

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

Directors' Report and Audited Financial Statements
30 September 2016

713422 X

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

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JCY International Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 30 September 2016.

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 |
|--------------------------|-------------------------|---------------------------|
| (Loss)/Profit net of tax | <u>(8,222)</u> | <u>65,381</u> |

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

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

Dividends

The amount of dividends paid by the Company since 30 September 2015 were as follows:

| | RM'000 |
|---|---------------|
| In respect of financial year ended 30 September 2015: | |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,035,475,300 ordinary shares, declared on 13 February 2015 and paid on 6 April 2015 | 25,443 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,044,464,300 ordinary shares, declared on 20 May 2015 and paid on 8 July 2015 | 25,556 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,046,727,300 ordinary shares, declared on 19 August 2015 and paid on 9 October 2015 | 25,584 |
| Single tier interim dividend of 3 sen per ordinary share on 2,059,720,300 ordinary shares, declared on 23 November 2015 and paid on 8 January 2016 | 61,792 |

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Dividends (cont'd)

| | RM'000 |
|---|----------------|
| In respect of financial year ended 30 September 2016: | |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares, declared on 26 February 2016 and paid on 8 April 2016 | 25,752 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares, declared on 19 May 2016 and paid on 12 June 2016 | 25,752 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares, declared on 18 August 2016 and paid on 6 October 2016 | 25,752 |
| | <u>215,631</u> |

On 24 November 2016, the Board of Directors had further declared a single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares, amounting to RM25,752,000, for the financial year ended 30 September 2016. This dividend was paid on 6 January 2017.

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

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
 Dato' Wong King Kheng
 Chang Wei Ming
 Chan Boon Hui
 Goh Chye Kang
 Dato' Tan Shih Leng
 Lim Ching Tee, Peter

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown 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 29 to the financial statements.

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Directors' interests

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

| The Company | Number of ordinary shares of RM0.25 each | | | |
|----------------------------|--|----------|-------------|----------------------|
| | 1 October 2015 | Acquired | Sold | 30 September 2016 |
| Direct interest | | | | |
| Dr. Rozali Bin Mohamed Ali | 650,000 | - | - | 650,000 |
| Dato' Wong King Kheng | 4,500,000 | 300,000 | - | 4,800,000 |
| Chang Wei Ming | 175,000 | 150,000 | - | 325,000 |
| Chan Boon Hui | 150,000 | 300,000 | (450,000) | - |
| Goh Chye Kang | 600,000 | - | - | 600,000 |
| Dato' Tan Shih Leng | 7,000,000 | 500,000 | (7,500,000) | - |
| Lim Ching Tee, Peter | - | 500,000 | (500,000) | - |

| The Company | Number of options over ordinary shares | | | |
|----------------------------|--|---------|-----------|----------------------|
| | 1 October 2015 | Granted | Exercised | 30 September 2016 |
| Direct interest | | | | |
| Dr. Rozali Bin Mohamed Ali | 600,000 | - | - | 600,000 |
| Dato' Wong King Kheng | 1,500,000 | - | (300,000) | 1,200,000 |
| Chang Wei Ming | 300,000 | - | (150,000) | 150,000 |
| Chan Boon Hui | 300,000 | - | (300,000) | - |
| Goh Chye Kang | 1,500,000 | - | - | 1,500,000 |
| Dato' Tan Shih Leng | 500,000 | - | (500,000) | - |
| Lim Ching Tee, Peter | 500,000 | - | (500,000) | - |

Executive Share Options Scheme

At an Extraordinary General Meeting held on 24 March 2011, shareholders approved the Executives' Share Option Scheme ("ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible senior executives and employees.

The Options Committee administering the ESOS comprises four directors and one senior executive, namely Dato' Wong King Kheng, Goh Chye Kang, Dato' Tan Shih Leng, Lim Ching Tee, Peter and Yong Yong Chai.

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Executive Share Options Scheme (cont'd)

The duration of the ESOS is 3 years from the implementation date of 1 August 2011. The Options Committee has extended the duration of the ESOS for another 3 years.

The salient features and other terms of the ESOS are disclosed in Note 26 to the financial statements.

On 2 July 2013, the Company granted 39,120,000 share options under the ESOS at the exercise price of RM0.61. The options expire on 31 July 2017. The options are distributed into three equal tranches vesting on 2 July 2013, 1 July 2014 and 1 July 2015. The vesting condition is that the offeree must be an employee or director of the Company or its subsidiaries on the respective vesting and exercise dates.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 600,000 ordinary shares of RM0.25 each. The movement in share options during the financial year for options holders granted options to subscribe for 600,000 or more ordinary shares of RM0.25 each were as follows:

| Name | Number of share options | | | 30 September 2016 |
|----------------|-------------------------|---------|-----------|----------------------|
| | 1 October 2015 | Granted | Exercised | |
| Yong Yong Chai | 1,200,000 | - | (800,000) | 400,000 |
| Yong Jong Siah | 400,000 | - | (400,000) | - |
| Lim Su Kiat | 200,000 | - | (200,000) | - |
| Liew Yong Tiam | 200,000 | - | (200,000) | - |

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

Treasury shares

As at 30 September 2016, the Company held as treasury shares a total of 15,946,700 of its 2,062,674,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM15,584,000 and further relevant details are disclosed in Note 24(b) to the financial statements.

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Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (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 the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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Other statutory information (cont'd)

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

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 18 January 2017.

Goh Chye Kang

Dato' Wong King Kheng

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

We, Goh Chye Kang and Dato' Wong King Kheng, being two of the directors of JCY International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 79 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 36 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 18 January 2017.

Goh Chye Kang

Dato' Wong King Kheng

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

I, Dato' Wong King Kheng, being the Director primarily responsible for the financial management of JCY International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Dato' Wong King Kheng)
at Johor Bahru in the State of Johor)
Darul Ta'zim on 18 January 2017)

Dato' Wong King Kheng

Before me,

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

We have audited the financial statements of JCY International Berhad, which comprise the statements of financial position as at 30 September 2016 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 11 to 79.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 judgement, 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.

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**Independent auditors' report to the members of
JCY International Berhad (cont'd)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 September 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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.

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

The supplementary information set out in Note 37 on page 80 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
AF 0039
Chartered Accountants

Lee Ming Li
2983/03/18(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 18 January 2017

JCY International Berhad
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Statements of comprehensive income
For the financial year ended 30 September 2016

| | Note | Group | | Company | |
|--|------|--------------------|--------------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Revenue | 4 | 1,740,493 | 1,942,312 | 81,315 | 90,350 |
| Cost of sales | | <u>(1,688,040)</u> | <u>(1,747,389)</u> | <u>-</u> | <u>-</u> |
| Gross profit | | 52,453 | 194,923 | 81,315 | 90,350 |
| Other items of income | | | | | |
| Other operating income | | 8,909 | 62,744 | - | 55,146 |
| Other items of expense | | | | | |
| General and administrative expenses | | (55,711) | (48,868) | (15,934) | (3,407) |
| Other operating expenses | | (11,213) | - | - | - |
| Finance costs | 8 | <u>(1,362)</u> | <u>(1,571)</u> | <u>-</u> | <u>-</u> |
| (Loss)/Profit before tax | 5 | (6,924) | 207,228 | 65,381 | 142,089 |
| Taxation | 9 | <u>(1,298)</u> | <u>2,272</u> | <u>-</u> | <u>-</u> |
| (Loss)/Profit net of tax | | (8,222) | 209,500 | 65,381 | 142,089 |
| Other comprehensive (loss)/ income | | | | | |
| Foreign currency translation | | <u>(25,854)</u> | <u>56,051</u> | <u>-</u> | <u>-</u> |
| Total comprehensive (loss)/ income for the year | | <u>(34,076)</u> | <u>265,551</u> | <u>65,381</u> | <u>142,089</u> |
| Basic (loss)/earnings per share (sen) | 10 | <u>(0.4)</u> | <u>10.3</u> | | |
| Diluted (loss)/earnings per share (sen) | 10 | <u>(0.4)</u> | <u>10.1</u> | | |

