



PUBLIC RELEASE

Dear Shareholders,

Replies to questions raised during the 15th Annual General Meeting held on 25th February 2021

We appreciate your participation in our 15th Annual General Meeting (“the AGM”) held virtually at 2:00pm, 25th February 2021.

Throughout the duration of the AGM, we received 46 questions, proposals or comments from our shareholders who joined us remotely from various places. Due to time constraints, we were not able to provide replies to all the questions, proposals or comments from the shareholders during the AGM.

The Chairman of the Board of Directors indicated during the AGM that we would provide replies to all shareholders’ questions through a Public Release on our website. The Board has summarised in the next section the questions, proposals or comments from our shareholders, together with our replies.

Thank you.

The Board of Directors
JCY International Berhad [200501031285 (713422-X)]
6 March 2021

Questions and Answers

Q01: Please provide an update on the Covid-19 outbreaks and the impacts on your business.

R01: The COVID-19 pandemic has negatively impacted many aspects of the global economy. However, our business is mainly in the HDD industry, and we do not observe noticeable direct impacts on global HDD demand. JCY will continue to closely monitor developments, including the impacts on the supply chain of the HDD industry, and we have in place strategies to deal with situations as required.

As far as production is concerned, COVID-19 has the potential to cause major disruptions to our operations. Accordingly, we have introduced very stringent COVID-19 measures with new SOPs in all our factories in Johor Bahru, Penang, Thailand and China. The Group is confident of our ability to cope with and contain any outbreaks swiftly and effectively.

Q01: How is JCY's workers' welfare? Are the workers living in very cramped condition? Had JCY done anything to improve the workers' living conditions?

R02: JCY is committed to the Codes of Conduct promoted by the Responsible Business Alliance (RBA). In essence, the objectives of the RBA's Codes of Conduct are to ensure that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

Our workers are allocated to hostels managed by professional operators carefully selected by the Group, the setups of the hostels conform to the RBA's Codes of Conduct and applicable laws and regulations. Each of our workers is provided with comfortable living space and facilities to ensure the quality of personal life.

We are aware of new directives by the Human Resource Ministry which in some cases may exceed current RBA requirements. We are reviewing these requirements in order to ensure we are compliant in all respects.

Q03: We refer to your announcement dated 14 January 2021, appreciate if you could update more about the progress of the “Re-alignment of Customer Base” mentioned in the announcement?

Recent news said that JCY is losing a major customer. What is your comment?

What measures are taken by the company to overcome the impact of losing the major customer?

Can you update on the news stated that one major client have terminated contract with JCY?

R03: We announced on 14 January 2021 that *“one of our major customers informed that they intend to firstly reduce and eventually stop purchases of one of the Company’s component products” and “at the same time, the Company has commenced a major re-alignment of its customer base. JCY has committed a significant amount of capital and resources for this new customer and are ramping up production for certain components, including a new range of products”*.

Subsequent to the announcement, we have continued constructive discussions with the new customer over ramping up production and the new range of products. Barring unforeseen circumstances, we are currently working on plans which will fully occupy, or possibly exceed, our current operational capacity. The transitional period of the “re-alignment of customer base” may bring some challenges to the financial performance of the Group in the short term but we are confident that, as the transitional period ends, the Group will be repositioned strongly and steadily for the foreseeable future.

Q04: What is the progress on your business diversification plan?

In FYE2020, the Group entered into a Business Sales Agreement (“BSA”) with SDM Casting Precision Sdn Bhd (“SDM”) to acquire SDM’s businesses in the automotive industry in Malaysia. When will we see the contribution?

Can you tell us on the automotive segment progress and will that start to contribute to the topline?

Other technology related stocks are well performing and reported good financial. JCY still lagged behind of industry peer performance. If JCY planned to diversifying its manufacturing to wider selection in order to meet current trend of IT products instead of HDD products?

Mr chairman, in regard to company venture in the electrical vehicle industry, can you update on the company in talk with?

R04: The Group is entering into other industries with our expertise and specialization in precision components manufacturing.

As announced previously, the Group has acquired the automotive businesses of a local setup company, we are currently at the stage of technical and knowhow transfer. The automotive businesses are expected to contribute revenue starting this financial year (2021). We have also started with several contracts in the other industry through our newly setup plant located in Jiangsu, China.

These diversification plans involve very established and specialized industries and the Group is committed to gradually grow and to excel in these industries in the coming years.

Q05: The Prime Minister launched MyDIGITAL and also mentioned that Malaysia will begin 5G rollout by the end of this year. What are your expectations for this?

Digitalisation is an irreversible global trend that has been in place for decades and this is expected to continue. As we are involved in the industry for digital storage solutions, we welcome any initiatives that promote digitalisation.

