



JCY INTERNATIONAL BERHAD

(Company No. 713422-X)

(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING OF 530,210,000 ORDINARY SHARES OF RM0.25 EACH ("OFFER SHARES") IN JCY INTERNATIONAL BERHAD, SUBJECT TO THE OVER-ALLOTMENT OPTION (AS DEFINED IN THIS PROSPECTUS), COMPRISING:

- I. THE INSTITUTIONAL OFFERING OF 470,317,000 OFFER SHARES TO FOREIGN AND MALAYSIAN INSTITUTIONAL AND SELECTED INVESTORS AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING, PAYABLE IN FULL UPON ALLOCATION; AND
- II. THE RETAIL OFFERING OF 59,893,000 OFFER SHARES TO THE MALAYSIAN PUBLIC, ELIGIBLE DIRECTORS AND EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF JCY INTERNATIONAL BERHAD GROUP'S BUSINESS AT A RETAIL PRICE OF RM2.00 PER OFFER SHARE, PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO A REFUND IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISION.

THE FINAL RETAIL PRICE WILL EQUAL THE LOWER OF:

- I. THE RETAIL PRICE OF RM2.00 PER OFFER SHARE; AND
- II. 95.0% OF THE INSTITUTIONAL PRICE (SUBJECT TO ROUNDING TO THE NEAREST SEN), TO BE DETERMINED BY WAY OF BOOKBUILDING.



CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Principal Adviser



CIMB Investment Bank Berhad
(Company Number 18417-M)



UBS Securities Malaysia Sdn Bhd
(Company Number 253825-X)



CIMB Investment Bank Berhad
(Company Number 18417-M)



UBS AG
(Company Registration Number: F0009086)

*Joint Managing Underwriters and Underwriters
(in respect of Retail Offering)*

*Joint Global Co-ordinators
(in respect of Institutional Offering)*

*Joint Bookrunners
(in respect of Institutional Offering in Malaysia)*

*Joint Bookrunners
(in respect of Institutional Offering outside of Malaysia)*

JCY INTERNATIONAL BERHAD

PROSPECTUS

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO SECTION 5 FOR "RISK FACTORS".

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

OUR DIRECTORS, PROMOTER AND SELLING SHAREHOLDER HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED WOULD MAKE ANY STATEMENT IN THE PROSPECTUS FALSE OR MISLEADING.

CIMB INVESTMENT BANK BERHAD ("**CIMB**") BEING THE PRINCIPAL ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("**IPO**").

THE SECURITIES COMMISSION OF MALAYSIA ("**SC**") HAS APPROVED THE OFFER FOR SALE OR THE INVITATION IN RESPECT OF OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR THE SECURITIES BEING OFFERED. OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OUR SECURITIES.

THE ACCEPTANCE OF APPLICATIONS FOR OUR SECURITIES IS CONDITIONAL UPON PERMISSION BEING GRANTED BY BURSA SECURITIES FOR QUOTATION OF OUR SECURITIES ON THE MAIN MARKET OF BURSA SECURITIES. IF PERMISSION IS NOT GRANTED BEFORE THE EXPIRATION OF SIX WEEKS FROM THE DATE OF ISSUE OF THIS PROSPECTUS (OR SUCH LONGER PERIOD AS MAY BE SPECIFIED BY SC), PROVIDED THAT OUR COMPANY IS NOTIFIED BY BURSA SECURITIES WITHIN THE AFORESAID TIMEFRAME, OUR COMPANY HAS TO REPAY, ALL MONIES RECEIVED FROM APPLICANTS. IF SUCH MONIES ARE NOT REPAYED WITHIN 14 DAYS AFTER THE CORPORATION BECOMES LIABLE TO REPAY IT, THE PROVISION OF SUB-SECTION 243(2) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("**CMSA**") APPLIES.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE SECURITIES OF OUR COMPANY ARE CLASSIFIED AS SHARIAH COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC ("SAC") BASED ON THE AUDITED FINANCIAL STATEMENTS OF OUR COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2009. THIS CLASSIFICATION REMAINS VALID UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW IS UNDERTAKEN BY THE SAC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

INVESTORS SHOULD NOTE THAT ANY AGREEMENT BY THE UNDERWRITERS NAMED HEREIN TO UNDERWRITE OUR IPO IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE SHARES BEING OFFERED.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA. OUR COMPANY, PROMOTER, SELLING SHAREHOLDER, PRINCIPAL ADVISER, JOINT GLOBAL CO-ORDINATORS, JOINT BOOKRUNNERS, JOINT MANAGING UNDERWRITERS AND UNDERWRITERS NAMED IN THIS PROSPECTUS HAVE NOT AUTHORISED AND ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. OUR COMPANY, PROMOTER, SELLING SHAREHOLDER, PRINCIPAL ADVISER, JOINT GLOBAL CO-ORDINATORS, JOINT BOOKRUNNERS, JOINT MANAGING UNDERWRITERS AND UNDERWRITERS HAVE NOT TAKEN ANY ACTION TO PERMIT A PUBLIC OFFERING OF THE SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA BASED ON THIS PROSPECTUS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR PURCHASE OR INVITATION TO BUY OUR SHARES OFFERED UNDER OUR IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR SHARES OFFERED UNDER OUR IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. THE COMPANY, PROMOTER, SELLING SHAREHOLDER, PRINCIPAL ADVISER, JOINT GLOBAL CO-ORDINATORS, JOINT BOOKRUNNER, JOINT MANAGING UNDERWRITERS AND UNDERWRITERS REQUIRE INVESTORS TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH OUR IPO. THE SHARES BEING OFFERED IN OUR IPO ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. NEITHER OUR COMPANY NOR OUR PROMOTER HAS AUTHORISED ANYONE TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS. ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY OUR COMPANY, PROMOTER, SELLING SHAREHOLDER, PRINCIPAL ADVISER, JOINT GLOBAL CO-ORDINATORS, JOINT BOOKRUNNERS, JOINT MANAGING UNDERWRITERS AND UNDERWRITERS, ANY OF THEIR RESPECTIVE DIRECTORS OR ANY OTHER PERSONS INVOLVED IN OUR IPO.

COPIES OF THIS PROSPECTUS ARE AVAILABLE FOR DOWNLOAD FROM THE WEBSITE OF BURSA MALAYSIA BERHAD AT www.bursamalaysia.com.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN IPO UNDER THE LAWS OF MALAYSIA.

OUR SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES OF AMERICA ("U.S.") SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR TRANSFERRED WITHIN OR INTO THE U.S., EXCEPT PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT. OUR SHARES ARE BEING OFFERED AND SOLD IN THE U.S. TO QUALIFIED INSTITUTIONAL BUYER ("**QIBS**") IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") AND TO CERTAIN PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**"). IN ADDITION, UNTIL 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF OUR IPO AND THE COMPLETION OF THE DISTRIBUTION OF THE SHARES, AN OFFER OR SALE OF OUR SHARES WITHIN THE U.S. BY ANY DEALER (WHETHER OR NOT PARTICIPATING IN OUR IPO) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, SUCH REQUIREMENTS OR IN ACCORDANCE WITH RULE 144A.

OUR SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE U.S. OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF OUR IPO OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE U.S..

ELECTRONIC PROSPECTUS

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME. YOU MAY OBTAIN A COPY OF AN ELECTRONIC PROSPECTUS FROM THE WEBSITE OF CIMB AT www.eipocimb.com OR CIMB BANK BERHAD AT www.cimbclicks.com.my.

THE INTERNET IS NOT A FULLY SECURE MEDIUM. THE INTERNET SHARE APPLICATION MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF INVESTORS DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, INVESTORS SHOULD IMMEDIATELY REQUEST FROM THE COMPANY OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THE PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, INVESTORS ACKNOWLEDGE AND AGREE THAT:

- (1) OUR COMPANY DOES NOT ENDORSE AND IS NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, OUR COMPANY IS NOT RESPONSIBLE FOR THE AVAILABILITY OF OR THE CONTENT OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. INVESTORS BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

- (II) OUR COMPANY IS NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY TERMS OF ANY AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. OUR COMPANY IS ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT INVESTORS MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILE OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- (III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT THE INVESTORS' OWN DISCRETION AND RISK. OUR COMPANY IS NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO THE INVESTORS' COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF AN INTERNET PARTICIPATING FINANCIAL INSTITUTION, INVESTORS ARE ADVISED THAT:

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION WHICH MAY BE VIEWED VIA THE INVESTORS' WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO THE INVESTORS OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, THE INVESTORS OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON THE INVESTORS OR ANY THIRD PARTY'S PERSONAL COMPUTERS, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON THE INVESTORS' PERSONAL COMPUTERS.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

Events	Date
Opening of the Institutional Offering	27 January 2010*
Opening of the Retail Offering	10.00 a.m., 1 February 2010
Closing of the Retail Offering	5.00 p.m., 8 February 2010
Closing of the Institutional Offering	10 February 2010
Price Determination Date	10 February 2010
Balloting of applications for the Offer Shares offered under the Retail Offering	11 February 2010
Transfer of Offer Shares to successful applicants	24 February 2010
Listing	25 February 2010

Note:

* *Being the date of commencement of bookbuilding.*

The Institutional Offering will open and close at the dates stated above or such other date or dates as our Directors, our Selling Shareholder and the Joint Global Co-ordinators may mutually decide at their absolute discretion. Applications for the Offer Shares pursuant to the Retail Offering will open and close at the date as stated above or such other date or dates as our Directors, our Selling Shareholder and the Managing Underwriters may mutually decide at their absolute discretion.

