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12. Property, plant and equipment

2011 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 2010	7,422	105,387	56,938	6,797	879,119	121,830	7,848	21,274	2,458	1,209,073
Additions	-	1,536	3,178	1,477	34,317	5,157	1,420	316	160	47,561
Disposal	-	-	-	-	(21,276)	-	-	-	(30)	(21,306)
Written off	-	-	-	-	(29,467)	(9,491)	(154)	(1,163)	(389)	(40,664)
Transfers	-	19,633	(20,414)	58	537	141	-	-	45	-
Exchange differences	56	3,600	30	111	15,446	-	-	-	25	19,268
At 30 September 2011	7,478	130,156	39,732	8,443	878,676	117,637	9,114	20,427	2,269	1,213,932
Accumulated depreciation										
At 1 October 2010	-	11,914	-	4,656	364,703	52,777	3,362	16,017	1,798	455,227
Charge for the year (Note 5)	-	4,091	-	1,255	78,353	11,324	1,691	1,381	180	98,275
Disposal	-	-	-	-	(9,968)	149	-	73	(30)	(9,776)
Written off	-	-	-	-	(28,522)	(8,912)	(153)	(1,089)	(235)	(38,911)
Exchange differences	-	70	-	85	6,645	-	-	-	6	6,806
At 30 September 2011	-	16,075	-	5,996	411,211	55,338	4,900	16,382	1,719	511,621
Net carrying amount										
At 30 September 2011	7,478	114,081	39,732	2,447	467,465	62,299	4,214	4,045	550	702,311

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

2010 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 2009	4,353	51,413	77,064	9,715	746,724	99,378	9,239	21,325	2,335	1,021,546
Additions	3,113	698	36,214	1,437	151,372	23,752	1,817	1,591	267	220,261
Disposal	-	-	-	-	(549)	(1,249)	-	-	(123)	(1,921)
Written off	-	-	-	(4,212)	(453)	(51)	(3,208)	(1,614)	-	(9,538)
Transfers	-	53,586	(53,586)	-	-	-	-	-	-	-
Exchange differences	(44)	(310)	(2,754)	(143)	(17,975)	-	-	(28)	(21)	(21,275)
At 30 September 2010	7,422	105,387	56,938	6,797	879,119	121,830	7,848	21,274	2,458	1,209,073
Accumulated depreciation										
At 1 October 2009	-	9,389	-	7,731	295,614	42,882	5,127	15,677	1,698	378,118
Charge for the year (Note 5)	-	2,547	-	1,047	76,160	10,251	1,443	2,002	220	93,670
Disposal	-	-	-	-	(1,273)	(309)	-	-	(116)	(1,698)
Written off	-	-	-	(4,040)	(192)	(47)	(3,208)	(1,614)	-	(9,101)
Exchange differences	-	(22)	-	(82)	(5,606)	-	-	(48)	(4)	(5,762)
At 30 September 2010	-	11,914	-	4,656	364,703	52,777	3,362	16,017	1,798	455,227
Net carrying amount										
At 30 September 2010	7,422	93,473	56,938	2,141	514,416	69,053	4,486	5,257	660	753,846

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

Company	Plant and machinery RM'000	Equipment RM'000	Renovation RM'000	Total RM'000
2011				
Cost				
At 1 October 2010	21,103	1,136	364	22,603
Addition	-	-	-	-
Disposal	-	-	-	-
At 30 September 2011	21,103	1,136	364	22,603
Accumulated depreciation				
At 1 October 2010	10,071	672	187	10,930
Charge for the year (Note 5)	2,306	149	73	2,528
Disposal	-	-	-	-
At 30 September 2011	12,377	821	260	13,458
Net carrying amount				
At 30 September 2011	8,726	315	104	9,145
2010				
Cost				
At 1 October 2009	22,987	1,136	351	24,474
Addition	-	-	13	13
Disposal	(1,884)	-	-	(1,884)
At 30 September 2010	21,103	1,136	364	22,603
Accumulated depreciation				
At 1 October 2009	8,500	522	115	9,137
Charge for the year (Note 5)	2,309	150	72	2,531
Disposal	(738)	-	-	(738)
At 30 September 2010	10,071	672	187	10,930
Net carrying amount				
At 30 September 2010	11,031	465	177	11,673