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

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Consolidated statement of financial position as at 30 September 2016

| | | Group | |
|---|-------------|-------------------------|-------------------------|
| | Note | 2016 | 2015 |
| | | RM'000 | RM'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 556,536 | 649,338 |
| Land use rights | 13 | 28,280 | 20,608 |
| Deferred tax assets | 23 | 3,899 | 10,673 |
| Restricted bank deposits | 18 | 1,541 | 1,419 |
| | | <u>590,256</u> | <u>682,038</u> |
| Current assets | | | |
| Inventories | 15 | 255,718 | 366,238 |
| Trade and other receivables | 16 | 319,422 | 366,154 |
| Other current asset | 17 | 9,235 | 15,119 |
| Tax recoverable | | 94 | 207 |
| Cash and bank balances | 18 | 281,914 | 383,488 |
| | | <u>866,383</u> | <u>1,131,206</u> |
| Total assets | | <u><u>1,456,639</u></u> | <u><u>1,813,244</u></u> |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 228,008 | 323,326 |
| Borrowings | 20 | 50,608 | 138,567 |
| Derivatives liabilities | 21 | 3,959 | 7,982 |
| | | <u>282,575</u> | <u>469,875</u> |
| Net current assets | | <u>583,808</u> | <u>661,331</u> |
| Non-current liabilities | | | |
| Long term employee benefits | 22 | 4,267 | 2,695 |
| Deferred tax liabilities | 23 | 34,015 | 39,969 |
| | | <u>38,282</u> | <u>42,664</u> |
| Total liabilities | | <u>320,857</u> | <u>512,539</u> |
| Net assets | | <u>1,135,782</u> | <u>1,300,705</u> |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 24 | 519,030 | 515,669 |
| Reserves | | 616,752 | 785,036 |
| Total equity | | <u>1,135,782</u> | <u>1,300,705</u> |
| Total equity and liabilities | | <u><u>1,456,639</u></u> | <u><u>1,813,244</u></u> |

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

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Company statement of financial position as at 30 September 2016

| | | Company | |
|---|-------------|-----------------------|-----------------------|
| | Note | 2016 | 2015 |
| | | RM'000 | RM'000 |
| Assets | | | |
| Non-current assets | | | |
| Investment in subsidiaries | 14 | 458,011 | 457,011 |
| Other receivables | 16 | - | 220,169 |
| | | <u>458,011</u> | <u>677,180</u> |
| Current assets | | | |
| Trade and other receivables | 16 | 209,415 | 54,537 |
| Other current asset | 17 | 37 | 82 |
| Cash and bank balances | 18 | 174 | 1,173 |
| | | <u>209,626</u> | <u>55,792</u> |
| Total assets | | <u><u>667,637</u></u> | <u><u>732,972</u></u> |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | <u>29,435</u> | <u>29,304</u> |
| Net assets | | <u><u>638,202</u></u> | <u><u>703,668</u></u> |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 24 | 519,030 | 515,669 |
| Reserves | | <u>119,172</u> | <u>187,999</u> |
| Total equity | | <u><u>638,202</u></u> | <u><u>703,668</u></u> |
| Total equity and liabilities | | <u><u>667,637</u></u> | <u><u>732,972</u></u> |

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

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Consolidated statement of changes in equity
For the financial year ended 30 September 2016

| | Note | ←----- Non-distributable -----> | | | | Distributable | | Total RM'000 |
|---------------------------------------|------|---|-------------------------|---|---|---|--|------------------|
| | | Share capital (Note 24(a)) RM'000 | Share premium RM'000 | Treasury shares (Note 24(b)) RM'000 | Employee share options reserve (Note 25(a)) RM'000 | Foreign currency translation reserve (Note 25(b)) RM'000 | Retained earnings (Note 26) RM'000 | |
| 2016 | | | | | | | | |
| At 1 October 2015 | | 515,669 | 9,686 | (15,584) | 3,719 | 87,403 | 699,812 | 1,300,705 |
| Total comprehensive loss for the year | | - | - | - | - | (25,854) | (8,222) | (34,076) |
| Transactions with owners | | | | | | | | |
| Dividends | 11 | - | - | - | - | - | (139,048) | (139,048) |
| Exercise of employee share options | | 3,361 | 7,426 | - | (2,586) | - | - | 8,201 |
| At 30 September 2016 | | 519,030 | 17,112 | (15,584) | 1,133 | 61,549 | 552,542 | 1,135,782 |

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Consolidated statement of changes in equity (cont'd)
For the financial year ended 30 September 2016

| | Note | ←----- Non-distributable -----> | | | | Distributable | | Total RM'000 |
|--|------|---|-------------------------|---|--|--|--|------------------|
| | | Share capital (Note 24(a)) RM'000 | Share premium RM'000 | Treasury shares (Note 24(b)) RM'000 | Employee share options reserve (Note 25(a)) RM'000 | Foreign currency translation reserve (Note 25(b)) RM'000 | Retained earnings (Note 26) RM'000 | |
| 2015 | | | | | | | | |
| At 1 October 2014 | | 511,982 | 1,652 | (15,584) | 5,513 | 31,352 | 587,215 | 1,122,130 |
| Total comprehensive income for the year | | - | - | - | - | 56,051 | 209,500 | 265,551 |
| Transactions with owners | | | | | | | | |
| Dividends | 11 | - | - | - | - | - | (96,903) | (96,903) |
| Grant of equity-settled share options to employees | | - | - | - | 931 | - | - | 931 |
| Exercise of employee share options | | 3,687 | 8,034 | - | (2,725) | - | - | 8,996 |
| At 30 September 2015 | | 515,669 | 9,686 | (15,584) | 3,719 | 87,403 | 699,812 | 1,300,705 |

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 2016

| | Note | ←----- Non-distributable -----> | | | Distributable | | |
|---|------|---|-------------------------|---|--|--|-----------------|
| | | Share capital (Note 24(a)) RM'000 | Share premium RM'000 | Treasury shares (Note 24(b)) RM'000 | Employee share options reserve (Note 25(a)) RM'000 | Retained earnings (Note 26) RM'000 | Total RM'000 |
| 2016 | | | | | | | |
| At 1 October 2015 | | 515,669 | 9,686 | (15,584) | 3,719 | 190,178 | 703,668 |
| Total comprehensive income for the year | | - | - | - | - | 65,381 | 65,381 |
| Transactions with owners | | | | | | | |
| Dividends | 11 | - | - | - | - | (139,048) | (139,048) |
| Exercise of employee share options | | 3,361 | 7,426 | - | (2,586) | - | 8,201 |
| At 30 September 2016 | | 519,030 | 17,112 | (15,584) | 1,133 | 116,511 | 638,202 |

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Company statement of changes in equity (cont'd)
For the financial year ended 30 September 2016

| | Note | Share capital (Note 24(a)) RM'000 | ←----- Non-distributable -----> | | | Distributable | Total RM'000 |
|--|------|---|---------------------------------|---|--|--|-----------------|
| | | | Share premium RM'000 | Treasury shares (Note 24(b)) RM'000 | Employee share options reserve (Note 25(a)) RM'000 | Retained earnings (Note 26) RM'000 | |
| 2015 | | | | | | | |
| At 1 October 2014 | | 511,982 | 1,652 | (15,584) | 5,521 | 144,992 | 648,563 |
| Total comprehensive income for the year | | - | - | - | - | 142,089 | 142,089 |
| Transactions with owners | | | | | | | |
| Dividends | 11 | - | - | - | - | (96,903) | (96,903) |
| Grant of equity-settled share options to employees | | - | - | - | 923 | - | 923 |
| Exercise of employee share options | | 3,687 | 8,034 | - | (2,725) | - | 8,996 |
| At 30 September 2015 | | 515,669 | 9,686 | (15,584) | 3,719 | 190,178 | 703,668 |

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

JCY International Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 30 September 2016

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Operating activities | | | | |
| (Loss)/Profit before tax | (6,924) | 207,228 | 65,381 | 142,089 |
| Adjustments for: | | | | |
| Depreciation | 96,491 | 94,704 | - | - |
| Dividend income | - | - | (81,315) | (90,350) |
| Amortisation of land use rights | 487 | 434 | - | - |
| Impairment loss on: | | | | |
| - property, plant and equipment | 11,213 | - | - | - |
| - trade receivables | 2,815 | - | - | - |
| Gain on disposal of property, plant and equipment | (470) | (33) | - | - |
| Gain on disposal of land use rights | (1,524) | - | - | - |
| Unrealised loss/(gain) on foreign exchange | 21,558 | (31,085) | (12,844) | (55,146) |
| Net fair value (gain)/loss on derivatives | (4,023) | 7,982 | - | - |
| Property, plant and equipment written off | 22,426 | 766 | - | - |
| Inventories written down to net realisable value | 851 | 227 | - | - |
| Defined benefit plans | 1,579 | 602 | - | - |
| Grant of equity-settled share options to employees | - | 931 | - | 231 |
| Interest income | (4,816) | (4,369) | - | - |
| Interest expenses | 975 | 1,249 | - | - |
| Operating cash flows before working capital changes | 140,638 | 278,636 | (28,778) | (3,176) |
| Inventories | 121,476 | (64,975) | - | - |
| Receivables | (19,119) | 16,640 | 32 | - |
| Other current asset | 5,884 | (2,646) | 45 | 19 |
| Payables | (60,657) | (13,552) | 141 | 17 |
| Cash flows generated from/(used in) operations | 188,222 | 214,103 | (28,560) | (3,140) |
| Interest paid | (975) | (1,249) | - | - |
| Tax refunded | - | 29 | - | - |
| Tax paid | (802) | (607) | - | - |
| Net cash flows generated from/ (used in) operating activities | 186,445 | 212,276 | (28,560) | (3,140) |

