



PUBLIC RELEASE

Dear Shareholders,

Replies to questions raised during the 16th Annual General Meeting held on 24th February 2022

We appreciate your participation in our 16th Annual General Meeting (“the AGM”) held virtually at 10:00am, 24th February 2022.

Throughout the duration of the AGM, we received 39 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)]
1 March 2022

Questions and Answers

Q01: Why there is a provision RM17.5 million in provision of compliance cost for the RBA Code of Conduct?

(Replied during the AGM)

R01: We are committed to the RBA Code of Conduct. The RBA stands for “Responsible Business Alliance”, which is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains.

The provision of RM17.5 million is to ensure that the Group is meeting the fair employment expectation by the industry coalition. This compliance cost for the RBA Code of Conduct is one-off and is not expected to recur in the future.

Q02: Can you explain further the RM36.7 million “gain from recycling of foreign currency reserve on liquidation of a foreign subsidiary”?

(Replied during the AGM)

R02: In short, the RM36.7 million gain is a result of reclassifying the foreign currency translation reserve attributed to the liquidated foreign subsidiary to the profit and loss. Or in layman term, reducing the other comprehensive income below the net profit line and increasing other operating income above the net profit line. The gain had no impact to the reported total comprehensive income, net equity and net assets of the Group.

The capital investment in the liquidated subsidiary was denominated in Chinese Yuan or RenMinBi. Throughout the years of holding the investment, the Chinese Yuan had appreciated substantially against the functional currency of the holding company, and the appreciation gain of the capital investment due to the exchange rate differences had been recognized through other comprehensive income. Upon the liquidation of the foreign subsidiary, and in accordance with paragraph 48 of the Malaysian Financial Reporting Standard 121 and International Accounting Standard 21, the cumulative amount of the exchange differences previously recognized in other comprehensive income and accumulated in the foreign currency translation reserve were reclassified from translation reserve to profit or loss in the period the foreign subsidiary was liquidated.

Q03: Had COVID-19 impacted your operation?

(Replied during the AGM)

R03: The Group's revenue was not materially affected by the COVID-19 Pandemic in the previous financial year. However, the Group had incurred additional costs amid the COVID-19 Pandemic, comprising below:-

First, operational inefficiency costs, such as loss of productivity due to reduced operation level, facilities shut down temporarily as ordered by the authorities, and workers being quarantined due to infection or close contact to infected persons;

Second, compliance costs, such as costs in relation to compliance of Standard Operating Procedures as imposed by the authorities;

Third, welfare costs, such as accommodation and food for affected workers; and

Lastly, recovery costs, such as vaccination for the Group's workers.

Q04: You mentioned in your annual report, “the high material costs are expected to bring a heavier burden on the cost of material consumption for the Group in FYE2022”, how will the high material cost impact the company's result?

(Replied during the AGM)

R04: Some of our raw material prices had increased substantially recently, especially the aluminum prices, which contribute to a major part of our raw material costs, had been almost doubled from its previous stable level. We expect the material price hike to have an impact on our reported results in our financial year 2022. However, the Management is working closely with our customers and suppliers for mitigation measures.

Q05: JCY reported positive results for the first quarter, thank you. Will this result continue?

What would be the prospect of the group, post pandemic?

(Replied during the AGM)

R05: Barring unforeseen circumstances on the global economy, the HDD industry market and local operating environment, the Management will work with its best efforts to deliver good results. We wish to bring all readers of our quarterly financial reports to pay attention to our Note B3 of the quarterly report, of which the Group would discuss more about the prospects of the industry and the Company.

Q06: Please explain the gross loss in 2021

As announcement last year, there was a major customer was going to stop purchase one of the company's product, so up the latest quarterly report, there was any order from the mentioned client? if any, how many % it contribute to the total top topline?

Can the Management disclose more about the new customers in relation to the realignment strategy? -Who are the new customers and from which industry? -How big is the size? -How many new customers are there in total? -What is the expected revenue contribution for the new customers? -What type of products that the Company is producing for the new customers?

What is the expected profit margin of the Group after the realignment of customer base? When can the investors see the full potential of the Company (e.g. improvement in profit margin) given that the Company expect the revenue from the new customers can potentially exceed the revenue from the loss of customer (as stated in the annual report)?

Please kindly elaborate and share the client lost and the new client matter. Is this new client bringing better profit margin than the previous client? Is this new client sustainable?

(Replied during the AGM)

R06: 2021 was a challenging year for us because of 2 reasons.

First was a major customer realignment and secondly on top of this the constraints imposed by Covid 19 pandemic.

In January 2021, we informed shareholders of a customer base realignment. One of our customer indicated that they will reduce their purchase of one commodity while in parallel we acquired new customer's orders that would replace the vacated capacity. This ramping down and up in this realignment was a major challenge and it incurred significant operational cost. In the just concluded December quarter, I am happy to note that the transition had been completed successfully. Our capacity utilisation had been restored and we have now a much better product mix that will better position for us the future.