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13. Land use rights

	Group	
	2011	**2010**
	RM'000	**RM'000**
As at beginning of year	19,239	19,593
Amortisation for the year (Note 5)	(341)	(240)
Exchange differences	107	(114)
As at end of year	19,005	19,239
Amount to be amortised:		
- Not later than one year	341	240
- Later than one year but not later than five years	1,364	960
- Later than five years	17,300	18,039
	19,005	19,239

14. Investment in subsidiaries

	Company	
	2011	**2010**
	RM'000	**RM'000**
Unquoted shares, at cost:		
- In Malaysia	451,751	451,751
- Outside Malaysia	2,300	2,300
	454,051	454,051
Less: Accumulated impairment losses	(2,300)	(2,300)
	451,751	451,751

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	2011 %	2010 %	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	Trading of HDD components

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14. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	2011 %	2010 %	Principal activities
Held through subsidiaries:				
Minarex Holdings Limited*	Mauritius	100.00	100.00	Investment holding
YK Technology (Suzhou) Co. Ltd***##	The People's Republic of China	100.00	100.00	Manufacturing and trading of HDD components
Foshan YK HDD Co. Ltd***#	The People's Republic of China	100.00	-	Manufacture and distribution of HDD components. Currently dormant
PCA Hard.Com Sdn Bhd Limited*#	British Virgin Island	100.00	100.00	International marketing support and procurement services
Axius Investments Ltd*#	Mauritius	100.00	100.00	Investment holding
JCY HDD Technology Company Limited **#	Thailand	99.99	99.99	Manufacture and distribution of HDD components
QB Technology Sdn Bhd***###	Malaysia	100.00	100.00	Manufacture of magnetic coils for HDD

* Audited by Ernst & Young, Malaysia
** Audited by member firms of Ernst & Young Global in the respective countries
*** Audited by firms other than Ernst & Young
\# Subsidiaries of Minarex Holdings Limited
\## Subsidiary of Axius Investments Ltd
\### Subsidiary of JCY HDD Technology Sdn Bhd

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15. Inventories

	Group 2011 RM'000	Group 2010 RM'000
At cost:		
Raw materials	33,024	37,378
Work-in-progress	112,881	69,653
Finished goods	70,653	61,031
Consumables	8,306	9,683
	224,864	177,745
At net realisable value:		
Work-in-progress	-	19,407
Finished goods	-	16,169
	-	35,576
	224,864	213,321

16. Trade and other receivables

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Trade receivables				
Third parties	333,965	340,961	-	-
Other receivables				
Subsidiaries	-	-	165,395	155,187
Sundry receivables	1,429	1,686	-	-
Deposits	1,575	1,836	34	34
	3,004	3,522	165,429	155,221
Total trade and other receivables	336,969	344,483	165,429	155,221
Add: Cash and bank balances (Note 18)	93,468	128,834	320	94
Add: Tax recoverable	40	40	40	40
Total loans and receivables	430,477	473,357	165,789	155,355

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	
	2011	2010
	RM'000	RM'000
Neither past due nor impaired	298,614	300,228
1 to 30 days past due not impaired	25,485	34,778
31 to 60 days past due but not impaired	6,251	4,237
More than 61 past due but not impaired	3,615	1,718
	35,351	40,733
	333,965	340,961

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 100% (2010: 100%) 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 that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM35,351,000 (2010: RM40,733,000) that are past due at the reporting date but not impaired.

(b) Amounts due from subsidiaries

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

17. Other current assets

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Prepayments	3,669	9,787	233	322

18. Cash and bank balances

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Repurchase agreements	20,457	61,559	-	-
Fixed deposits with commercial banks	3,693	15,672	-	-
Cash and bank balances	69,318	51,603	320	94
	93,468	128,834	320	94

Included are fixed deposits and bank balances of the Group of approximately RM804,000 and RM104,000 respectively (2010: RM437,000 and RM96,000 respectively) which have been pledged for bankers' guarantees facilities granted to certain subsidiaries.