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Statements of cash flows (cont'd)
For the financial year ended 30 September 2016

| | Group | | Company | |
|--|-----------------------|-----------------------|-------------------|---------------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Investing activities | | | | |
| Interest received | 4,816 | 4,369 | - | - |
| Purchase of property, plant and and equipment | (66,848) | (65,519) | - | - |
| Proceeds from disposal of property, plant and equipment | 10,898 | 99 | - | - |
| Acquisition of a subsidiary | - | - | (1,000) | - |
| Acquisition of land use rights | (8,449) | - | - | - |
| Proceeds from disposal of land use rights | 1,649 | - | - | - |
| Dividend income received | - | - | 81,315 | 90,350 |
| Repayment from/(loan to) subsidiaries | - | - | 77,925 | (3,916) |
| Net cash flows (used in)/ generated from investing activities | <u>(57,934)</u> | <u>(61,051)</u> | <u>158,240</u> | <u>86,434</u> |
| Financing activities | | | | |
| Dividends paid | (138,880) | (91,639) | (138,880) | (91,639) |
| Proceeds from exercise of employee share options | 8,201 | 8,996 | 8,201 | 8,996 |
| Addition of restricted bank deposits (Repayment)/drawdown of short-term borrowings | (82,495) | 36,826 | - | - |
| Net cash flows used in financing activities | <u>(213,296)</u> | <u>(46,412)</u> | <u>(130,679)</u> | <u>(82,643)</u> |
| Net (decrease)/increase in cash and cash equivalents | (84,785) | 104,813 | (999) | 651 |
| Effect of exchange rate changes on cash and cash equivalents | (16,789) | 17,889 | - | - |
| Cash and cash equivalents at beginning of year | <u>383,488</u> | <u>260,786</u> | <u>1,173</u> | <u>522</u> |
| Cash and cash equivalents at end of year (Note 18) | <u><u>281,914</u></u> | <u><u>383,488</u></u> | <u><u>174</u></u> | <u><u>1,173</u></u> |

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 2016**

1. Corporate information

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

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

The principal activity of the Company is investment holding and design and development of hard disk drive (HDD) components. The principal activities of the subsidiaries are described in Note 14. 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 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

2.3 Standards and interpretations issued but not yet effective

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

| <u>Description</u> | <u>Effective for annual periods beginning on or after</u> |
|---|---|
| Annual Improvements to MFRSs 2012-2014 Cycle | 1 January 2016 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint operations | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiative | 1 January 2016 |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 107 (Amendments to MFRS 107: Disclosures Initiatives) | 1 January 2017 |
| Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 12: Disclosure of Interests in Other Entities | 1 January 2017 |
| Annual Improvements to MFRSs 2014-2016 Cycle | 1 January 2018 |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to MFRS 140: Transfers of Investment Property | 1 January 2018 |
| Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| IC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| MFRS 16 Leases | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

MFRS 9 Financial Instruments

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

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

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

MFRS 16 Leases

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

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

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

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

2.4 Current versus non-current classification

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

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

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

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

All other liabilities are classified as non-current.

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

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

2.5 Basis of consolidation

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

- (i) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

- (i) The contractual arrangement with the other vote holders of the investee
- (ii) Rights arising from other contractual arrangements
- (iii) The Group's voting rights and potential voting rights

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

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

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

2.5 Basis of consolidation (cont'd)

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

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

2.6 Business combinations and goodwill

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

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

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

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

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

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

2.6 Business combinations and goodwill (cont'd)

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

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

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

2.7 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

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

2.8 Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

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

2.8 Fair value measurement (cont'd)

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.9 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% - 5% |
| Fixtures, fittings and office equipment | 20% |
| Motor vehicles | 20% |
| Plant, machinery and equipment | 6.7% - 20% |
| Electrical installation | 10% - 20% |
| Renovation | 10% - 20% |

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

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

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

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

2.10 Impairment of non-financial assets

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

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

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

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

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

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

2.11 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.

2.12 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

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

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The Group did not have any financial assets at fair value through profit or loss as at 30 September 2016 and 2015.

- **Loans and receivables**

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

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

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(Incorporated in Malaysia)**

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

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

- Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 30 September 2016 and 2015.

- AFS financial assets

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

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

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

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

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

- AFS financial assets (cont'd)

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

The Group did not have any AFS financial assets during the financial years ended 30 September 2016 and 2015.

Derecognition

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

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

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

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

**JCY International Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.12 Financial instruments (cont'd)****(a) Financial assets (cont'd)****Impairment of financial assets**

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

Financial assets carried at amortised cost

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

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

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

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

2.12 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

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

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

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

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

2.12 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

- Loans and borrowings

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

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

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

- Financial guarantee contracts

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

Derecognition

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

(c) Offsetting of financial instruments

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

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

2.12 Financial instruments (cont'd)

(d) Derivative financial instruments

Initial recognition and subsequent measurement

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

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

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

2.13 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.

2.14 Borrowing costs

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

2.15 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, 41 to 60 years.

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

2.17 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

2.17 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

(c) Goods and Services Tax (“GST”)

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

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

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

2.18 Provisions

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

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

2.19 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.

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

2.19 Employee benefits (cont'd)

(b) Employee share option plans

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

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

(c) Defined benefit plan

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales' and 'general and administrative expenses' in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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2. 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. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(b) Transactions and balances

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

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

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

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

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

2.20 Foreign currency (cont'd)

(c) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia (RM) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

(ii) Interest income

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

(iii) Dividend income

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

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

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 34, 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.

2.24 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 periods.

3.1 Key sources of estimation uncertainty

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

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

3.1 Key sources of estimation uncertainty (cont'd)

(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

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

Deferred tax liability are recognised for accelerated capital allowance of property, plant and equipment. A subsidiary of the Group has been granted full income tax exemption by the relevant authority on the income arising from manufacturing of hard disk component for the period of ten years commencing 1 April 2006 and expired on 31 March 2016.

Significant judgement is required to determine the amount of deferred tax liability to be recognised based on the likely timing and level of future taxable profits upon reaching the end of the tax exemption period.

The deferred tax balance of RM30,116,000 (2015: RM29,296,000) has reflected the effects of such exemptions.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 16.

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

3.1 Key sources of estimation uncertainty (cont'd)

(d) Income tax

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

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

(e) Impairment of property, plant and equipment

The Group estimates the recoverable amount of its cash generating units (CGUs) based on the higher of the CGUs' value-in-use (VIU) and fair value less cost of disposal.

During the current financial year, the Group recognised impairment loss of RM11,213,000 in respect of one of its CGU which consists of equipment and machineries used in the production of the Group's cover products based on the recoverable amount of the CGU derived from its fair value less cost of disposal. The estimation on fair value less cost of disposal is based Level 2 fair value inputs. Further details of the impairment loss recognised on the CGU are disclosed in Note 12.

There were also indicators of impairment for the remaining CGU of the Group. The recoverable amount of the CGU is estimated by computing its VIU. In assessing the VIU of the CGU, judgement is involved in assessing the appropriateness of the discount rate used to determine the present value of the cash flows, the forecasted growth of the Group and the forecasted profit margin of the Group.