Secondly, another major constraint in 2021 was the COVID-19 pandemic. The COVID-19 pandemic poses many operational challenges. We acted responsibly as a company, always protecting our staff. We applied strict protocols, operated within the constraints imposed by the governments and accelerated the vaccination of our staff. All these reduces factory efficiency and increased our operational cost.

Looking at the current situation on covid, we do see a very different picture going into 2022. We are seeing more positive projections by the governments in opening up. I am also happy to announce that our workers are greater than 95% vaccinated up to the booster shots in all facilities in Malaysia. And we will be at the similar level by mid to end march in our Thailand facility.

The 2 headwinds in 2021 are now largely behind us. And we started Q1 2022 in a much better position. I am happy to note that for the first quarter of 2022 ended December 2021, we have turned the corner and reported a gross profit of RM17.6 million and net profit of RM6.4 million. Showing over 7% increase in revenue for the same quarter year on year.

Q07: Any progress of automotive segment? If any, since when the order start? and how many % it contribute to topline so far?

What is the prospect for JCY Auto Sdn Bhd? Who are the major customers and when can JCY Auto contribute to the total revenue of the Group? How much is the expected revenue contribution from JCY Auto to the Group and how much is the expected margin for JCY Auto's segment?

R07: We are in the qualification stage for the automotive segment in Malaysia. The automotive segment is expected to contribute revenue for the Group in year 2022. However, the revenue contribution from the automotive segment will not be significant compared to the Group's revenue in the initial years.

Q08: What's the future plans of the company?

Going forward, what is JCY near and long term strategies plan?

what the prospect in the future ? Any new customers?

R08: We are already qualified and shipping or is being qualified on platforms in the HDD industry that are seeing year on year growth. JCY remains optimistic of the HDD industry.

We adopt two (2) strategies for the long term sustainability of our business:-

1. Horizontal Expansion in the digital storage industry and technology industry by increasing our market share within the supply chain and expanding our range of products to more customers within the digital storage industry.
2. Diversification into other related and new industries, such as automotive, aerospace industries and other industries that will leverage on our core competency of casting, machining and Ecoating. We will continue to grow and expand into areas that we have already initiated.

Q09: Why there is no impairment provision on loss of customers in FYE 2021? Does the Management foresee any further impairment from the loss of customer / realignment of customer base going forward?

R09: As explained in R06 above, the loss of the customer was in parallel with acquisition of new customer's orders that would replace the vacated capacity, hence the assets utilisation of the Group had not been materially impacted in FYE2021.

We wish to refer you to R05 and Q08 above for replies on the prospects of the Group's result.

Q10: Regarding agenda 11, why would company provide ESOS option to Mr. Gouw Kim San?

Is ESOS granted will tie to company performance? If company reported full year loss, will ESOS been granted?

R10: Mr. Gouw Kim San (“Mr. Gouw”) was appointed as an executive director cum chief operating officer of the Company on 16 December 2020. He is eligible to ESOS options under the by-law of the ESOS. The agenda 11 of the AGM was to seek to shareholders’ approval to allocate ESOS options to Mr. Gouw and this will enable the Company with flexibility to grant ESOS options in accordance with its reward scheme to Mr. Gouw as it deems appropriate. The actual grant of ESOS options to Mr. Gouw will be further subject to the assessment and approval of the ESOS committee of the Company.

The realisation of rewards from the ESOS are tied to the performance of the share price of the Company. As such, this will create motivation and incentive for the executives of the Company to work hard to improve the financial performance of the Group. The Company will also take into accounts the individual executives’ work performances to determine the timing and quantum of the ESOS granted.

Q11: Kindly explain company competitive advantage in this industry?

R11: In HDD mechanical component industry, our more than 20 years of experience and high entry barrier for incoming competitor are among the most important competitive advantages for JCY. In summary our competitive edges are:

- A) Our size with all key technologies in one shop (mold design to finish product)
- B) Our Team. Our professionalism and technical ability to solve technical issues.
- C) Our financial ability and willingness to invest for the future.

Q12: Is there any further capital investment planned by the Company?

R12: Our capital investment policy is formulated and will be adjusted to meet existing and future business strategies and needs. As the challenges of labour shortages and high material costs intimidate, the Group’s current capital expenditure plan focuses on diligently investing on automation projects, to further reduce our reliance on manual labour and to improve the resources usage efficiency. The Company will also carefully examine every investment opportunity for diversifying into other businesses.

Q13: Regarding dividend payment (various queries)

R13: The Board decides or recommends any dividend payments by carefully examining the profitability, liquidity and cash-flow position of the Group.

Q14: Regarding e-wallet, e-voucher, e-AngPow, door gifts and food vouchers (various queries)

R14: 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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