Q06: As raw material aluminium price has been increasing sharply since May 2020, is this going to have a huge impact on the cost? If yes, what action has been taken to minimise the cost?

Is there any impact from shortage of semiconductors?

The Group monitors the prices and supplies of its key raw materials very closely. Increases in raw material prices will inevitably affect our cost of sales in the coming quarters, and the Group is working on plans to cushion these impacts. The Group has not encountered any supply shortages for our key raw materials.

Q07: JCY being a leading component supplier and contract manufacturer for the data storage market, what is your market share for now? Is this meet your ideal level? Based on FY 2020 Result, revenue slightly increases 3.7% yoy but didn't back to FY2018 level, how do JCY foresee for FY2021? Does JCY feel confident to maintain the performance in FY2021?

Will you impair the loss of the business in HDD in coming qtrs?

Good afternoon to The Chairman and Board of Director, Kindly elaborate the outlook and future of the company

Can you do a presentation for shareholders in next AGM and brief the shareholders on the outlook of the company for the coming year?

What is the company direction or prospect in the next 2 year?

Why are the future prospects of the aerospace and automotive segment?

R07: The Group provides a narration of its business prospects every financial quarter in Note B3 to the Quarterly Financial Report.

In FY2021, there will be a transitional period for the "Re-alignment of Customer Base". Please refer to R03 and R04 for more information.

Q08: JCY achieved a turnaround story on FY2020 bottom line with net profit amounting to RM14.12m. In the statement, JCY said this is mainly due to cost rationalisation efforts, would you share what JCY done? Will the cost rationalisation efforts continue to maintain? Do you see any downward pressure for the average selling prices of HDD products? What is the company guideline?

R08: Our cost rationalisation efforts are extensive and continuous, targeting at all aspects of our businesses, including sourcing, deployment of resources, production management and technology enhancements. We expect that this comprehensive approach will continue to yield beneficial results. The average selling prices of our products remain relatively stable in recent quarters.

Q09: Looking into the geographical segment, revenue of Singapore and China segment decreased sharply, what is the reason? Is JCY considering exiting the Singapore and China market? How do you foresee local and oversea segment performances moving forward?

Q09: The Group reported in the Management Discussion and Analysis of the Annual Report 2019 and Annual Report 2020 that the Group had consolidated the HDD related operations previously located in Suzhou, China to Johor Bahru, Malaysia. That is the reason for the revenue of “Other” geographical segment to have decreased sharply in FY2020.

The Group is venturing into other industries with newly established facilities located in Jiangsu, China. Please refer to R04 for more information.

Q10: How you compare yourself with other company [...] or your other competitors where our company are far behind in terms of share price, profitability and dividend?

R10: The Company’s share price is determined by market forces. The Board of Directors will concentrate on maximizing the value of the Company and safeguarding the interests of the Company.

Q11: Can you please send a copy of the printed copy of the annual report?

R11: You should have received a “Requisition Form” in the materials that delivered to you as shareholder. You may fill up the form and post your request to:-

THE COMPANY SECRETARY
JCY International Berhad
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Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Q12: What are the compositions of other operating income for 2020? Please explain the drastic drop compared to 2019.

R12: Other operating income mainly consist of interest income, gain on disposal of assets, exchange gain (if any) and other gain or income. The high operating income in FY2019 include a one-time assets disposal gain derived from the acceptance of the relocation compensation for land and building located in Suzhou, China.

Q13: Essentially the profit after tax for 2020 of RM26m is contributed 100% from the reversal of impairment loss on PPE. Please explain why the reversal of RM33m, when in 2019 JCY put in the impairment loss of RM29m?

R13: The provision and reversal of impairment of assets is carried out in accordance with Malaysian Financial Reporting Standard 136 and International Accounting Standard 36. The Group recognised impairment losses of RM90.1 million and RM29.7 million in FY2018 and FY2019 respectively and recognised a reversal of impairment of RM33.2 million in FY2020, based on the operational and financial circumstances and prospects at the time of the respective reporting periods.

Q14: Will company resume dividend payout same as previous financial year?

R14: The Board decides or recommends any dividend payments by carefully examining the profitability, liquidity and cash-flow position of the Group.

Q15: Chairman is company going to do any capital change policy in the near future?

R15: Our capital investment policy is formulated and will be adjusted to meet existing and future business strategies and needs.

Q16: Regarding e-voucher, e-AngPow, door gifts and food vouchers

R16: We encourage shareholders to participate in our general meetings to learn more from the Management and to share your thoughts. The Company has not traditionally provided minor perks in the form of vouchers or gifts for participation in our general meetings, as we hope that our shareholders will appreciate and benefit from improvements in the Company's performance and shareholder value.

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