4. Revenue

| | Group | | Company | |
|-------------------------------------|------------------|------------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of hard disk drive components | 1,740,493 | 1,942,312 | - | - |
| Dividend income | - | - | 81,315 | 90,350 |
| | <u>1,740,493</u> | <u>1,942,312</u> | <u>81,315</u> | <u>90,350</u> |

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5. (Loss)/Profit before tax

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| (Loss)/Profit before tax is stated after charging: | | | | |
| Depreciation (Note 12) | 96,491 | 94,704 | - | - |
| Amortisation of land use rights (Note 13) | 487 | 434 | - | - |
| Auditors' remuneration: | | | | |
| - Statutory audit | | | | |
| - current year | 438 | 407 | 70 | 68 |
| - underprovision in prior year | 6 | - | 6 | - |
| - Other services | 67 | 55 | 15 | 15 |
| Employee benefits expense (Note 6) | 291,023 | 272,264 | 1,526 | 1,879 |
| Impairment loss on: | | | | |
| - property, plant and equipment (Note 12) | 11,213 | - | - | - |
| - trade receivables (Note 16) | 2,815 | - | - | - |
| Inventories written down to net realisable value | 851 | 227 | - | - |
| Non-executive directors' remuneration (Note 7) | | | | |
| - Fees | 300 | 300 | 300 | 300 |
| - Other emoluments | 300 | 300 | 300 | 300 |
| Rental of land and building | 3,368 | 2,725 | - | - |
| Rental of equipment | 1,434 | 1,468 | - | - |
| Rental of hostel | 9,934 | 15,719 | - | - |
| Rental of office | 20 | 190 | 20 | 190 |
| Property, plant and equipment written off | 22,426 | 766 | - | - |
| Net fair value loss on derivative financial instrument (Note 21) | - | 7,982 | - | - |
| Unrealised loss on foreign exchange | 21,558 | - | - | - |
| And crediting: | | | | |
| Interest income from deposits | 4,816 | 4,369 | - | - |
| Gain on disposal of property, plant and equipment | 470 | 33 | - | - |
| Gain on disposal of land use rights | 1,524 | - | - | - |
| Net fair value gain on derivative financial instrument (Note 21) | 4,023 | - | - | - |
| Gain on foreign exchange | | | | |
| - Realised | 15,551 | 25,231 | - | - |
| - Unrealised | - | 31,085 | 12,844 | 55,146 |

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6. Employee benefits expense

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages and salaries | 278,643 | 257,805 | 1,436 | 1,571 |
| Defined contribution plans | 6,911 | 6,440 | 87 | 75 |
| Social security contributions | 2,800 | 2,862 | 3 | 2 |
| Share options granted under ESOS | - | 931 | - | 231 |
| Defined benefit plans (Note 22) | 1,579 | 602 | - | - |
| Other staff related expenses | 1,090 | 3,624 | - | - |
| | <u>291,023</u> | <u>272,264</u> | <u>1,526</u> | <u>1,879</u> |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM5,507,000 (2015: RM5,066,000) and RM450,000 (2015: RM450,000) respectively, as further disclosed in Note 7.

7. Directors' remuneration

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

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive directors (Note 6) : | | | | |
| Salaries and bonus | 4,916 | 4,493 | 50 | 50 |
| Fees | 561 | 468 | 400 | 400 |
| Defined contribution plan | 30 | 105 | - | - |
| | <u>5,507</u> | <u>5,066</u> | <u>450</u> | <u>450</u> |
| Non-executive directors (Note 5) : | | | | |
| Fees | 300 | 300 | 300 | 300 |
| Other emoluments | 300 | 300 | 300 | 300 |
| | <u>600</u> | <u>600</u> | <u>600</u> | <u>600</u> |
| Total directors' remuneration | <u>6,107</u> | <u>5,666</u> | <u>1,050</u> | <u>1,050</u> |

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7. Directors' remuneration (cont'd)

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

| | Number of directors | |
|---------------------------|----------------------------|-------------|
| | 2016 | 2015 |
| Executive directors: | | |
| RM950,001 - RM1,000,000 | - | 1 |
| RM1,000,001 - RM1,050,000 | 1 | 1 |
| RM1,050,001 - RM1,100,000 | 1 | - |
| RM1,100,001 - RM1,250,000 | - | - |
| RM1,250,001 - RM1,300,000 | - | 1 |
| RM1,300,001 - RM1,400,000 | - | - |
| RM1,400,001 - RM1,450,000 | 1 | - |
| RM1,450,001 - RM1,800,000 | - | - |
| RM1,800,001 - RM1,850,000 | - | 1 |
| RM1,850,001 - RM1,950,000 | - | - |
| RM1,950,000 - RM2,000,000 | 1 | - |
| Non-executive directors: | | |
| RM50,001 - RM100,000 | 2 | 2 |
| RM100,001 - RM350,000 | - | - |
| RM350,001 - RM400,000 | 1 | 1 |

8. Finance costs

| | Group | | Company | |
|------------------------|---------------|---------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expenses on: | | | | |
| - Bankers' acceptances | 952 | 927 | - | - |
| - Bill payable | 23 | 322 | - | - |
| Bank charges | 387 | 322 | - | - |
| | <u>1,362</u> | <u>1,571</u> | <u>-</u> | <u>-</u> |

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9. Taxation

Major components of taxation

The major components of taxation for the years ended 30 September 2016 and 2015 are:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Statements of comprehensive income: | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 908 | 686 | - | - |
| Underprovision in prior year | 11 | 11 | - | - |
| | <u>919</u> | <u>697</u> | <u>-</u> | <u>-</u> |
| Deferred tax (Note 23): | | | | |
| Relating to origination and reversal of temporary differences | 108 | (2,665) | - | - |
| Under/(over)provision in prior year | 271 | (304) | - | - |
| | <u>379</u> | <u>(2,969)</u> | <u>-</u> | <u>-</u> |
| | <u>1,298</u> | <u>(2,272)</u> | <u>-</u> | <u>-</u> |

Reconciliation between tax expense and accounting (loss)/profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 September 2016 and 2015 are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| (Loss)/Profit before taxation | <u>(6,924)</u> | <u>207,228</u> | <u>65,381</u> | <u>142,089</u> |
| Taxation at Malaysian statutory tax rate of 24% (2015 : 25%) | (1,662) | 51,807 | 15,691 | 35,522 |
| Income not subject to tax | (15,441) | (60,571) | (16,433) | (36,628) |
| Expenses not deductible for tax purposes | 7,406 | 1,083 | 742 | 135 |
| Effect of temporary differences reversing during the tax exemption period | 7,731 | 9,615 | - | - |
| Deferred tax assets recognised on previously unrecognised unutilised tax losses | - | (4,884) | - | - |
| Deferred tax assets not recognised for unutilised tax losses | 2,982 | 971 | - | 971 |
| Underprovision of income tax in prior year | 11 | 11 | - | - |
| Under/(over)provision of deferred tax in prior year | 271 | (304) | - | - |
| Income tax expense recognised in profit or loss | <u>1,298</u> | <u>(2,272)</u> | <u>-</u> | <u>-</u> |

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9. Taxation (cont'd)

A subsidiary of the Group has been granted full income tax exemption by the relevant authority on the income arising from manufacture of hard disk drive components for a period of ten (10) years commencing 1 April 2006. The tax exemption expired during the current financial year on 31 March 2016.

Domestic current income tax is calculated at the statutory tax rate of 24% (2015 : 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 2016 and 2015 has reflected the effects of the above items.

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

10. (Loss)/Earnings per share

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

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

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

| | Group | |
|--|------------------|------------------|
| | 2016 | 2015 |
| (Loss)/Profit attributable to ordinary equity holders of the Company (RM'000) | <u>(8,222)</u> | <u>209,500</u> |
| Weighted average number of ordinary shares for basic earnings per share computation ('000 units) | 2,049,776 | 2,038,169 |
| Effects of dilution:- | | |
| Share options ('000 units) | <u>6,533</u> | <u>27,779</u> |
| Weighted average number of ordinary shares for diluted earnings per share computation ('000 units) | <u>2,056,309</u> | <u>2,065,948</u> |
| Basic (loss)/earnings per share (sen) | (0.4) | 10.3 |
| Diluted (loss)/earnings per share (sen) | <u>(0.4)</u> | <u>10.1</u> |

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11. Dividends

| | Dividend in respect of year | | Dividend recognised in year | |
|--|--------------------------------|----------------|--------------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Single tier interim dividend of 1 sen per ordinary share on 2,031,980,300 ordinary shares | - | - | - | 20,320 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,035,475,300 ordinary shares | - | 25,443 | - | 25,443 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,044,464,300 ordinary shares | - | 25,556 | - | 25,556 |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,046,727,300 ordinary shares | - | 25,584 | - | 25,584 |
| Single tier interim dividend of 3 sen per ordinary share on 2,059,720,300 ordinary shares | - | 61,792 | 61,792 | - |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares | 25,752 | - | 25,752 | - |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares | 25,752 | - | 25,752 | - |
| Single tier interim dividend of 1.25 sen per ordinary share on 2,060,172,300 ordinary shares | 25,752 | - | 25,752 | - |
| | <u>25,752</u> | <u>-</u> | <u>25,752</u> | <u>-</u> |
| | <u>77,256</u> | <u>76,583</u> | <u>139,048</u> | <u>96,903</u> |