If either the Institutional Offering or Retail Offering is extended, the dates for the balloting, transfer of Offer Shares and the Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in Bahasa Malaysia and English daily newspapers widely circulated throughout Malaysia.

Further information on the tentative timetable is set forth in Sections 4.1 and 4.2 of this Prospectus.

All terms used are defined under "Definitions of Technical Terms" and "Definitions of General Terms" commencing on pages vi and vii respectively.

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GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

The following terms when used in this Prospectus shall bear the same meanings as set forth below unless otherwise defined therein or the context otherwise requires:

Definitions of Technical Terms

ACA	:	Actuator coil assembly
AFA	:	Actuator flex assembly
APFA	:	Actuator pivot flex assembly
CE	:	Consumer electronics
CNC	:	Computer(ised) Numerical(ly) Control(led)
DFC	:	Design for costs
DFM	:	Design for manufacturing
EN	:	Electroless Nickel
FCB	:	Flex circuit board
FCOF	:	Flip chip on flex
FIPG	:	Form-in-Place Gasket
HDD	:	Hard disk drive
JIT	:	Just-In-Time
MBA	:	Motor-Base Assembly
PC	:	Personal computer
PCBA	:	Printed circuit board assemblies
RoHS	:	Restriction of the Use of Certain Hazardous Substances
SSD	:	Solid State Drive
VMI	:	Visual mechanical inspection

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GLOSSARY OF ABBREVIATIONS AND DEFINED TERMS *(cont'd)*

Definitions of General Terms

Act	:	Companies Act 1965 as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Affiliates	:	An affiliate of, or a person affiliated with a specified person means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified
Alphana	:	Alphana Technology (Thailand) Co., Ltd
Application Form(s)	:	The printed application form(s) for the application of the Retail Offering
Articles	:	Articles of Association of our Company
ASP	:	Average selling prices
ATM	:	Automated teller machine
Axius Investments (Mauritius)	:	Axius Investments Ltd (<i>Company No. 62320</i>)
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bumiputera	:	Malays and the indigenous races in the states of Sabah or Sarawak as specified in the Federal Constitution of Malaysia
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (<i>Company No. 165570-W</i>)
Bursa Securities	:	Bursa Malaysia Securities Berhad (<i>Company No. 635998-W</i>)
BVI	:	British Virgin Islands
CAGR	:	Compound annual growth rate
Capital Expenditure(s)	:	Expenditures relating to property, plant and equipment and prepaid land lease payments
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System of Malaysia
CIMB	:	CIMB Investment Bank Berhad (<i>Company No. 18417-M</i>)

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS *(cont'd)*

CMSA	:	Capital Markets and Services Act 2007 as amended from time to time and any re-enactment thereof
Director	:	Director of our Company
DOE	:	Malaysian Department of Environment
EBITDA	:	Earnings before finance cost, taxation, depreciation and amortisation
Electronic Share Application	:	Application for the Retail Offering through a Participating Financial Institution's ATM
EU	:	European Union
Final Retail Price	:	The final price per Offer Share to be paid by investors pursuant to the Retail Offering as determined in accordance with Section 4.4 of this Prospectus
Government	:	Government of Malaysia
Hitachi	:	Hitachi Global Storage Technologies
HLB	:	Hong Leong Bank Berhad (<i>Company No. 97141-X</i>)
Initial Public Offering ("IPO") or Offer for Sale	:	Offering of 530,210,000 Offer Shares by the Offeror comprising the Retail Offering and Institutional Offering
Institutional Offering	:	470,317,000 Offer Shares to be offered (i) to Malaysian institutional and selected investors and other investors outside the U.S. in reliance on Regulation S; and (ii) to QIBs in the U.S. in reliance on Rule 144A
Institutional Price	:	The price per Offer Share to be paid by investors pursuant to the Institutional Offering. The Institutional Price will be determined at the Price Determination Date
Internet Participating Financial Institution(s)	:	The participating financial institution(s) for Internet Share Application as listed in Section 17 of this Prospectus
Internet Share Application	:	Application for the Retail Offering through an Internet Participating Financial Institution
ISO	:	International Organisation for Standardisation
Japanese Yen	:	Japanese yen, the lawful currency of Japan
JCY or our Company	:	JCY International Berhad
JCY Group or our Group	:	JCY and its subsidiaries
JCY HDD Malaysia	:	JCY HDD Technology Sdn Bhd (<i>Company No. 715017-A</i>)

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS (cont'd)

JCY HDD Singapore	:	JCY HDD Technology Pte Ltd (<i>Company No. 200512885-Z</i>)
JCY HDD Thailand	:	JCY HDD Technology Co., Ltd (<i>Company No. 0105547129126</i>)
Joint Bookrunners	:	CIMB and UBS
Joint Global Co-ordinators	:	CIMB and UBS
Joint Managing Underwriters and Underwriters for the Retail Offering	:	CIMB and UBS
Key Customers	:	Western Digital and Seagate
Listing	:	Listing of and quotation for the entire issued and paid-up ordinary share capital of our Company on the Main Market
Listing Date	:	The date of the Listing
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 December 2009, being the latest practicable date prior to the issuance of this Prospectus
Main Market	:	Main Market of Bursa Securities
Maju Uni	:	Maju Uni-Concept Sdn Bhd, an Affiliate of CIMB
Malaysian FRS	:	Financial reporting standards in Malaysia
Management	:	Management of our Company
Market Day	:	Day on which Bursa Securities is open for trading in securities
Maxtor	:	Maxtor Corporation and/or its subsidiaries
MDC	:	Multimedia Development Corporation
MIDA	:	Malaysian Industrial Development Authority
MIH or Issuing House	:	Malaysian Issuing House Sdn Bhd (<i>Company No. 258245-X</i>)
Minarex Holdings (Mauritius)	:	Minarex Holdings Limited (<i>Company No. 62303</i>)
MITA	:	Malaysian Income Tax Act 1967 as amended from time to time and any re-enactment thereof
MITI	:	Malaysian Ministry of International Trade and Industry
MSC	:	Multimedia Super Corridor

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS *(cont'd)*

Nidec	:	Nidec Electronics (Thailand) Co. Ltd
Offer Shares	:	530,210,000 existing Shares offered for sale by our Selling Shareholder pursuant to the Offer for Sale
Official List	:	A list specifying all securities listed on the Main Market
Over-Allotment Option	:	Over-allotment option granted by our Selling Shareholder to the Stabilising Manager (on behalf of the Placement Managers) as set out in Section 4.3.4 of this Prospectus
Participating Financial Institution(s)	:	The participating financial institution(s) for Electronic Share Application as listed in Section 17.5.2 of this Prospectus
PBT	:	Profit before tax
PCA	:	PCA Hard.Com Sdn Bhd (<i>Company No. 316289-X</i>)
PCA BVI	:	PCA Hard.Com Sdn Bhd Limited (<i>Company No. 627837</i>)
PCA Mahlin	:	PCA Mahlin Technology Sdn Bhd (<i>Company No. 436116-D</i>)
Placement Agreement	:	The placement agreement to be entered into by our Company, our Selling Shareholder and the Placement Managers in respect of such number of Shares to be offered under the Institutional Offering
Placement Managers	:	CIMB and UBS
PRC	:	The People's Republic of China
Predecessor Group	:	PCA and PCA Mahlin
Preferential Share Allocation Scheme	:	18,995,000 Offer Shares to be offered to our eligible directors, our employees and persons who have contributed to the success of our Group's business
Price Determination Date	:	The date on which the Institutional Price is to be determined
Principal Adviser	:	CIMB
Promoter, Offeror or Selling Shareholder	:	YKY Investments
QB Technology (Malaysia)	:	QB Technology Sdn Bhd (<i>Company No. 535997-K</i>)
QIB	:	Qualified institutional buyer, as defined in Rule 144A
Regulation S	:	Regulation S under the Securities Act