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

	Range of interest rates		Range of maturities	
	2011	2010	2011	2010
	%	%	Days	Days
Repurchase agreements	0.17 - 2.80	0.23 - 2.5	3 - 5	1
Fixed deposits with commercial banks	3.05	0.85 - 1.98	28 - 365	92-365

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19. Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	215,417	197,341	-	-
Other payables				
Subsidiaries	-	-	75,808	74,834
Sundry payables	15,507	19,941	-	-
Accruals	26,816	26,126	513	585
	42,323	46,067	76,321	75,419
Total trade and other payables	257,740	243,408	76,321	75,419
Add: Borrowings (Note 20)	224,708	340,073	-	-
Add: Tax payable	582	956	-	-
Total financial liabilities carried at amortised cost	483,030	584,437	76,321	75,419

(a) Trade payables

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

(b) Amounts due to subsidiaries

The amounts due to subsidiaries, which arose from advances, are unsecured, non-interest bearing and are repayable on demand.

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20. Borrowings

	Group	
	2011	**2010**
	RM'000	**RM'000**
Current		
Unsecured:		
Bills payables	9,824	121,154
Export credit refinancing	-	87,784
Foreign currency trade loans	62,464	-
Onshore foreign currency loans	72,695	-
Term loan	79,725	53,997
	224,708	262,935
Non-current		
Unsecured:		
Term loan	-	77,138
Total loans and borrowings	224,708	340,073

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

	Group	
	2011	**2010**
	% per annum	**% per annum**
Bill payables	1.20	1.20
Foreign currency trade loans	0.69 - 1.39	-
Onshore foreign currency loans	0.73 - 1.68	-
Export credit refinancing	-	2.80 - 3.00
Term loan	LIBOR+2.00	LIBOR+2.00

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.

21. Deferred tax

	2011 RM'000	2010 RM'000
Group		
At beginning of year	11,890	5,536
Recognised in profit or loss (Note 9)	99	6,354
At end of year	11,989	11,890
Presented after appropriate offsetting as follows:		
Deferred tax assets	9,458	9,557
Deferred tax liabilities	(21,447)	(21,447)
	(11,989)	(11,890)

The components of deferred tax comprised mainly from timing difference on property, plant and equipment. The movement of deferred tax during the financial year are as follows:

	2011 RM'000	2010 RM'000
Deferred tax assets		
At beginning of year	9,557	13,114
Recognised in profit or loss	(99)	(3,557)
At end of year	9,458	9,557

Deferred tax liabilities

	2011 RM'000	2010 RM'000
At beginning of year	21,447	11,536
Recognised in profit or loss	-	9,911
At end of year	21,447	21,447

At the reporting date, the Company has tax losses and unabsorbed capital allowances of approximately RM9,945,000 (2010: Nil) that is available for offset against future taxable profits of the Company, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

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22. Share capital

	Number of ordinary shares of RM0.25 each		Amount	
	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Treasury shares RM'000
At beginning of year	2,044,860	-	511,215	-
Purchase of treasury shares	-	100	-	42
At end of year	2,044,860	100	511,215	42

	Number of ordinary shares of RM0.25 each		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised share capital	8,000,000	8,000,000	2,000,000	2,000,000

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 Company acquired 100,000 (2010: Nil) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM41,728 (2010: Nil) and this was presented as a component within shareholders' equity.

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.

23. 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.

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24. Retained earnings

The Company has elected for the irrevocable option to disregard the 108 balance as at 31 December 2007. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 30 September 2011 under the single tier system.

25. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for:				
Property, plant and equipment	5,524	10,222	-	-

(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 2011 amounted to RM11,240,000 (2010: RM16,472,000).

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum rental payments:				
Not later than 1 year	5,664	5,497	153	-
Later than 1 year and not later than 5 years	7,477	10,473	-	-
	13,141	15,970	153	-

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26. Related party transactions

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Group	2011 RM'000	2010 RM'000
Armster Sdn. Bhd. - a company in which a former director's brother has interest		
- Factory renovation and maintenance expenses	-	2,716
PCA Mahlin Technology Sdn. Bhd. - a company in which a director is the brother of the Company's former director		
- Rental of building	600	600
Company		
Rendering of design and development services to a subsidiary	1,860	3,955
Dividends income from a subsidiary	22,588	112,938

(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 key management personnel is disclosed in Note 7.