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12. Property, plant and equipment

| 2016 Group Cost | Freehold | Buildings | Construction | Fixtures, fittings and office equipment | Plant and machinery | Equipment | Electrical installation | Renovation | Motor vehicles | Total |
|---|------------------------|------------------|-------------------------------|--|--------------------------------|------------------|------------------------------------|-------------------|---------------------------|---------------|
| | land RM'000 | RM'000 | in progress RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 October 2015 | 8,617 | 210,561 | 11,387 | 11,772 | 1,193,141 | 129,273 | 9,524 | 41,767 | 2,724 | 1,618,766 |
| Additions | - | 15,406 | 17,773 | 367 | 18,052 | 13,915 | - | 1,140 | 195 | 66,848 |
| Disposals | - | (842) | - | (40) | (15,492) | - | - | (289) | (145) | (16,808) |
| Written off | - | - | (1,215) | (353) | (5,349) | - | - | (19,571) | (217) | (26,705) |
| Reclassifications | - | 2,380 | (13,908) | 101 | 11,427 | - | - | - | - | - |
| Exchange differences | (110) | (7,023) | (201) | (270) | (33,101) | - | - | (2,203) | (73) | (42,981) |
| At 30 September 2016 | 8,507 | 220,482 | 13,836 | 11,577 | 1,168,678 | 143,188 | 9,524 | 20,844 | 2,484 | 1,599,120 |
| Accumulated depreciation and impairment loss | | | | | | | | | | |
| At 1 October 2015 | - | 46,836 | - | 9,391 | 791,716 | 90,985 | 9,077 | 19,213 | 2,210 | 969,428 |
| Depreciation charge for the year (Note 5) | - | 7,681 | - | 880 | 76,398 | 9,201 | 229 | 1,943 | 159 | 96,491 |
| Impairment loss recognised in profit or loss (Note 5) | - | - | - | - | 5,262 | 5,951 | - | - | - | 11,213 |
| Disposals | - | (140) | - | (30) | (5,999) | - | - | (75) | (136) | (6,380) |
| Written off | - | - | - | (96) | (668) | - | - | (3,425) | (90) | (4,279) |
| Exchange differences | - | (1,236) | - | (169) | (22,117) | - | - | (319) | (48) | (23,889) |
| At 30 September 2016 | - | 53,141 | - | 9,976 | 844,592 | 106,137 | 9,306 | 17,337 | 2,095 | 1,042,584 |
| Net carrying amount | | | | | | | | | | |
| At 30 September 2016 | 8,507 | 167,341 | 13,836 | 1,601 | 324,086 | 37,051 | 218 | 3,507 | 389 | 556,536 |

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

| 2015 Group Cost | Freehold | Buildings | Construction | Fixtures, fittings and office equipment | Plant and machinery | Equipment | Electrical installation | Renovation | Motor vehicles | Total |
|---|------------------------|------------------|-------------------------------|--|--------------------------------|------------------|------------------------------------|-------------------|---------------------------|---------------|
| | land RM'000 | RM'000 | in progress RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 October 2014 | 7,404 | 181,892 | 12,645 | 10,612 | 1,046,169 | 124,855 | 9,524 | 34,777 | 2,738 | 1,430,616 |
| Additions | - | 18 | 15,995 | 415 | 41,859 | 6,024 | - | 1,208 | - | 65,519 |
| Disposals | - | - | - | (75) | (1,199) | (1,606) | - | (45) | (209) | (3,134) |
| Written off | - | - | - | (35) | (915) | - | - | - | (60) | (1,010) |
| Reclassifications | - | 6,721 | (18,397) | 15 | 11,661 | - | - | - | - | - |
| Exchange differences | 1,213 | 21,930 | 1,144 | 840 | 95,566 | - | - | 5,827 | 255 | 126,775 |
| At 30 September 2015 | 8,617 | 210,561 | 11,387 | 11,772 | 1,193,141 | 129,273 | 9,524 | 41,767 | 2,724 | 1,618,766 |
| Accumulated depreciation and impairment loss | | | | | | | | | | |
| At 1 October 2014 | - | 34,409 | - | 8,118 | 659,740 | 83,514 | 8,584 | 15,822 | 2,082 | 812,269 |
| Charge for the year (Note 5) | - | 7,584 | - | 910 | 73,657 | 9,077 | 493 | 2,755 | 228 | 94,704 |
| Disposals | - | - | - | (61) | (1,191) | (1,606) | - | (1) | (209) | (3,068) |
| Written off | - | - | - | (31) | (153) | - | - | - | (60) | (244) |
| Exchange differences | - | 4,843 | - | 455 | 59,663 | - | - | 637 | 169 | 65,767 |
| At 30 September 2015 | - | 46,836 | - | 9,391 | 791,716 | 90,985 | 9,077 | 19,213 | 2,210 | 969,428 |
| Net carrying amount | | | | | | | | | | |
| At 30 September 2015 | 8,617 | 163,725 | 11,387 | 2,381 | 401,425 | 38,288 | 447 | 22,554 | 514 | 649,338 |

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

The impairment loss of RM11,213,000 (2015: Nil) during the current financial year represents write-down of certain property, plant and equipment to the recoverable amount determined at the level of the cash generating unit ("CGU"). The CGU consists of equipment and machineries used in the production of the Group's cover products. The impairment loss is incurred as a result of the temporary cessation of its subsidiary production of its cover products. This was recognised in the statement of profit or loss as other operating expenses. The recoverable amount of RM1,959,000 as at 30 September 2016 is based on fair value less cost of disposal. The fair value for the equipment and machineries are measured using quoted prices from the market for identical assets adjusted for unobservable inputs (Level 2). The significant unobservable input is the estimated cost of disposing the equipment and machineries.

13. Land use rights

| | Group | |
|---|---------------|---------------|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| As at beginning of year | 20,608 | 20,670 |
| Addition for the year | 8,449 | - |
| Amortisation for the year (Note 5) | (487) | (434) |
| Disposal | (125) | - |
| Exchange differences | (165) | 372 |
| As at end of year | <u>28,280</u> | <u>20,608</u> |
| Amount to be amortised: | | |
| - Not later than one year | 641 | 440 |
| - Later than one year but not later than five years | 2,562 | 1,763 |
| - Later than five years | 25,077 | 18,405 |
| | <u>28,280</u> | <u>20,608</u> |

14. Investment in subsidiaries

| | Company | |
|---|----------------|----------------|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Unquoted shares, at cost: | | |
| - In Malaysia | 452,751 | 451,751 |
| - Outside Malaysia | 2,300 | 2,300 |
| | <u>455,051</u> | <u>454,051</u> |
| Less: Accumulated impairment losses | (2,300) | (2,300) |
| | <u>452,751</u> | <u>451,751</u> |
| ESOS granted to employees of subsidiaries | 5,260 | 5,260 |
| | <u>458,011</u> | <u>457,011</u> |

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14. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

| Name of company | Country of incorporation | 2016 % | 2015 % | Principal activities |
|--|---------------------------------|---------------|---------------|--|
| Held by the Company: | | | | |
| JCY HDD Technology Sdn Bhd* | Malaysia | 100.00 | 100.00 | Manufacturing and trading of HDD components |
| JCY HDD Technology Pte Ltd** | Singapore | 100.00 | 100.00 | Dormant |
| Minarex Holdings Limited* | Mauritius | 100.00 | 100.00 | Investment holding |
| JCY HDD Industries Sdn Bhd* | Malaysia | 100.00 | - | Trading of HDD components and management services |
| Held by Axius Investments Ltd: | | | | |
| YK Technology (Suzhou) Co. Ltd*** | The People's Republic of China | 100.00 | 100.00 | Manufacturing and trading of HDD components |
| Held by Minarex Holdings Limited: | | | | |
| Foshan YK HDD Co. Ltd*** | The People's Republic of China | 100.00 | 100.00 | Dormant |
| PCA Hard.Com Sdn Bhd Limited* | British Virgin Island | 100.00 | 100.00 | Dormant |
| Axius Investments Ltd* | Mauritius | 100.00 | 100.00 | Investment holding |
| JCY HDD Technology Company Limited ** | Thailand | 99.99 | 99.99 | Manufacturing and distribution of HDD components |
| Held by JCY HDD Technology Sdn. Bhd.: | | | | |
| QB Technology Sdn Bhd * | Malaysia | 100.00 | 100.00 | Provision of labour management services within the Group |

* Audited by Ernst & Young, Malaysia

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

*** Audited by firms other than Ernst & Young

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14. Investment in subsidiaries (cont'd)

Acquisition of JCY HDD Industries Sdn Bhd

During the year, the Company acquired 100% equity interest, representing 2 ordinary shares in JCY HDD Industries Sdn. Bhd. for a total consideration of RM2. The subsidiary increased its issued and fully paid share capital from 2 ordinary shares of RM1 each to 1,000,000 ordinary shares of RM1 each by way of issuance of 999,998 new ordinary shares of RM1 each. The Company acquired the 999,998 new ordinary shares and continued to hold 100% equity interest in the subsidiary. The acquisition of the subsidiary does not have any significant impact to the Group's financial performance and statement of financial position during the financial year as the subsidiary has not commenced operations.