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS *(cont'd)*

Retail Offering	:	59,893,000 Offer Shares to be offered to the Malaysian public, our eligible directors, our employees and persons who have contributed to the success of our Group's business
Retail Price	:	The initial price of RM2.00 per Offer Share to be fully paid by applicants pursuant to the Retail Offering
RM or Ringgit	:	Ringgit Malaysia, the lawful currency of Malaysia
RMB	:	Chinese renminbi, the lawful currency of the PRC
Rule 144A	:	Rule 144A under the Securities Act
Samsung	:	Samsung Electronics
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission of Malaysia
SC Guidelines	:	Equity Guidelines issued by the SC
Seagate	:	Seagate Technology LLC and its Affiliates
Securities Act	:	U.S. Securities Act, of 1933, as amended
SGD or Singapore Dollar	:	Singapore dollar, the lawful currency of Singapore
Share(s)	:	Ordinary share(s) of RM0.25 each in our Company
SICDA	:	Securities Industry (Central Depositories) Act 1991 as amended from time to time and any re-enactment thereof
Stabilising Manager	:	A person to be appointed under the Capital Markets and Services (Price Stabilisation Mechanism) Regulations 2008 to undertake a stabilising action on behalf of our Company
sq ft	:	Square feet
Thai Baht	:	Thai baht, the lawful currency of Thailand
TRENDFOCUS	:	TRENDFOCUS, Inc.
U.S.	:	The United States of America
UBS	:	UBS AG, acting through its business group, UBS Investment Bank and/or UBS Securities Malaysia Sdn Bhd (<i>Company No. 253825-X</i>)

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS *(cont'd)*

Underwriting Agreement	:	The underwriting agreement dated 26 January 2010 entered into between our Company, our Selling Shareholder, the Joint Managing Underwriters and the Underwriter(s) in respect of such number of Shares to be offered under the Retail Offering
USD, dollars or U.S. dollars	:	U.S. dollar, the lawful currency of the United States of America
we, or us	:	JCY and/or the JCY Group
Western Digital	:	Western Digital Corporation and its Affiliates
WFOE	:	Wholly foreign owned enterprise
YK Technology Suzhou	:	YK Technology (Suzhou) Co. Ltd (<i>Company Registration No. 320500400021606</i>)
YK Yong	:	Yong Yoon Kiong
YKY Investments	:	YKY Investments Ltd (<i>Company No. 142176B</i>)

Words denoting the singular shall include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference to a time or day shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancies in the tables included in this Prospectus between the listed amounts and their totals are due to rounding.

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1. CORPORATE DIRECTORY**DIRECTORS**

Name	Address	Nationality	Occupation
Dr. Rozali Bin Mohamed Ali <i>(Chairman and Independent Non-Executive Director)</i>	27 Lengkok Setiabudi Bukit Damansara 50490 Malaysia	Malaysian	Director
Goh Chye Kang <i>(Non-Independent Executive Director)</i>	8 Fudu Park Singapore 789542	Singaporean	Director
Wong King Kheng <i>(Non-Independent Executive Director)</i>	44 Jalan Tekam 96000 Sibu Sarawak	Malaysian	Director
Yong Yong Chai <i>(Non-Independent Executive Director)</i>	40A-02 Jalan Abdul Samad 80100 Johor Bahru	Malaysian	Director
Chatar Singh A/L Santa Singh <i>(Non-Independent Executive Director)</i>	54-8-14, The Reef Jalan Low Yat 11100 Batu Ferringhi Penang	Malaysian	Director
Chang Wei Ming <i>(Independent Non-Executive Director)</i>	60 Bayshore Road #05-05, Jade Tower Singapore 469982	Malaysian	Director
Chan Boon Hui <i>(Independent Non-Executive Director)</i>	27 Mount Faber Road #B1-03, Singapore 099200	Malaysian	Director

AUDIT COMMITTEE

Name	Designation	Directorship
Chang Wei Ming	Chairman of Committee	Independent Non-Executive Director
Dr. Rozali Bin Mohamed Ali	Member of Committee	Independent Non-Executive Director
Chan Boon Hui	Member of Committee	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Chan Boon Hui	Chairman of Committee	Independent Non-Executive Director
Chang Wei Ming	Member of Committee	Independent Non-Executive Director
Dr. Rozali Bin Mohamed Ali	Member of Committee	Independent Non-Executive Director

1. **CORPORATE DIRECTORY** (cont'd)**REMUNERATION COMMITTEE**

Name	Designation	Directorship
Dr. Rozali Bin Mohamed Ali	Chairman of Committee	Independent Non-Executive Director
Chang Wei Ming	Member of Committee	Independent Non-Executive Director
Chan Boon Hui	Member of Committee	Independent Non-Executive Director
Wong King Kheng	Member of Committee	Non-Independent Executive Director

COMPANY SECRETARY

: Chua Siew Chuan
(MAICSA 0777689)
6 Jalan SS14/8E
Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan
Malaysia

: Tan Ai Ning
(MAICSA 7015852)
7-6-3, Menara Hartamas
Jalan Sri Hartamas 3
50480 Kuala Lumpur
Malaysia

REGISTERED OFFICE

: Level 7 Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel No. : (603) 2084 9000
Fax No. : (603) 2094 9940

HEAD/MANAGEMENT OFFICE

: No 1 Jalan Firma 3
Kawasan Perindustrian Tebrau IV
81100 Johor Bahru
Johor Darul Takzim
Malaysia
Tel No. : (607) 352 5822
Fax No. : (607) 352 5833

PRINCIPAL BANKERS

: CIMB Bank Berhad
30 Jalan Serampang
Taman Pelangi
80050 Johor Bahru
Johor Darul Takzim
Malaysia
Tel No. : (607) 332 4911

1. CORPORATE DIRECTORY (cont'd)

- PRINCIPAL BANKERS (cont'd)** : Hong Leong Bank Berhad
12-16 Jalan Wong Ah Fook
80000 Johor Bahru
Malaysia
Tel No. : (607) 222 8315
- LEGAL ADVISERS** : *(To the Company as to Malaysian law)*
Zaid Ibrahim & Co
Advocates & Solicitors
Level 19 Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel No. : (603) 2087 9999
- : *(To the Company and the Selling Shareholder as to certain matters of U.S. federal securities and English laws)*
Latham & Watkins LLP
9 Raffles Place
#42-02 Republic Plaza
Singapore 048619
Tel No. : (65) 6536 1161
- : *(To the Joint Global Co-ordinators and Joint Bookrunners as to Malaysian law)*
Adnan Sundra & Low
Advocates & Solicitors
Level 11, Menara Olympia
No. 8, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel No. : (603) 2070 0466
- : *(To the Joint Global Co-ordinators and Joint Bookrunners as to certain matters of U.S. federal securities and English laws)*
Shearman & Sterling LLP
6 Battery Road #25-03
Singapore 049909
Tel No. : (65) 6230 3800
- AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young
Suite 11.2, Level 11
Menara Pelangi
2, Jalan Kuning
Taman Pelangi
80400 Johor Bahru, Johor Darul Ta'zim
Malaysia
Tel No. : (607) 334 1740

1. CORPORATE DIRECTORY (cont'd)

- PRINCIPAL ADVISER FOR THE IPO** : CIMB Investment Bank Berhad
5th Floor Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel No. : (603) 2084 8888
- JOINT GLOBAL CO-ORDINATORS (IN RESPECT OF INSTITUTIONAL OFFERING) AND JOINT BOOKRUNNERS (IN RESPECT OF INSTITUTIONAL OFFERING OUTSIDE OF MALAYSIA)** : CIMB Investment Bank Berhad
5th Floor Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel No. : (603) 2084 8888
- : UBS AG
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong
Tel No. : (852) 2971 8888
- JOINT MANAGING UNDERWRITERS AND UNDERWRITERS (IN RESPECT OF RETAIL OFFERING) AND JOINT BOOKRUNNERS (IN RESPECT OF INSTITUTIONAL OFFERING IN MALAYSIA)** : CIMB Investment Bank Berhad
5th Floor Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel No. : (603) 2084 8888
- : UBS Securities Malaysia Sdn Bhd
Level 7, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia
Tel No. : (603) 2781 1100
- SHARE REGISTRAR** : Securities Services (Holdings) Sdn Bhd
Level 7 Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel No. : (603) 2084 9000
Fax No. : (603) 2094 9940
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd
27th Floor Menara Multi-Purpose
Capital Square
8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No. : (603) 2693 2075

1. CORPORATE DIRECTORY *(cont'd)*

**INDEPENDENT MARKET
RESEARCHER**

: TRENDFOCUS, Inc
20370 Town Centre Lane, Suite 240
Cupertino, CA 95014
Tel No. : (408) 996 9903
Fax No. : (408) 996 9910

LISTING SOUGHT

: Main Market of Bursa Malaysia Securities Berhad

SHARIAH STATUS

: Approved by the SAC

2. INTRODUCTION

This Prospectus is dated 1 February 2010.

No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed the Offer Shares as a "prescribed security". In consequence thereof, the Offer Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Offer Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository.

On 26 January 2010, approval was obtained from the SC in respect of the IPO. On 28 December 2009, the SAC, for the purpose of the IPO and the Listing, classified our Company's securities as Shariah-compliant based on the audited financial statements of our Company and subsidiaries for the financial year ended 30 September 2009. This classification remains valid until the next Shariah compliance review is undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November. The approval of the SC shall not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in the Prospectus. The SC has not, in any way, considered the merits of the Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss investors may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. **Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken, should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.**

Our Company has obtained the approval of Bursa Securities for the listing of and quotation for the Offer Shares on the Main Market. Official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of transfer have been despatched to all successful applicants. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or the Offer Shares.