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27. Contingent liabilities

Group - Unsecured

A subsidiary of the Company, JCY HDD Technology Sdn. Bhd. ("JCY HDD"), has received letters dated 14 December 2009 from Tenaga Nasional Berhad ("TNB") claiming for additional electricity charges of approximately RM8.36 million. The additional electricity charges were in respect of the electricity charges supposedly undercharged by TNB for the period from September 2007 to November 2009 due to the incorrect meter reading from electricity meters that were either defective or tampered.

JCY HDD had disputed the claims and had discussed with TNB as to their basis and quantification of the additional electricity charges. JCY HDD had on 14 June 2010 met TNB directors to discuss on the matter and had on 28 June 2010 provided TNB with the third party audited production reports as requested by TNB. TNB has reverted with claim of approximately RM8 million on 11 January 2011. However, JCY HDD disagreed with the claim and has engaged legal counsel to challenge the claim and seek independent court assessment of the claim.

The Writ of Summons and Statement of Claim dated 23 February 2011 was served on JCY HDD by TNB. JCY HDD had sought for solicitor's advise on the necessary course of action to be taken in relation to the aforesaid Write of Summons and had filed its Defence and Counter-Claim on 29 April 2011. On 19 August 2011, a mediation process that was arranged by the Court took place at Penang High Court between JCY HDD and TNB's representatives. There was no settlement reached and TNB requested JCY HDD to raise the amount it had offered.

On 27 October 2011, an application has been filed into the Court to have certain preliminary question of law tried and determined by the judge before trial. The Judge fixed the preliminary question of law for hearing on 25 November 2011. On 25 November 2011, the Judge had reserved decision and would deliver his decision on 15 December 2011.

On 15 December 2011, the Judge fixed for decision for the case that TNB’s claim is only restricted to 3 months backcharges. Therefore, JCY HDD is only required to pay to TNB for an amount of approximately RM1.05 million. However, TNB had filed an appeal to the Court of Appeal against the decision of the High Court made on 15 December 2011.

There will be no significant financial impact arising from the Writ of Summons and Statement of Claim served of JCY HDD as well as the filing of appeal made by TNB as a major corporate shareholder has undertaken that it would make good to the amount claimed by TNB.

28. Fair value of financial instruments

Determination of fair value

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

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

	Note
Trade and other receivables (current)	16
Trade and other payables (current)	19
Borrowings (current)	20
Borrowings (non-current)	20

The carrying amounts of these financial assets and liabilities are reasonable approximation 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 1 year.

It is not practical to estimate the fair value of amounts due from/to subsidiaries principally due to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Company do not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be received or settled.

29. 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.

It is, and has been throughout the current and previous financial year, the Group’s policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

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

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

(a) Credit risk

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

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

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

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

<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 statements of financial position.

- A nominal amount of RM224,708,000 (2010: RM340,073,000) 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).

29. 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			
	2011		2010	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	125,645	37%	121,998	36%
Singapore	16,073	5%	9,642	3%
Thailand	186,687	56%	205,074	60%
Other countries	5,560	2%	4,247	1%
	333,965	100%	340,961	100%

At the reporting date, approximately 83% (2010: 88%) of the Group's trade receivables were due from 2 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.

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29. 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

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

Group	On demand or within one year RM'000	After 1 year but within 5 years RM'000	Total RM'000
2011			
Financial liabilities			
Trade and other payables	257,740	-	257,740
Borrowings	224,708	-	224,708
Tax payable	582	-	582
Total undiscounted financial liabilities	483,030	-	483,030
2010			
Financial liabilities			
Trade and other payables	243,408	-	243,408
Borrowings	262,935	77,138	340,073
Tax payable	956	-	956
Total undiscounted financial liabilities	507,299	77,138	584,437

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

(b) Liquidity risk (cont'd)

Company	On demand or within one year RM'000	After 1 year but within 5 years RM'000	Total RM'000
2011			
Financial liabilities			
Trade and other payables	76,321	-	76,321
Borrowings	-	-	-
Total undiscounted financial liabilities	76,321	-	76,321
2010			
Financial liabilities			
Trade and other payables	75,419	-	75,419
Borrowings	-	-	-
Total undiscounted financial liabilities	75,419	-	75,419

(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 interest-bearing debt. The Group has no substantial long term interest-bearing assets as at 30 September 2011. The investments in financial assets are mainly short term in nature and have been mostly placed in short term deposits.