15. Inventories

| | Group | |
|--------------------------|----------------|----------------|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| At cost: | | |
| Raw materials | 38,361 | 69,511 |
| Work-in-progress | 71,216 | 160,135 |
| Finished goods | 66,593 | 120,390 |
| Consumables | 19,306 | 15,975 |
| | <u>195,476</u> | <u>366,011</u> |
| At net realisable value: | | |
| Work-in-progress | 42,184 | 177 |
| Finished goods | 18,058 | 50 |
| | <u>60,242</u> | <u>227</u> |
| | <u>255,718</u> | <u>366,238</u> |

16. Trade and other receivables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current | | | | |
| Other receivables | | | | |
| Due from subsidiaries | - | - | - | 220,169 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>220,169</u> |
| Current | | | | |
| Trade receivables | | | | |
| Third parties | 308,735 | 355,120 | - | - |
| Less: Allowance for impairment (Note 5) | (2,815) | - | - | - |
| | <u>305,920</u> | <u>355,120</u> | <u>-</u> | <u>-</u> |

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16. Trade and other receivables (cont'd)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Other receivables | | | | |
| Sundry receivables | 11,235 | 8,945 | 2 | - |
| Staff advance | 31 | - | - | - |
| Deposits | 2,236 | 2,089 | - | 34 |
| Due from subsidiaries | - | - | 209,413 | 54,503 |
| | <u>13,502</u> | <u>11,034</u> | <u>209,415</u> | <u>54,537</u> |
| Total trade and other receivables | 319,422 | 366,154 | 209,415 | 274,706 |
| Add: Cash and bank balances (Note 18) | 283,455 | 384,907 | 174 | 1,173 |
| Total loans and receivables | <u>602,877</u> | <u>751,061</u> | <u>209,589</u> | <u>275,879</u> |

(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 | |
|---|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Neither past due nor impaired | 289,648 | 335,598 |
| 1 to 30 days past due but not impaired | 15,255 | 11,573 |
| 31 to 60 days past due but not impaired | 48 | 75 |
| 61 to 90 days past due but not impaired | 86 | 252 |
| More than 91 past due but not impaired | 883 | 7,622 |
| | 16,272 | 19,522 |
| Impaired | 2,815 | - |
| | <u>308,735</u> | <u>355,120</u> |

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Almost all of the Group's trade receivables arise from customers with more than four years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables have been renegotiated during the financial year.

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16. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM16,272,000 (2015: RM19,522,000) that are past due at the reporting date but not impaired.

Receivables that are impaired

As at 30 September 2016, trade receivables with an initial carrying value of RM2,815,000 (2015: RM Nil) were individually impaired and fully provided for. See below for the movement in the provision for impairment of trade receivables:

| | 2016 | 2015 |
|------------------------------|---------------|---------------|
| | RM'000 | RM'000 |
| At 1 October | - | - |
| Charge for the year (Note 5) | 2,815 | - |
| At 30 September | <u>2,815</u> | <u>-</u> |

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

(b) Amounts due from subsidiaries

The non-current amounts in the previous year represented advances to subsidiaries which were unsecured, non-interest bearing and were not expected to be repaid within the next 12 months after the reporting period.

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

17. Other current asset

| | Group | | Company | |
|-------------|---------------|---------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Prepayments | <u>9,235</u> | <u>15,119</u> | <u>37</u> | <u>82</u> |

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18. Cash and bank balances

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Current: | | | | |
| Repurchase agreements | 129,614 | 280,952 | - | - |
| Fixed deposits with commercial banks | 3,226 | 4,588 | - | - |
| Unit trust fund | 40,782 | - | - | - |
| Cash and bank balances | 108,292 | 97,948 | 174 | 1,173 |
| Cash and cash equivalents | <u>281,914</u> | <u>383,488</u> | <u>174</u> | <u>1,173</u> |
| Non-current: | | | | |
| Restricted bank deposits | 1,541 | 1,419 | - | - |
| Total cash and bank balances | <u>283,455</u> | <u>384,907</u> | <u>174</u> | <u>1,173</u> |

In addition to the Group's restricted bank deposits, bank balances of approximately RM1,363,000 (2015: RM1,363,000) are pledged for bank guarantee facilities granted to certain subsidiaries.

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

| | Range of interest rates | | Range of maturities | |
|--------------------------------------|-------------------------|-------------|---------------------|-----------------|
| | 2016 % | 2015 % | 2016 Days | 2015 Days |
| Repurchase agreements | 0.23 - 2.90 | 0.20 - 3.45 | 1 - 30 | 1 - 30 |
| Fixed deposits with commercial banks | 2.25 | 3.25 - 3.35 | 28 | 28 to 32 |
| Unit trust fund | 0.29 | - | 34 | - |
| Restricted bank deposits | <u>1.00 - 1.50</u> | <u>2.25</u> | <u>>365</u> | <u>> 365</u> |

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19. Trade and other payables

| | Group | | Company | |
|---|----------------|----------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 152,563 | 245,470 | - | - |
| Other payables | | | | |
| Sundry payables | 16,557 | 20,277 | - | 14 |
| Accruals | 33,136 | 31,995 | 1,055 | 900 |
| Amount due to subsidiary | - | - | 2,628 | 2,806 |
| Dividend payable | 25,752 | 25,584 | 25,752 | 25,584 |
| | <u>75,445</u> | <u>77,856</u> | <u>29,435</u> | <u>29,304</u> |
| Total trade and other payables | 228,008 | 323,326 | 29,435 | 29,304 |
| Add: Borrowings (Note 20) | 50,608 | 138,567 | - | - |
| Total financial liabilities carried at amortised cost | <u>278,616</u> | <u>461,893</u> | <u>29,435</u> | <u>29,304</u> |

(a) Trade payables and other payables

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

(b) Amount due to subsidiary

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

20. Borrowings

| | Group | |
|------------------------------|---------------|----------------|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Current | | |
| Unsecured: | | |
| Bills payable | 179 | 27,931 |
| Foreign currency trade loans | 50,429 | 110,636 |
| | <u>50,608</u> | <u>138,567</u> |

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20. Borrowings (cont'd)

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

| | Group | |
|------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| Bills payable | 1.17 | 1.20 |
| Foreign currency trade loans | 0.98 - 1.07 | 0.85 - 1.00 |
| | <u> </u> | <u> </u> |

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. Derivatives

| | Group | | | |
|--------------------------------|------------------------|----------------|--------------------|---------------|
| | Notional amount | | Liabilities | |
| | 2016 | 2015 | 2016 | 2015 |
| | USD'000 | USD'000 | RM'000 | RM'000 |
| Non-hedging derivatives | | | | |
| Forward currency contracts | <u>24,000</u> | <u>8,000</u> | <u>3,959</u> | <u>7,982</u> |

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to November 2016 (2015: November 2015).

During the financial year, the Group recognised a gain of RM 4,023,000 (2015: loss of RM7,982,000) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange rates. The method applied in determining the fair values of derivatives are disclosed in Note 31.

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22. Long term employee benefits

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

| | Group | |
|--|---------------|---------------|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Non-current liability | | |
| Present value of unfunded obligations | <u>4,267</u> | <u>2,695</u> |
| Movement in the present value of defined benefit obligation | | |
| At 1 January | 2,695 | 1,692 |
| Recognised in the profit or loss (Note 6) | 1,579 | 602 |
| Exchange differences | (7) | 401 |
| At 31 December | <u>4,267</u> | <u>2,695</u> |
| Expenses recognised in profit or loss | | |
| Current service costs | 1,170 | 517 |
| Interest expense | 147 | 122 |
| Effect changes in financial assumptions | 262 | (37) |
| | <u>1,579</u> | <u>602</u> |

The expenses are recognised in the general and administrative expenses.