The acceptance of applications for the Offer Shares is conditional upon permission being granted by Bursa Securities for the quotation of all the Offer Shares on the Main Market. If the permission is not granted within six weeks from the date of this Prospectus (or such longer period as may be specified by the SC), provided that the Company is notified by Bursa Securities within the aforesaid timeframe, all monies paid in respect of any application accepted, will be returned in full, without interest to the applicants, at the applicant's own risk. In accordance with the provision of sub-section 243(2) of the CMSA, if such monies are not returned within 14 days after our Selling Shareholder becomes liable to do so, then our Selling Shareholder and the officers of our Selling Shareholder shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other date as may be prescribed by the SC from the expiration of that period.

The completion of the Retail Offering and the Institutional Offering are inter-conditional and subject to the minimum subscription as set out in Section 4.3.6 of this Prospectus.

If the Offer Shares are not transferred pursuant to the Retail Offering and the Institutional Offering, monies paid in respect of any application for the Offer Shares will be returned to applicants without interest and in accordance with the provision of sub-section 243(2) of the CMSA.

2. INTRODUCTION *(cont'd)*

Pursuant to the Listing Requirements, the Company is required to comply with the public spread requirements as determined by Bursa Securities, pursuant to which our Company is required to have a minimum 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the time of Listing. Our Company is expected to achieve this at the time of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within 14 days after our Selling Shareholder becomes liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Forward-Looking Statements

This Prospectus contains "forward-looking statements" relating to our business and the industry in which we operate. These forward-looking statements include statements relating to competition, trends and anticipated developments in our industry and in the technology underlying our products. These forward-looking statements also include statements relating to our performance in Section 7 and Section 13 of this Prospectus. In addition, we may make forward-looking statements in written materials, press releases and oral statements issued by us or on our behalf. Forward-looking statements include statements regarding our intent, belief or current expectations or those of our officers (including statements preceded by, followed by or that include forward-looking terminology such as "may," "will," "should," "believes," "expects," "anticipates," "estimates," "continues" or similar expressions or comparable terminology) with respect to various matters. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions.

It is important to note that our actual results in the future could differ materially from those anticipated in these forward-looking statements depending on various important factors. These factors include (i) the effect of any changes in our relationship with our customers; (ii) the effects of competition; (iii) our ability to grow revenues; (iv) the timely development of our new products and new technology; (v) the effect of changes in the HDD industry; and (vi) our success at managing the risks that arise from these factors.

All forward-looking statements in this Prospectus are based on information available to us on the date hereof. Except as required by applicable law or Listing Requirements, we do not undertake to update any forward-looking statements that may be made by us or on our behalf in this Prospectus or otherwise. In addition, please note that the matters set forth in Section 5 and Section 13 of this Prospectus constitute cautionary statements identifying important factors with respect to these forward-looking statements, including certain risks and uncertainties that could cause actual results in the future to differ materially from those anticipated in such forward-looking statements.

2. INTRODUCTION *(cont'd)*

Industry and Market Data

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performances of the industry and markets in which we operate. Such data is taken or derived from information published by industry sources and from our internal data. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by TRENDFOCUS, an independent consumer electronics industry consultant. We have appointed TRENDFOCUS to provide the "Industry Overview" section. In compiling the data for this section, TRENDFOCUS relied on industry sources, published materials, its own private databanks and direct contacts within the industry. We believe that the information contained in "Industry Overview" provided by TRENDFOCUS and the other statistical data and projections cited in this Prospectus are useful in assisting prospective investors to understand the major trends in the industry in which we operate. However, none of us, our Promoter, our Selling Shareholder, Principal Adviser, Joint Global Co-ordinators, Joint Bookrunners, Joint Managing Underwriters and Underwriters, and/or our or their advisors have independently verified these figures.

We, our Promoter, our Selling Shareholder, Principal Adviser, Joint Global Co-ordinators, Joint Bookrunners, Joint Managing Underwriters and Underwriters, and/or our or their advisors do not make any representation as to the correctness, accuracy or completeness of such data. You should not place undue reliance on the statistical data cited in this Prospectus. Similarly, any third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on any third party projections cited in this Prospectus.

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3. INFORMATION SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION ABOUT JCY THAT MAY BE IMPORTANT TO PROSPECTIVE INVESTORS. PROSPECTIVE INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE SHARES OFFERED HEREBY. PROSPECTIVE INVESTORS ARE ADVISED TO READ THE RISK FACTORS DESCRIBED IN SECTION 5 OF THIS PROSPECTUS FOR AN UNDERSTANDING OF THE RISKS ASSOCIATED WITH THE INVESTMENT IN JCY.

3.1 Overview

Based on TRENDFOCUS' report contained in Section 8 of this Prospectus, we are one of the largest global precision engineering manufacturers of HDD mechanical components based on revenue and unit production for base plates, top cover assembly, APFA and antidisks in 2009. Our manufacturing facilities are located in the states of Johor, Penang and Malacca, in Malaysia, and in Saraburi, Thailand. We are in the process of establishing new manufacturing facilities in the PRC. We primarily manufacture base plates, top cover assembly, APFA and antidisks, which are key mechanical components of HDDs. We jointly develop these components with and manufacture them for our customers, which then assemble these components into completed HDDs, primarily 3.5 inch and 2.5 inch HDDs.

Our revenue and net profit for the three financial years ended 30 September 2009 are set forth in the table below:

	Financial year ended 30 September		
	2007	2008	2009
	(RM millions)	(RM millions)	(RM millions)
	(Audited)	(Audited)	(Audited)
Revenue	1,657.8	1,834.9	1,758.0
Net profit	173.9	202.8	207.3

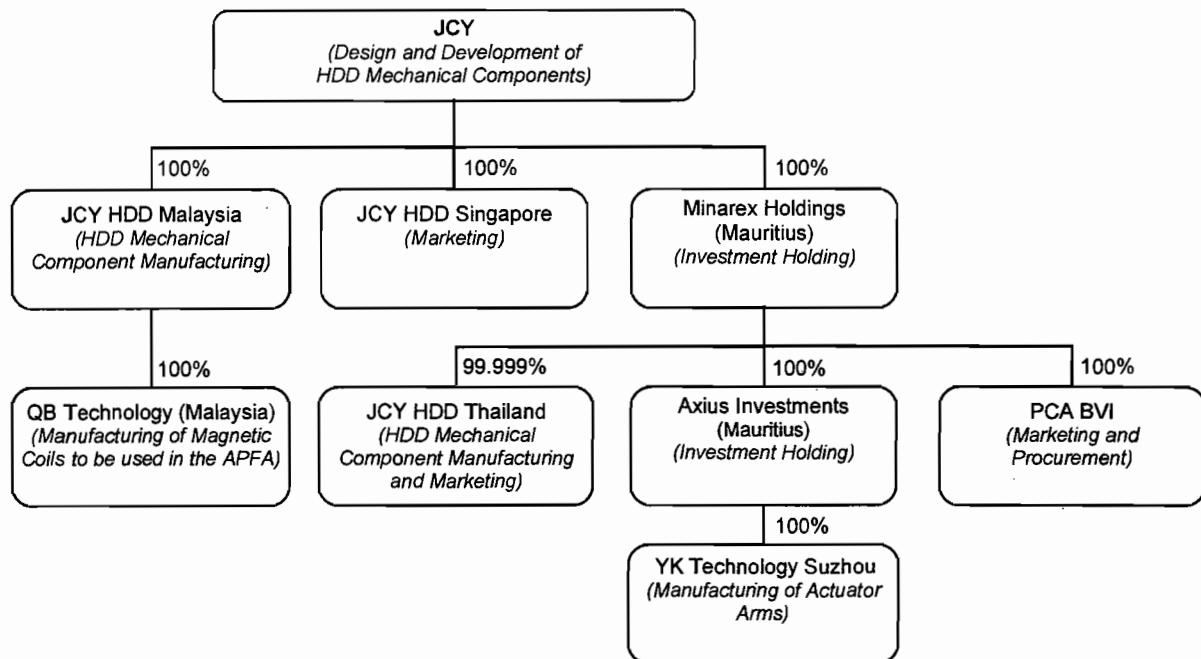
Based on direct sales, we derived 64.9% and 21.5% of our total consolidated revenue for the financial year ended 30 September 2009 from Western Digital and Nidec, respectively. Nidec is a MBA supplier to our Key Customers and our sales to Nidec are at the direction of Western Digital and Seagate. We also sell components to five other MBA suppliers (including Nidec) at the direction of Western Digital or Seagate. As HDD vendors, Western Digital and Seagate direct their other component suppliers to buy certain of our products and direct us to deliver such products to their suppliers. As a result of our direct and indirect sales (through the MBAs) to Western Digital and Seagate, we consider them our Key Customers. According to TRENDFOCUS, Western Digital and Seagate held approximately 26.8% and 31.5% market share of HDD sales worldwide in 2008 in terms of unit shipment respectively. Western Digital has been a customer of JCY since 1994 and Seagate since 2006.

As at 30 September 2009, we had total assets of RM1,461.1 million.