The Group manages its interest rate exposure by constantly reviewing its debt portfolio to capitalise on cheaper funding when interest rates are low and relying on internally generated funds when interest rates are high.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group’s profit net of tax would have been RM843,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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29. 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), Japanese Yen (JPY) and Singapore Dollars (SGD). 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 77% (2010: 80%) of the Group's sales are denominated in foreign currencies whilst almost 48% (2010: 50%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM19,905,000 (2010: RM63,680,000) and RM42,000 (2010: RM40,000) for the Group and the Company respectively.

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

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

Net financial assets/ (liabilities) held in non-functional currency	Functional Currency of Group Companies				
	Thai Baht RM'000	United States Dollars RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Total RM'000
2011					
United States Dollars	(627)	-	40,299	47	39,719
Singapore Dollars	(1,227)	(98)	(15,611)	-	(16,936)
Euro	(141)	-	(80)	-	(221)
Japanese Yen	-	-	(70)	-	(70)
Swiss Franc	-	-	(32)	-	(32)
Thai Baht	-	-	(1,368)	-	(1,368)
	(1,995)	(98)	23,138	47	21,092

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29. 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	United States Dollars RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Total RM'000
2010					
United States Dollars	(6,308)	-	(25,657)	16,993	(14,972)
Singapore Dollars	(5)	(375)	(17,252)	-	(17,632)
Euro	-	-	(385)	-	(385)
Japanese Yen	-	-	(111,712)	-	(111,712)
Swiss Franc	-	-	(4)	-	(4)
Australian Dollars	-	-	(16)	-	(16)
Thai Baht	-	-	(1,251)	-	(1,251)
Ringgit Malaysia	(1)	-	-	-	(1)
	(6,314)	(375)	(156,277)	16,993	(145,973)

Sensitivity analysis for foreign currency risk

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

		Group Profit net of tax	
		2011 RM'000	2010 RM'000
USD/RM	- strengthened 3% (2010: 5%)	1,209	(1,283)
	- weakened 3% (2010: 5%)	(1,209)	1,283
USD/RMB	- strengthened 10% (2010: 7%)	5	1,190
	- weakened 10% (2010: 7%)	(5)	(1,190)
SGD/RM	- strengthened 7% (2010: 7%)	(1,093)	(1,208)
	- weakened 7% (2010: 7%)	1,093	1,208
YEN/RM	- strengthened 10% (2010: 3%)	(7)	(3,351)
	- weakened 10% (2010: 3%)	7	3,351

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30. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and 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 2011 and 30 September 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 25% and 50%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners.

		Group		Company	
	Note	**2011**	**2010**	**2011**	**2010**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Borrowings	20	224,708	340,073	-	-
Trade and other payables	19	257,740	243,408	76,321	75,419
Less: Cash and bank balances	18	(93,468)	(128,834)	(320)	(94)
Net debt		388,980	454,647	76,001	75,325
Equity attributable to the owners of the parent, represents total capital		885,307	873,223	550,597	543,682
Capital and net debt		1,274,287	1,327,870	626,598	619,007
Gearing ratio		31%	34%	12%	12%

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31. Segment information

The Group's activities are predominantly in the sector of 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 2011					
Revenue					
Sales to external customers	1,286,466	355,959	28,830	-	1,671,255
Inter-segment sales	313,435	25	29,610	(343,070)	-
Total revenue	1,599,901	355,984	58,440	(343,070)	1,671,255
Results					
Segment results	28,565	(475)	(15,621)	5,832	18,301
Finance costs	(4,442)	(1)	(14)	-	(4,457)
Profit/(Loss) before tax	24,123	(476)	(15,635)	5,832	13,844
Income tax	(279)	-	-	(99)	(378)
Net profit/(loss) for the year	23,844	(476)	(15,635)	5,733	13,466
Assets and liabilities					
Segment assets	1,396,339	245,704	270,931	(523,190)	1,389,784
Segment liabilities	563,269	217,788	194,693	(471,273)	504,477
Other segment information					
Depreciation	82,149	14,256	15,483	(13,613)	98,275
Amortisation	341	-	-	-	341