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

| | 2016 | 2015 |
|-------------------------------|--------------|--------------|
| Discount rate at 30 September | 2.56% | 3.56% |
| Future salary increases | <u>3.00%</u> | <u>3.00%</u> |

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22. Long term employee benefits (cont'd)

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

| | Increase/(decrease) | |
|--------------------------|-----------------------------|---------------|
| | in profit net of tax | |
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Discount rate: | | |
| 0.5% increase | (241) | (147) |
| 0.5% decrease | 264 | 160 |
| Future salary increases: | | |
| 0.5% increase | 261 | 160 |
| 0.5% decrease | (241) | (148) |

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

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

| | 2016 | 2015 |
|---------------------------|---------------|---------------|
| | RM'000 | RM'000 |
| Within the next 12 months | 163 | - |
| Between 2 and 5 years | 1,081 | 855 |
| Between 5 and 10 years | 3,036 | 2,968 |
| Beyond 10 years | 14,530 | 17,442 |
| Total expected payments | <u>18,810</u> | <u>21,265</u> |

The average duration of the defined benefit plan obligation at the end of the reporting period is 17.70 years (2015: 19.01 years).

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23. Deferred tax assets/(liabilities)

| | Group | |
|--|-----------------|-----------------|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| At beginning of year | (29,296) | (33,549) |
| Recognised in profit or loss (Note 9) | (379) | 2,969 |
| Translation difference | (441) | 1,284 |
| At end of year | <u>(30,116)</u> | <u>(29,296)</u> |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | 3,899 | 10,673 |
| Deferred tax liabilities | (34,015) | (39,969) |
| | <u>(30,116)</u> | <u>(29,296)</u> |

The components of deferred tax mainly relate to timing differences on capital allowances for property, plant and equipment and unutilised tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised. The movement of deferred tax during the financial year are as follows:

| | 2016 | 2015 |
|---------------------------------|-----------------|-----------------|
| | RM'000 | RM'000 |
| Deferred tax assets | | |
| At beginning of year | 10,673 | 4,920 |
| Recognised in profit or loss | (6,333) | 4,469 |
| Translation difference | (441) | 1,284 |
| At end of year | <u>3,899</u> | <u>10,673</u> |
| Deferred tax liabilities | | |
| At beginning of year | (39,969) | (38,469) |
| Recognised in profit or loss | 5,954 | (1,500) |
| At end of year | <u>(34,015)</u> | <u>(39,969)</u> |

At the reporting date, the Group and the Company have tax losses of approximately RM148,320,000 (2015: RM85,379,000) and RM2,870,000 (2015: RM2,870,000) respectively that are available for offset against future taxable profits of the companies, which no deferred tax assets are recognised due to uncertainty of their recoverability. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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24. Share capital

| | Number of ordinary shares of RM0.25 each | | Amount | |
|--------------------------|---|--------------|----------------|----------------|
| | 2016 '000 | 2015 '000 | 2016 RM'000 | 2015 RM'000 |
| Authorised share capital | 8,000,000 | 8,000,000 | 2,000,000 | 2,000,000 |

| | 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 |
| Issued and paid up 2016 | | | | |
| At beginning of year | 2,062,674 | (15,947) | 515,669 | (15,584) |
| Exercise of employee share options | 13,445 | - | 3,361 | - |
| At end of year | <u>2,076,119</u> | <u>(15,947)</u> | <u>519,030</u> | <u>(15,584)</u> |
| 2015 | | | | |
| At beginning of year | 2,047,927 | (15,947) | 511,982 | (15,584) |
| Exercise of employee share options | 14,747 | - | 3,687 | - |
| At end of year | <u>2,062,674</u> | <u>(15,947)</u> | <u>515,669</u> | <u>(15,584)</u> |

(a) Share capital

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

The Company has an Executives' Share Options Scheme under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

(b) Treasury shares

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

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

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25. Other reserves

(a) Employee share options reserve

Employee share options reserve arises from equity-settled share options granted to employees (Note 27). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(b) Foreign currency translation reserve

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

26. Retained earnings

The entire retained earnings of the Company as at 30 September 2016 and 30 September 2015 may be distributed as dividends under the single tier system.

27. Executives' share options scheme

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

Description of the ESOS

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

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

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

Movement of share options during the financial year

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

| | Number of share options at exercise price of RM0.61 each | |
|--|---|----------------------|
| | 2016 '000 | 2015 '000 |
| Outstanding at beginning of financial year | 18,866 | 36,053 |
| - Forfeited | (240) | (2,440) |
| - Exercised | (13,445) | (14,747) |
| Outstanding at end of financial year | <u>5,181</u> | <u>18,866</u> |
| Exercisable at end of financial year | <u>5,181</u> | <u>18,866</u> |

- The weighted average share price at the date of exercise of the options exercised during the financial year was RM0.83 (2015 : RM0.76).
- The exercise price for options outstanding at the end of the year was RM0.61. The options expire on 31 July 2017.

28. Commitments

(a) Capital commitments

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

| | Group | |
|---|------------------------|------------------------|
| | 2016 RM'000 | 2015 RM'000 |
| Approved and contracted for: Property, plant and equipment | <u>10,293</u> | <u>9,575</u> |

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28. Commitments (cont'd)

(b) Operating lease commitments – as lessee

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

Minimum lease payments, including amortisation of land use rights, recognised in profit or loss for the financial year ended 30 September 2016 amounted to RM15,243,000 (2015: RM20,536,000).

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

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Future minimum rental payments: | | | | |
| Not later than 1 year | 702 | 3,519 | - | - |
| Later than 1 year and not later than 5 years | 444 | 3,127 | - | - |
| | <u>1,146</u> | <u>6,646</u> | <u>-</u> | <u>-</u> |

29. 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 which took place at terms agreed between the parties during the financial year:

| | 2016 | 2015 |
|--|---------------|---------------|
| | RM'000 | RM'000 |
| Group | | |
| PCA Mahlin Technology Sdn. Bhd. - a company in which a director is the brother of a subsidiary's director | | |
| - Rental of building | 900 | 1,200 |
| - Purchase of property, plant and equipment and land use rights | <u>23,000</u> | <u>-</u> |
| YK Technology (Foshan) Co., Ltd - a company in which a substantial shareholder has equity interest and in which a director is also the management personnel | | |
| - Rental of building | <u>572</u> | <u>1,013</u> |

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29. Related party transactions (cont'd)

(a) Sales and purchases of goods and services (cont'd)

| Company | 2016 RM'000 | 2015 RM'000 |
|-----------------------------------|------------------------------|------------------------------|
| Dividend income from a subsidiary | <u>81,315</u> | <u>90,350</u> |

(b) Compensation to key management personnel

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

30. Contingent liabilities

Group - Unsecured

On 14 December 2009, Tenaga Nasional Berhad ("TNB") served a claim of additional electricity charges amounting to approximately RM8.36 million to JCY HDD Technology Sdn. Bhd. ("JCY HDD"), a subsidiary of the Group. 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 allegedly defective or tampered with.

JCY HDD had disputed the claims and held discussions with TNB as to their basis and quantification of the additional electricity charges.

On 15 December 2011, the High Court ruled that TNB's claim is only restricted to 3 months back charges. Therefore, JCY HDD is only required to pay an amount of approximately RM1.05 million to TNB. However, TNB had filed an appeal to the Court of Appeal against the decision of the High Court. Currently, this matter is consolidated with other appeals dealing with similar issues and is fixed for case management on 16 February 2017.

There will be no significant financial impact arising from the above claim made by TNB as a major corporate shareholder of the Company has undertaken that it would make good on the amount claimed by TNB. As such, no provision has been made for these back charges.

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31. Fair value

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

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

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

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

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

Derivatives

Fair values of forward currency contract are calculated by reference to forward rates quoted at the reporting date for contracts with similar maturity dates.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique :

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

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31. Fair value (cont'd)

As at 30 September 2016, the Group held the following liabilities of which fair value are disclosed:

| | Total RM RM'000 | Level 1 RM RM'000 | Level 2 RM RM'000 | Level 3 RM RM'000 |
|-----------------------------|--------------------------------|----------------------------------|----------------------------------|----------------------------------|
| At 30 September 2016 | | | | |
| Forward currency contracts | | | | |
| - non-hedged (note 21) | 3,959 | - | 3,959 | - |
| At 30 September 2015 | | | | |
| Forward currency contracts | | | | |
| - non-hedged (note 21) | 7,982 | - | 7,982 | - |

During the financial year, there were no transfers between the hierarchy of fair value measurement.

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

Investment in subsidiaries

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

32. Financial risk management objectives and policies

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

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

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

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

(a) Credit risk

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

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

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

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

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM50,608,000 (2015: RM138,567,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries.