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3. INFORMATION SUMMARY (cont'd)

Our Group structure is set forth below:



- (a) JCY is the holding company for our Group and also undertakes design and development for our Group.
- (b) JCY HDD Malaysia is responsible for our Group's manufacturing activities. Currently, its primary production activities include casting of base plates, assembly of actuators, antidisks, stamping for top covers and E-coating.
- (c) JCY HDD Singapore serves as an intermediary for our Group's marketing activities.
- (d) Minarex Holdings (Mauritius) is an investment holding company and serves as the primary holding company for our operations in the PRC and Thailand.
- (e) QB Technology (Malaysia) is responsible for the manufacturing of magnetic coils to be used in the APFA.
- (f) JCY HDD Thailand serves as the machinery centre for base plates and is also directly responsible for marketing and sales to its customers in Thailand.
- (g) Axis Investment (Mauritius) is an investment holding company and serves as the primary holding company for our operation in Jiangsu, the PRC.
- (h) PCA (BVI) mainly serves as an intermediary for our Group's marketing and international procurement activities.
- (i) YK Technology Suzhou will be primarily responsible for the manufacturing of actuator arms.

Please refer to Sections 6 and 7 of this Prospectus for further details of our Group's business.

3. INFORMATION SUMMARY (cont'd)

3.2 Competitive Strengths

We believe that our position as one of the leading manufacturers of HDD components is due to the following key competitive strengths:

3.2.1 **We are a market leader and through our continued capital expansion, are well positioned to benefit from the growth in the HDD market**

We are one of the largest global precision engineering manufacturers of HDD mechanical components based on revenue and unit production for base plates, top cover assembly, APFA and antidisks in 2009, according to estimates by TRENDFOCUS. We believe that we have established a strong reputation as a reliable supplier of HDD mechanical components.

We believe that we are well positioned to benefit from the growth in the HDD market because of our continued capital expansion. We have incurred a total of RM465.5 million on capital expenditure in the last three financial years ended 30 September 2009. We have already invested in a significant expansion of our production facilities in Malaysia and Thailand, which is expected to be completed in 2010. Further, our recent expansion in production facilities, where we increased our total factory production floor space from 828,592 sq ft as of 30 September 2006 to 1,156,375 sq ft as of 30 September 2009, increased our production capacity. We are also in the process of establishing new manufacturing facilities in the PRC to efficiently service our existing and potential customers' operations. We believe that our continued capital expansion, together with our market leadership, has positioned us to benefit from the growth in the HDD market as economic conditions continue to improve.

3.2.2 **Cost competitive producer of high quality HDD mechanical components**

We believe that we are a leading producer of high quality and cost competitive HDD mechanical components. We operate a vertically integrated, manufacturing platform that is capable of delivering multi-component solutions to meet the needs of our customers. Our low costs are predominantly driven by our scale and efficiency of operations, vertically integrated processes and strategic low cost locations.

Due to the scale of our operations and because we are a multi-component manufacturer, we believe that we benefit from significant economies of scale as compared to our competitors. We believe that our large-scale operations enable us to improve production efficiency through better assembly line co-ordination and specialisation of skills. We believe that our scale of operations also helps to secure priority relationships with suppliers of our manufacturing equipment and other machinery, which result in priority delivery, greater bulk discounts, better credit terms and reliability in terms of the quantity and quality of supply.

3.2.3 **We are a multi-component producer focused on our core competencies**

Our manufacturing platform is suited to meet the changing needs of our customers. Global HDD manufacturers have been streamlining their supplier base and may prefer multi-component suppliers because they reduce administrative costs and optimise investment costs from a supplier's perspective. As a multi-component manufacturer, we are able to optimise our resources (equipment and engineering know-how). As the manufacturing and regulation of the specifications and quality of such components can be done by us, our customers minimise the risk of any complementary components not being able to operate in tandem with each other. Our customers are also assured of a similar level of quality of each HDD mechanical component obtained from us, given the identical level of quality control processes we adopt.

3. INFORMATION SUMMARY (cont'd)

3.2.4 Strategic 'two-way' relationships with Western Digital and Seagate

We have established a long-term strategic relationship with Western Digital since 1994. As one of Western Digital's key suppliers and preferred contract manufacturers, we have benefited and grown together with Western Digital.

In addition to Western Digital, we have been working with and have established a strategic relationship with Seagate since 2006. We have been supplying Seagate with base plates since 2006 and antidisks since 2008.

3.2.5 High barriers to entry to the HDD mechanical component manufacturing industry

The high investment costs and long lead time required to establish a new manufacturing operation as well as the uncertainty of securing customers and production volume are major deterrents to new entrants to this industry. HDD vendors also typically require all of their new third party component manufacturers to undergo stringent qualification processes which take approximately six to 10 months. There is no significant cash inflow to the supplier during the qualification period. The high level of technical expertise required to produce high quality products makes it difficult for new entrants as we believe that vendors generally prefer working with manufacturers with an established track record. We have gone through long and stringent qualification processes with our Key Customers and are currently undergoing the process with Alphana on base plates for Hitachi and Samsung MBAs. We are also continuously working with both Western Digital and Seagate on their new programmes.

3.2.6 Strong growth opportunities in the near future

Our growth opportunities are underpinned by the following key factors:

- growth in the overall HDD market;
- growth in our Key Customers' share of the HDD market;
- growth in our Key Customers' procurement needs;
- expansion of the number of products that we provide to our customers; and
- expansion of our customer base.

According to TRENDFOCUS, worldwide HDD shipments are expected to increase at a CAGR of 11.6% from 2009 to 2012. This growth is expected to be supported by the growth in the desktop segment and as well as in the mobile and CE segments. In particular, the advent of netbooks and the increased usage of external drives are expected to also contribute to growth in the overall HDD market.

3.2.7 Experienced management team

We have an experienced senior management team with an average of over 22 years of management experience and over 16 years of experience in the HDD industry. Our senior management team has played a significant role in the achievement of our Group's growth and in establishing our Company as a leading HDD mechanical component manufacturer.

Please refer to Section 7.3 of this Prospectus for further details of our Group's competitive strengths.

3. INFORMATION SUMMARY *(cont'd)*

3.3 Strategy

Our strategy is to continue to build on our strengths as a low cost, high quality, reliable manufacturer of selected mechanical HDD components and to capture a significant share of our customers' requirements.

The key elements of our strategy are as follows:

- expanding strategic customer relationships and support;
- investing in capacity expansion;
- continuously improving production efficiency and lowering costs; and
- focusing on higher value-add products.

Please refer to Section 7.4 of this Prospectus for further details of our Group's strategy.

3.4 Risk Factors

Prior to making an investment decision, prospective investors should carefully consider the following risks, summarised from Section 5 of this Prospectus, in addition to the other information contained elsewhere in this Prospectus.

3.4.1 Risks Relating to Business and Operations

- All of our revenue is currently derived from Western Digital and Seagate. The loss of, or a significant reduction in orders from Western Digital or Seagate would have a material adverse effect on our financial condition
- Our revenue, prices and margins are subject to declines due to fluctuating end-user demand of HDDs
- We are dependant on the accuracy of our customers' forecast on market demand and consumer requirements
- Increased costs of commodity materials may result in lower operating margin
- Our operating results depend on optimising overall quality and costs of new and established products
- A production delay in one of our manufacturing facilities could affect our production process
- We may not be able to effectively manage our anticipated growth and the expansion of our operations
- We are subject to risks related to product defects, which could render us liable to compensate our customers for expenses incurred in their product recalls, and could subject us to claims in excess of the price of our products or which are greater than anticipated
- We may not maintain adequate insurance coverage
- We depend on our suppliers for raw materials and do not typically have long-term supply contracts with them
- If we cease to receive favourable tax treatment in Malaysia, Thailand and the PRC, we may be subject to tax liability that could significantly affect our financial condition
- We may not retain our MSC status or continue to enjoy the benefits available to companies conferred with MSC status
- Environmental costs could have a material adverse effect on our operating results
- Specific Risks relating to our Subsidiary in the PRC
- Specific Risks relating to our Subsidiary in Thailand
- Unexpected production interruptions may materially and adversely affect our financial condition and results of operations

3. INFORMATION SUMMARY (cont'd)

- We depend on our key personnel and skilled employees, as well as foreign labour primarily supplied by our sub-contractors
- Our market is highly competitive and we may not be able to compete effectively
- Our current or future competitors may gain a technology advantage or an advantageous cost structure that we cannot match and new competitive products could have better performance or lower cost structures than HDD products
- Changes in the markets for HDDs require us to develop new products and new technology
- Not all the conditions attached to the land which we occupy and use are fully complied with
- The interests of our principal shareholder, YKY Investments, may differ from those of our Company

Please refer to Section 5.1 of this Prospectus for further details on risks relating to business and operations of our Group.

3.4.2 Risks Relating to the Shares

- There has been no prior market for our Shares
- We may not be able to pay dividends to our shareholders
- The sale or the possible sale of a substantial number of our Shares in the public market following the Offering could adversely affect the price of our Shares
- There may be a delay or failure in trading of the Shares, or a delay between settlement and trading of the Shares
- Our Share price may be volatile

Please refer to Section 5.2 of this Prospectus for further details of our Group's risks relating to the Shares.