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31. Segment information (cont'd)

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Total RM'000
30 September 2010					
Revenue					
Sales to external customers	1,625,893	363,308	44,185	-	2,033,386
Inter-segment sales	465,092	-	42,017	(507,109)	-
Total revenue	2,090,985	363,308	86,202	(507,109)	2,033,386
Results					
Segment results	280,639	(2,424)	7,108	(97,028)	188,295
Finance costs	(7,666)	-	(10)	-	(7,676)
Profit/(Loss) before tax	272,973	(2,424)	7,098	(97,028)	180,619
Income tax expense	(10,414)	-	-	3,558	(6,856)
Net profit/(loss) for the year	262,559	(2,424)	7,098	(93,470)	173,763
Assets and liabilities					
Segment assets	1,992,917	231,679	440,427	(1,185,916)	1,479,107
Segment liabilities	706,562	203,527	187,211	(491,416)	605,884
Other segment information					
Depreciation	76,100	11,933	16,018	(10,381)	93,670
Amortisation	240	-	-	-	240

32. Significant events

(a) Establishment of a subsidiary in Foshan, People Republic of China

Minarex Holdings Limited ("Minarex"), a wholly-owned subsidiary of the Company, had on 9 August 2011 established a wholly-owned subsidiary under the name of Foshan YK HDD Co., Ltd ("Foshan YK") in Foshan, People's Republic of China ("the Establishment"). The registered share capital of Foshan YK is USD10,000,000. As at the reporting date, USD1,550,000 has been paid up. Upon the Establishment, Foshan YK will be a wholly-owned subsidiary of Minarex. The intended activity of Foshan YK is to carry on the business of manufacturing and trading of components for hard disk drive.

32. Significant events (cont'd)

(b) Executives' Share Option Scheme

Shareholders of the Company had on 24 March 2011, in an Extraordinary General Meeting, approved that the Company be authorised to establish, implement and administer an Executives' Share Option Scheme ("ESOS") for the benefit of the eligible Directors and Executive of the Group and its subsidiaries. The total new ordinary shares as may be required to be issued to Eligible Executives under the ESOS shall not exceed 10% in aggregate of the total issued and paid-up share capital at any point of time during the duration of the ESOS and that such new shares shall rank pari passu in all respects with the then existing issued and paid-up share capital of the Company.

All conditions attached to the ESOS had been fulfilled and the ESOS had been effected on 1 August 2011. As at the reporting date, there is no share option offered, granted or exercised to any of the Eligible Executives in pursuant to the ESOS.

33. Subsequent event

In October 2011, the Group became aware that its major customers' operations in Thailand had been affected by floods but thereafter received confirmation from the customers that their orders from the Group would not be affected. On 3 December 2011, the Company was further updated by the announcement made by one of the major customers that they had re-started their operation in their Thailand factory.

The flood in Thailand also affected many suppliers of hard disk drive ("HDD") components and HDD manufacturers, hence creating a shortage on HDD supply. The global HDD shipments in the quarter ended 31 December 2011 are estimated to be approximately 50 million units short of what were originally estimated.

Due to shortage of HDD, the retail prices of HDD had increased significantly in December 2011 as compared to the pre-flood period, and the Group has benefited from the price increment of HDD.

34. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2011 were authorised for issue in accordance with a resolution of the directors on 30 January 2012.

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35. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 January 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Retained earnings of the Company and its subsidiaries:				
Realised	366,328	427,700	35,500	46,094
Unrealised	(2,221)	(55,616)	3,924	(13,627)
	364,107	372,084	39,424	32,467
Less: Consolidation adjustments	(3,055)	(9,162)	-	-
Retained earnings per financial statements	361,052	362,922	39,424	32,467