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

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32. 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 | | | |
|--------------------|----------------|-------------------|----------------|-------------------|
| | 2016 | | 2015 | |
| By country: | RM'000 | % of total | RM'000 | % of total |
| Malaysia | 98,893 | 32% | 105,748 | 30% |
| Singapore | 5,406 | 2% | 18,048 | 5% |
| Thailand | 201,412 | 66% | 230,608 | 65% |
| Other countries | 209 | 0% | 716 | 0% |
| | <u>305,920</u> | <u>100%</u> | <u>355,120</u> | <u>100%</u> |

At the reporting date, approximately 85% (2015: 87%) of the Group's trade receivables were due from 2 (2015 : 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(a).

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

(b) Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

Other than the Group's long term employee benefits amounting to RM4,267,000 (2015: RM2,695,000), all of the Group's and the Company's liabilities at the reporting date fall due within one year.

(c) Interest rate risk

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

The Group's primary interest rate risk relates to interest-bearing debt. The Group has no substantial long term interest-bearing assets as at 30 September 2016 and 2015. 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 (loss)/profit net of tax would have been RM312,000 (2015: RM520,000) lower/higher, arising mainly as a result of higher/lower interest income on repurchase agreements and fixed deposits with commercial banks. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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

(d) Foreign currency risk

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

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

Approximately 77% (2015: 79%) of the Group's sales are denominated in foreign currencies whilst 44% (2015: 46%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM196,612,000 (2015: RM194,390,000) and RM49,400 (2015: RM52,000) for the Group and the Company respectively.

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

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

| Net financial assets/ (liabilities) held in non-functional currency | Functional currency of group companies | | | Total RM'000 |
|--|---|--|--|-------------------------|
| | Thai Baht RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | |
| 2016 | | | | |
| United States Dollars | (241,175) | 409,526 | 18,792 | 187,143 |
| Singapore Dollars | - | (14,836) | - | (14,836) |
| Thai Baht | - | (632) | - | (632) |
| Euro | - | (69) | - | (69) |
| | <u>(241,175)</u> | <u>393,989</u> | <u>18,792</u> | <u>171,606</u> |

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

(d) Foreign currency risk (cont'd)

| Net financial assets/ (liabilities) held in non-functional currency | Functional currency of group companies | | | |
|--|--|-------------------------------|-------------------------------|-----------------|
| | Thai Baht RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | Total RM'000 |
| 2015 | | | | |
| United States Dollars | (274,448) | 469,171 | 38,925 | 233,648 |
| Singapore Dollars | (2,788) | (19,129) | - | (21,917) |
| Thai Baht | - | (448) | - | (448) |
| Euro | - | (29) | - | (29) |
| Japanese Yen | - | (26,352) | - | (26,352) |
| | <u>(277,236)</u> | <u>423,213</u> | <u>38,925</u> | <u>184,902</u> |

Sensitivity analysis for foreign currency risk

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

| | Group (Loss)/profit net of tax | |
|---|-----------------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| USD/RM - strengthened 10% (2015: 10%) | (40,953) | 46,917 |
| - weakened 10% (2015: 10%) | 40,953 | (46,917) |
| USD/Baht - strengthened 10% (2015: 10%) | 24,118 | (27,445) |
| - weakened 10% (2015: 10%) | (24,118) | 27,445 |
| USD/RMB - strengthened 10% (2015: 10%) | (1,879) | 3,893 |
| - weakened 10% (2015: 10%) | 1,879 | (3,893) |
| SGD/RM - strengthened 10% (2015: 10%) | 1,484 | (1,913) |
| - weakened 10% (2015: 10%) | (1,484) | 1,913 |
| JPY/RM - strengthened 10% (2015: 10%) | - | (2,635) |
| - weakened 10% (2015: 10%) | - | 2,635 |
| Baht/RM - strengthened 10% (2015: 10%) | 63 | (45) |
| - weakened 10% (2015: 10%) | (63) | 45 |

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33. 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 2016 and 30 September 2015.

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, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners.

| | | Group | | Company | |
|---|-------------|------------------|------------------|----------------|----------------|
| | Note | 2016 | 2015 | 2016 | 2015 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Borrowings | 20 | 50,608 | 138,567 | - | - |
| Trade and other payables | 19 | 228,008 | 323,326 | 29,435 | 29,304 |
| Less: Cash and bank balances | 18 | (283,455) | (384,907) | (174) | (1,173) |
| Net debt | | <u>(4,839)</u> | <u>76,986</u> | <u>29,261</u> | <u>28,131</u> |
| Equity attributable to the owners of the parent, represents total capital | | <u>1,135,782</u> | <u>1,300,705</u> | <u>638,202</u> | <u>703,668</u> |
| Capital and net debt | | <u>1,130,943</u> | <u>1,377,691</u> | <u>667,463</u> | <u>731,799</u> |
| Gearing ratio | | <u>N/A</u> | <u>6%</u> | <u>4%</u> | <u>4%</u> |

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34. Segment information

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

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

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

Geographical segments

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

| | Malaysia RM'000 | Thailand RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|-----------------------------|----------------------------------|----------------------------------|--------------------------------|--------------------------------------|-------------------------------|
| 30 September 2016 | | | | | |
| Revenue | | | | | |
| Sales to external customers | 1,345,946 | 394,522 | 25 | - | 1,740,493 |
| Inter-segment sales | 247,107 | - | 69,827 | (316,934) | - |
| Total revenue | <u>1,593,053</u> | <u>394,522</u> | <u>69,852</u> | <u>(316,934)</u> | <u>1,740,493</u> |
| Results | | | | | |
| Segment results | 69,573 | 18,488 | (36,165) | (57,458) | (5,562) |
| Finance costs | (968) | - | (973) | 579 | (1,362) |
| Profit/(Loss) before tax | 68,605 | 18,488 | (37,138) | (56,879) | (6,924) |
| Income tax | 5,039 | (3,351) | (2,986) | - | (1,298) |
| Profit/(Loss) net of tax | <u>73,644</u> | <u>15,137</u> | <u>(40,124)</u> | <u>(56,879)</u> | <u>(8,222)</u> |
| Assets and liabilities | | | | | |
| Segment assets | 1,484,581 | 249,780 | 256,028 | (533,750) | 1,456,639 |
| Segment liabilities | 318,492 | 261,232 | 225,333 | (484,200) | 320,857 |
| Other segment information | | | | | |
| Depreciation | 63,406 | 21,623 | 19,537 | (8,075) | 96,491 |
| Amortisation | 453 | - | 34 | - | 487 |

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34. Segment information (cont'd)

| | Malaysia RM'000 | Thailand RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|-----------------------------|--------------------|--------------------|------------------|------------------------|------------------|
| 30 September 2015 | | | | | |
| Revenue | | | | | |
| Sales to external customers | 1,542,263 | 386,151 | 13,898 | - | 1,942,312 |
| Inter-segment sales | 265,985 | - | 84,586 | (350,571) | - |
| Total revenue | <u>1,808,248</u> | <u>386,151</u> | <u>98,484</u> | <u>(350,571)</u> | <u>1,942,312</u> |
| Results | | | | | |
| Segment results | 286,600 | (33,455) | 2,136 | (46,482) | 208,799 |
| Finance costs | (1,555) | - | (494) | 478 | (1,571) |
| Profit/(Loss) before tax | 285,045 | (33,455) | 1,642 | (46,004) | 207,228 |
| Income tax | (2,197) | 6,659 | 2,730 | (4,920) | 2,272 |
| Profit/(Loss) net of tax | <u>282,848</u> | <u>(26,796)</u> | <u>4,372</u> | <u>(50,924)</u> | <u>209,500</u> |
| Assets and liabilities | | | | | |
| Segment assets | 1,833,946 | 264,973 | 324,749 | (610,424) | 1,813,244 |
| Segment liabilities | <u>529,309</u> | <u>292,292</u> | <u>240,235</u> | <u>(549,297)</u> | <u>512,539</u> |
| Other segment information | | | | | |
| Depreciation | 66,252 | 18,651 | 20,520 | (10,719) | 94,704 |
| Amortisation | <u>401</u> | <u>-</u> | <u>33</u> | <u>-</u> | <u>434</u> |

35. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2016 were authorised for issue in accordance with a resolution of the directors on 18 January 2017.

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36. 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 30 September 2016 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 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Retained earnings of the Company and its subsidiaries: | | | | |
| Realised | 534,488 | 656,320 | 129,356 | 135,032 |
| Unrealised | 27,514 | 77,388 | (12,844) | 55,146 |
| | <u>562,002</u> | <u>733,708</u> | <u>116,512</u> | <u>190,178</u> |
| Less: Consolidation adjustments | <u>(9,460)</u> | <u>(33,896)</u> | <u>-</u> | <u>-</u> |
| Retained earnings per financial statements | <u><u>552,542</u></u> | <u><u>699,812</u></u> | <u><u>116,511</u></u> | <u><u>190,178</u></u> |