3.4.3 Other Risks

- Political, economic and social developments in Malaysia and other Asian countries may adversely affect our Group
- The outbreak of an infectious disease in Asia may negatively impact our Group's business, financial condition and results of operations
- The Malaysian Ringgit may be subject to exchange rate fluctuations or further foreign exchange controls

Please refer to Section 5.3 of this Prospectus for further details of our Group's other risks.

3.5 Principal Statistics Relating to Our IPO

Our IPO comprises of a Retail Offering and an Institutional Offering totalling 530,210,000 Offer Shares (subject to the Over-Allotment Option) pursuant to an Offer of Sale by our Selling Shareholder.

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus.

3. INFORMATION SUMMARY *(cont'd)*

Our Selling Shareholder will grant an Over-Allotment Option to the Stabilising Manager (on behalf of the Placement Managers) as set out in Section 4.3.4 of this Prospectus.

3.5.1 Retail Offering

Retail Offering at the Retail Price of RM2.00 per Offer Share, payable in full upon application and subject to refund of the difference in the event the Final Retail Price is less than the Retail Price.

Our Selling Shareholder is offering 59,893,000 Offer Shares, representing approximately 2.9% of the issued and paid-up share capital of our Company under the Retail Offering, in the following manner:

- (i) 18,995,000 Offer Shares, representing approximately 0.9% of the existing issued and paid-up share capital of our Company, have been reserved for Directors and eligible employees of JCY Group as at the LPD, and persons who have contributed to the success of JCY Group's business;
- (ii) 40,898,000 Offer Shares, representing approximately 2.0% of the existing issued and paid-up share capital of our Company, will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

Any Offer Shares not purchased by investors under (i) above will be made available for application by investors under (ii), with any remaining amounts thereafter underwritten by the Underwriters for the Retail Offering, subject to the reallocation and clawback provisions in Section 4.3.3 of this Prospectus.

Applicants who apply for the Offer Shares under (i) above other than the Directors of our Group may apply for the Offer Shares available under (ii) above.

3.5.2 Institutional Offering

Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding.

Our Selling Shareholder is offering 470,317,000 Offer Shares representing approximately 23.0% of the existing issued and paid-up share capital of our Company to the following:

- (i) Malaysian institutional and selected investors and other investors outside the U.S. in reliance on Regulation S; and
- (ii) QIBs in the United States in reliance on Rule 144A or pursuant to another applicable exemption from registration under the Securities Act.

The completion of the Retail Offering and the Institutional Offering are inter-conditional and subject to the minimum subscription as set out in Section 4.3.6 of this Prospectus.

The Offer Shares are being offered by our Selling Shareholder. As at the LPD, the authorised share capital of our Company consists of 8,000,000,000 Shares out of which 2,044,860,000 Shares have been issued and fully paid-up and rank pari passu with one another. As at the LPD, our Company has one class of shares, namely ordinary shares of RM0.25 each. No new Shares are being issued and offered by our Company under our IPO.

3. INFORMATION SUMMARY (cont'd)

If the Offer Shares are not transferred pursuant to the Retail Offering and the Institutional Offering, monies paid in respect of any application for the Offer Shares will be returned to applicants without interest and in accordance with the provision of sub-section 243(2) of the CMSA. The Retail Offering and Institutional Offering shall be subject to the clawback and reallocation provisions set out in Section 4.3.3 of this Prospectus.

As our Company will not be issuing any new Shares under the IPO, we will not receive any proceeds from the IPO.

Please refer to Section 4 of this Prospectus for further information on details of the IPO.

3.6 Summary of Financial and Operating Data

The following tables present our selected consolidated financial and operating data for the three financial years ended 30 September 2009. Our consolidated financial statements are prepared in accordance with Malaysian FRS. Our consolidated financial statements for the three financial years ended 30 September 2009 have been audited by Messrs Ernst & Young.

Consolidated Income Statement Data

	Financial year ended 30 September		
	2007 (RM millions) (Audited)	2008 (RM millions) (Audited)	2009 (RM millions) (Audited)
Revenue	1,657.8	1,834.9	1,758.0
Cost of sales	(1,439.4)	(1,576.5)	(1,513.1)
Gross profit	218.4	258.4	244.9
Other operating income	3.2	9.8	7.8
General and administrative expenses	(44.0)	(54.8)	(39.4)
Profit from operation	177.6	213.4	213.3
Finance costs	(3.0)	(3.6)	(7.4)
PBT	174.6	209.8	205.9
Taxation	(0.7)	(7.0)	1.4
Net profit for the year	173.9	202.8	207.3
Net profit attributable to:			
Equity holders	173.9	202.8	207.3
Minority interest	-	-	-

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3. INFORMATION SUMMARY (cont'd)

Other Financial Data and Ratios

	Financial year ended 30 September		
	2007 (RM millions)	2008 (RM millions)	2009 (RM millions)
EBITDA ⁽¹⁾ (RM millions)	238.4	284.4	295.7
No. of JCY Shares in issue (unit million)	2,044.9	2,044.9	2,044.9
Gross profit margin (%)	13.2%	14.1%	13.9%
PBT margin (%)	10.5%	11.4%	11.7%
Net profit margin ⁽²⁾ (%)	10.5%	11.1%	11.8%
Basic and diluted earnings per share (RM)	0.09	0.10	0.10

Notes:

⁽¹⁾ EBITDA represents earnings before finance cost, taxation, depreciation and amortisation

	Financial year ended 30 September		
	2007 (RM millions)	2008 (RM millions)	2009 (RM millions)
Net profit for the year	173.9	202.8	207.3
Depreciation	60.6	70.7	81.9
Amortisation of prepaid land lease	0.2	0.3	0.5
Finance costs	3.0	3.6	7.4
Taxation	0.7	7.0	(1.4)
EBITDA (unaudited)	238.4	284.4	295.7

EBITDA, as well as the related ratios presented in this Prospectus, are supplemental measures of our performance and liquidity that are not required by or presented in accordance with Malaysian FRS. EBITDA is not a measurement of financial performance or liquidity under Malaysian FRS and should not be considered as an alternative to net income, operating income or any other performance measure derived in accordance with Malaysian FRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible.

⁽²⁾ Profit after tax divided by revenue.

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3. INFORMATION SUMMARY (cont'd)

Consolidated Balance Sheet

The following table sets forth the consolidated balance sheets of our Group based on the audited financial statements as at 30 September 2007, 2008 and 2009:

	As at 30 September		
	2007 (RM millions) (Audited)	2008 (RM millions) (Audited)	2009 (RM millions) (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	467.4	600.6	643.4
Prepaid land lease payments	14.0	28.0	19.6
	<u>481.4</u>	<u>628.6</u>	<u>663.0</u>
Current assets			
Inventories	129.5	191.7	185.3
Trade and other receivables	335.5	330.9	345.3
Amount due from shareholder	100.2	-	-
Cash and bank balances	110.7	145.1	238.7
	<u>675.9</u>	<u>667.7</u>	<u>769.3</u>
Non-current asset classified as held for sale	-	-	28.8
TOTAL ASSETS	<u>1,157.3</u>	<u>1,296.3</u>	<u>1,461.1</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	511.2	511.2	511.2
Reserves	287.7	314.1	291.5
	<u>798.9</u>	<u>825.3</u>	<u>802.7</u>
Non-current liabilities			
Deferred tax liabilities	-	6.4	5.5
Current liabilities			
Trade and other payables	225.3	294.1	292.1
Amount due to related companies	10.7	-	-
Amount due to shareholder	-	5.8	173.2
Short term borrowings	121.4	163.3	186.1
Tax payable	1.0	1.4	1.5
	<u>358.4</u>	<u>464.6</u>	<u>652.9</u>
Total liabilities	<u>358.4</u>	<u>471.0</u>	<u>658.4</u>
TOTAL EQUITY AND LIABILITIES	<u>1,157.3</u>	<u>1,296.3</u>	<u>1,461.1</u>

3. INFORMATION SUMMARY (cont'd)

Cash Flows and Other Selected Data

The following table sets forth certain information concerning our cash flows for the financial years indicated:

	Financial year ended 30 September		
	2007 (RM millions) (Audited)	2008 (RM millions) (Audited)	2009 (RM millions) (Audited)
Net cash generated from operating activities	174.0	278.8	275.0
Net cash (used in) investing activities	(104.3)	(199.2)	(140.5)
Net cash (used in) financing activities	(51.0)	(46.4)	(41.3)
Net increase in cash and cash equivalents	18.7	33.2	93.2

Lodgement of Audited Financial Statements

The financial statements of JCY and JCY HDD Malaysia for the financial years ended 30 September 2007 and 2008 were lodged with the CCM in 2009 and 2010, respectively. For further details, please refer to Section 12.1 of this Prospectus.

Key Financial Ratios

The following table sets forth certain of our key financial ratios for the financial years indicated:

Key Financial Ratios	Financial year ended 30 September		
	2007	2008	2009
Trade receivables turnover days ⁽¹⁾	71	63	69
Trade payables turnover days ⁽²⁾	53	63	61
Inventory turnover days ⁽³⁾	33	44	45
Current ratio (times) ⁽⁴⁾	1.9	1.4	1.2

Notes:

⁽¹⁾ Trade receivables divided by total revenue and multiplied by 365 days.

⁽²⁾ Trade payables divided by total cost of sales less depreciation and amortisation and multiplied by 365 days.

⁽³⁾ Inventory divided by cost of sales and multiplied by 365 days.

⁽⁴⁾ Current assets divided by current liabilities.

Please refer to Section 12, Section 13 and Section 14 of this Prospectus for further details of the financial and operating data of our Company.

3. INFORMATION SUMMARY *(cont'd)*

3.7 Dividend Policy

As we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends we receive from our subsidiaries. The payment of dividends by our subsidiaries will depend upon their distributable profits, operating results, financial condition, capital expenditure plans and other factors that their respective boards of directors deem relevant.

It is the policy of our Board in recommending dividends to allow shareholders to participate in our profits, as well as to retain adequate reserves for our future growth.

The actual dividend that our Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to take into account various factors including:

- the level of our cash, gearing, return on equity and retained earnings;
- our expected financial performance; and
- our projected levels of capital expenditure and other investment plans.

Considering our current financial position, our Board intends to adopt a progressive dividend policy, subject to the factors stated above and in the absence of any circumstances which might reduce the amount of revenue reserve available to pay dividends, whether by losses, capital reduction or otherwise.

Subject to the factors described above, our Board intends to pay dividends of up to 50% of our profits after taxation attributable to shareholders excluding non-recurring items after considering a number of factors, including our level of cash and retained earnings, results of operations, business prospects, capital requirements and surplus, general financial condition, contractual restrictions and other factors considered relevant by our Board, including our expected financial performance.

Please refer to Section 12.3 of this Prospectus for further details on our Company's dividend policy.

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3. INFORMATION SUMMARY (cont'd)

3.8 Capitalisation and Indebtedness

The following table sets forth our consolidated cash and cash equivalents, capitalisation and indebtedness as at 30 September 2009 (based on our audited consolidated balance sheet as at 30 September 2009) and as at 30 November 2009 (unaudited). Since all Shares in the Offering are being offered by our Selling Shareholder, we will not receive any of the proceeds from the Offering.

	As at 30 September 2009 (RM millions) (Audited)	As at 30 November 2009 (RM millions) (Unaudited)
Cash and cash equivalents	238.7	227.9
Short-term borrowings:		
Guaranteed:		
- Secured	-	-
- Unsecured	186.1	164.7
Unguaranteed	-	-
Long-term borrowings:		
Guaranteed:		
- Secured	-	-
- Unsecured	-	-
Unguaranteed	-	-
Total borrowings	186.1	164.7
Contingent liabilities	-	-
Shareholders' equity	802.7	854.0
Total capitalisation and indebtedness	988.8	1,018.7

Please refer to Section 12.2 of this Prospectus for further details on capitalisation and indebtedness.

3.9 Recent Developments

The following information provides an update on certain developments relating to our Group which have occurred after 30 September 2009.

Unaudited Consolidated Financial Statements for the Two Months Ended 30 November 2009

Financial information as of and for the two month period ended 30 November 2009 have been derived from our unaudited interim consolidated financial statements for this period which has been reviewed by Messrs Ernst & Young in accordance with the Malaysian standard on review, ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Approved Standards on Auditing in Malaysia. Results for the interim period should not be considered indicative of results for other periods or for the full financial year.

3. INFORMATION SUMMARY (cont'd)

Based on the unaudited consolidated financial statements for the two months ended 30 November 2009, our revenue was RM356.8 million, of which 43.0% was from sales of base plates, antidisks and casting moulds and toolings, 11.3% was from sales of top cover assembly and 45.7% was from sales of APFA.

During the same period, we achieved gross profit of RM67.4 million and net profit of RM56.6 million. Gross profit margin was 18.9% and net profit margin was 15.9%. For the two months ended 30 November 2009, EBITDA⁽¹⁾ was RM71.5 million.

Cash and bank balances decreased from RM238.7 million as at 30 September 2009 to RM227.9 million as at 30 November 2009 primarily due to the repayment of certain bank borrowings.

Based on the unaudited balance sheet as at 30 November 2009, equity attributable to equity holders of our Company as at 30 November 2009 was RM854.0 million.

Note:

⁽¹⁾ EBITDA represents earnings before finance cost, taxation, depreciation and amortisation

	For the period ended 30 November 2009
	(RM millions)
Net profit for the year	56.6
Depreciation	14.2
Amortisation of prepaid land lease	0.0
Finance costs	0.7
Taxation	(0.0)
EBITDA (unaudited)	71.5

EBITDA, as well as the related ratios presented in this document, are supplemental measures of our performance and liquidity that are not required by or presented in accordance with Malaysian FRS. EBITDA is not a measurement of financial performance or liquidity under Malaysian FRS and should not be considered as an alternative to net income, operating income or any other performance measure derived in accordance with Malaysian FRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible.

Events Subsequent to Our Unaudited Consolidated Financial Statements for the Two Months Ended 30 November 2009

In December 2009, we reduced the amount due to our shareholder by RM80.0 million using internal cash and bank balances. However, in December 2009, we had also drawn down USD50.0 million under the CIMB/UBS Facility to purchase machinery and/or equipment and for general working capital needs.

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4. DETAILS OF OUR IPO

4.1 Opening and Closing of Applications

Applications for the Offer Shares under the Retail Offering will open at 10.00 a.m. on 1 February 2010 and will remain open until 5.00 p.m. on 8 February 2010, or such other date or dates as our Directors, our Selling Shareholder and the Joint Managing Underwriters may mutually decide at their absolute discretion.

4.2 Indicative Timetable

The following events are intended to take place on the following tentative dates:

Events	Date
Opening of the Institutional Offering	27 January 2010*
Opening of the Retail Offering	10.00 a.m., 1 February 2010
Closing of the Retail Offering.....	5.00 p.m., 8 February 2010
Closing of the Institutional Offering.....	10 February 2010
Price Determination Date.....	10 February 2010
Balloting of applications for the Offer Shares offered under the Retail Offering.....	11 February 2010
Transfer of Offer Shares to successful applicants	24 February 2010
Listing	25 February 2010

Note:

* Being the date of commencement of bookbuilding.

The Institutional Offering will open and close at the dates stated above or such other date or dates as our Directors, our Selling Shareholder and the Joint Global Co-ordinators may mutually decide at their absolute discretion. Applications for the Offer Shares pursuant to the Retail Offering will open and close at the date as stated above or such other date or dates as our Directors, our Selling Shareholder and the Joint Managing Underwriters may mutually decide at their absolute discretion.

If either the Institutional Offering or Retail Offering is extended, the dates for the balloting, transfer of Offer Shares and the Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in Bahasa Malaysia and English daily newspapers widely circulated throughout Malaysia.

4.3 Particulars of Our IPO

Our IPO comprises of a Retail Offering and an Institutional Offering totalling 530,210,000 Offer Shares (subject to the Over-Allotment Option) pursuant to an Offer for Sale by our Selling Shareholder.

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus.

4. DETAILS OF OUR IPO (cont'd)

Our Selling Shareholder will grant an Over-Allotment Option to the Stabilising Manager (on behalf of the Placement Managers) as set out in Section 4.3.4 of this Prospectus.

4.3.1 Retail Offering

Retail Offering at the Retail Price of RM2.00 per Offer Share, payable in full upon application and subject to refund of the difference in the event the Final Retail Price is less than the Retail Price.

Our Selling Shareholder is offering 59,893,000 Offer Shares, representing approximately 2.9% of the issued and paid-up share capital of our Company under the Retail Offering, in the following manner:

- (i) 18,995,000 Offer Shares, representing approximately 0.9% of the existing issued and paid-up share capital of our Company, have been reserved for Directors and eligible employees of JCY Group as at the LPD, and persons who have contributed to the success of JCY Group's business;
- (ii) 40,898,000 Offer Shares, representing approximately 2.0% of the existing issued and paid-up share capital of our Company, will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

Any Offer Shares not purchased by investors under Section 4.3.1(i) will be made available for application by investors under Section 4.3.1(ii), with any remaining amounts thereafter underwritten by the Underwriters for the Retail Offering, subject to the reallocation and clawback provisions in Section 4.3.3 of this Prospectus.

Applicants who apply for the Offer Shares under Section 4.3.1(i), other than the Directors of our Group may apply for the Offer Shares available under Section 4.3.1(ii) above.

Set forth below is the summary of allocation of the 18,995,000 Offer Shares to our eligible Directors, our employees and persons who have contributed to the success of our Group, respectively:

Eligibility	No. of eligible persons	Aggregate number of Offer Shares allocated
Eligible Directors of our Group ⁽¹⁾	5	900,000
Eligible employees of our Group ⁽²⁾	368	4,648,500
Eligible persons who have contributed to the success of our Group ⁽³⁾	50	13,446,500
Total	423	18,995,000

Notes:

- ⁽¹⁾ *The criteria for allocation to our eligible Directors is based on amongst others, length of service, recent and past contribution to the JCY Group, designation as executive or non-executive, and the number of Shares given to our eligible Directors by our Selling Shareholder.*

	No. of Shares
Dr. Rozali Bin Mohamed Ali	500,000
Goh Chye Kang	100,000
Chatar Singh A/L Santa Singh	250,000
Chang Wei Ming	25,000
Chan Boon Hui	25,000
Total	900,000

- ⁽²⁾ *The criteria for allocation to our eligible employees is based on amongst others, their staff grade and seniority, and length of service in the JCY Group.*

4. DETAILS OF OUR IPO (cont'd)

⁽³⁾ The criteria for allocation to eligible persons who have contributed to the success of our Group is based on amongst others, the nature and terms of their business relationship and the duration of their respective relationship with our Group.

4.3.2 Institutional Offering

Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding.

Our Selling Shareholder is offering 470,317,000 Offer Shares representing approximately 23.0% of the existing issued and paid-up share capital of our Company to the following:

- (i) Malaysian institutional and selected investors and other investors outside the U.S. in reliance on Regulation S; and
- (ii) QIBs in the United States in reliance on Rule 144A or pursuant to another applicable exemption from registration under the Securities Act.

In summary, the Offer Shares (subject to the clawback and reallocation provisions and the Over-Allotment Option) will be allocated in the following manner:

Categories	Offer for Sale	
	No. of Offer Shares	% of existing share capital
Retail Offering:		
Eligible Directors, employees and persons who have contributed to the success of JCY Group's business	18,995,000	0.9%
Malaysian public via balloting	40,898,000	2.0%
	59,893,000	2.9%
Institutional Offering:	470,317,000	23.0%
Total	530,210,000	25.9%

The completion of the Retail Offering and the Institutional Offering are inter-conditional and subject to the minimum subscription as set out in Section 4.3.6 of this Prospectus.

4.3.3 Clawback and Reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

- (i) In the event of an over-subscription in the Retail Offering and a corresponding under-subscription in the Institutional Offering, the Offer Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and
- (ii) In the event of an under-subscription in the Retail Offering and a corresponding over-subscription in the Institutional Offering, the Offer Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

The clawback and reallocation shall not apply in the event of over-subscription in both the Retail Offering and the Institutional Offering.

4. DETAILS OF OUR IPO (cont'd)

4.3.4 Over-Allotment Option

Our Selling Shareholder will grant an Over-Allotment Option to the Stabilising Manager (on behalf of the Placement Managers). The Over-Allotment Option shall be exercisable in whole or in part by the Stabilising Manager on one or more occasions within 30 days from the Listing Date, to purchase from our Selling Shareholder up to an aggregate of 63,625,200 Shares, representing up to 12.0% of the total number of our Shares to be offered pursuant to the Offer for Sale, solely for purposes of covering over-allotments of our Shares (if any).

The Stabilising Manager will enter into a share lending agreement ("**Share Lending Agreement**") with our Selling Shareholder to borrow up to 63,625,200 Shares to cover over-allotments, if any. Any Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to our Selling Shareholder either through the purchase of Shares in the open market by the Stabilising Manager in the conduct of stabilisation activities or through the exercise of the Over-allotment Option by the Stabilising Manager or a combination of both.

In connection with our IPO, we will appoint the Stabilising Manager to undertake any price stabilisation actions. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may at their absolute discretion, over-allot Shares (on behalf of the Placement Managers) or effect transactions which may stabilise or maintain the market price of our Shares at levels that might not otherwise prevail in the open market. Such transactions consist of bids or purchase to peg, fix or maintain the price of the Shares. If the Stabilising Manager creates a short position in the Shares in connection with the Offering, that is, if they sell more than 530,210,000 Shares, the Stabilising Manager may reduce that short position by purchasing Shares in the open market. The Stabilising Manager may also elect to reduce any short positions by exercising all or part of the Over-Allotment Option described above. Purchases of a security to stabilise the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of these purchases. Such transactions may be effected on the Main Market and in other jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulations, including the CMSA and any regulations thereunder. The number of Shares that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may buy to undertake stabilising action, shall not exceed an aggregate of 63,625,200 Shares, representing up to 12.0% of the Offer Shares. However, there is no obligation on the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) to undertake any such stabilising action. Such stabilising actions may commence on or after the commencement of trading of our Shares on the Main Market and, if commenced, may be discontinued at any time and cannot be effected after the earliest of (i) the date falling 30 days from the commencement of trading of the Shares on the Main Market or (ii) the date when the Stabilising Manager has bought, on the Main Market, an aggregate of 63,625,200 Shares representing up to 12.0% of the Offer Shares to undertake stabilising action.

None of our Company, our Selling Shareholder or the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Shares. In addition, none of our Company, our Selling Shareholder or the Stabilising Manager makes any representation that the Stabilising Manager will engage in such transactions or that such transactions once commenced, will not be discontinued without notice.

4. DETAILS OF OUR IPO (cont'd)

4.3.5 Classes of Shares and Ranking

As at the LPD, our Company has one class of shares, namely ordinary shares of RM0.25 each. The Offer Shares rank equally in all respects with the other existing issued and paid-up Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares.

4.3.6 Minimum Subscription

There is no minimum subscription in terms of the proceeds to be raised by our Selling Shareholder. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of shares to be acquired will be such number of Shares required to be held by public shareholders for our Company to comply with public spread requirements.

4.4 Basis of Arriving at the Retail and Institutional Price

4.4.1 Retail Price

The Retail Price of RM2.00 per Offer Share was determined and agreed upon between the Directors of our Company, our Selling Shareholder, the Principal Adviser and the Joint Managing Underwriters after taking into consideration the following factors:

- (i) JCY's consolidated financial performance and operating history as described in Sections 12 and 13 of this Prospectus; and
- (ii) JCY's competitive strengths, strategies and future plans as outlined in Sections 7.3 and 7.4 of this Prospectus.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, and will be the lower of:

- (i) the Retail Price of RM2.00 per Offer Share; and
- (ii) 95.0% of the Institutional Price,

subject to rounding to the nearest sen.

Prospective retail investors should be aware that the Final Retail Price will not, in any event, be higher than the Institutional Price nor lower than the par value of the Shares.

The Final Retail Price and the Institutional Price are expected to be announced within two Market Days from the Price Determination Date in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of transfer.

Applicants should also note that the market price of the Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of the Shares.

4. DETAILS OF OUR IPO *(cont'd)*

4.4.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process wherein prospective investors will be invited to bid for portions of the Institutional Offering by specifying the number of Offer Shares that they would be prepared to acquire and the price that they would be prepared to pay for the acquisition. This bookbuilding process starts on 27 January 2010 and will end on 10 February 2010, or such other dates as the Directors of our Company, our Selling Shareholder and the Joint Global Co-ordinators may mutually decide at their absolute discretion. Upon the completion of the bookbuilding process, the Institutional Price will be fixed via agreement between our Company, our Selling Shareholder, the Principal Adviser, Joint Managing Underwriters and the Joint Global Co-ordinators on the Price Determination Date.

4.4.3 Refund Mechanism

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary mail to the address stated in the address last maintained by the applicants with the Bursa Depository or to the address as stated in Bursa Depository's records for applications made via the Electronic Share Application and Internet Share Application, of the successful applicants, within 10 Market Days from the final ballot of the application, at the successful applicants' own risk.

4.4.4 Expected Market Capitalisation

Based on the Retail Price of RM2.00 per Offer Share, the total market capitalisation of the Company upon the Listing is estimated at RM4.09 billion.

4.5 Purposes of Our IPO

The objectives of the IPO are as follows:

- (i) to obtain listing of and quotation for our 2,044,860,000 Shares on the Main Market;
- (ii) to enable our Company to access the equity capital market in the future to give JCY the financial flexibility to pursue growth opportunities;
- (iii) to enhance JCY's profile;
- (iv) to establish liquidity of the Shares; and
- (v) to provide an opportunity for the investing community to participate in the future performance of our Company by way of equity participation.

4.6 Utilisation of Proceeds

Since all Shares in our IPO are being offered by our Selling Shareholder, we will not receive any of the proceeds from our IPO.

4. DETAILS OF OUR IPO *(cont'd)*

4.7 Estimated Expenses of our IPO

The expenses of our IPO to be borne by JCY are estimated to be approximately RM540,000, which comprise, mainly the listing expenses (such as our IPO and listing application fees). Our Selling Shareholder will be bearing all professional fees and miscellaneous expenses (such as printing, advertising and traveling expenses) in respect of our IPO estimated to amount to approximately RM6.8 million. The brokerage fee, underwriting commission and placement fee, which are also to be borne by our Selling Shareholder are as set out in Section 4.8 of this Prospectus.

4.8 Brokerage, Underwriting Commission and Placement Fee

- 4.8.1 Our Selling Shareholder will pay brokerage in respect of the sale of the Offer Shares pursuant to the Retail Offering at the rate of 1.0% of the Final Retail Price in respect of successful applications which bear the stamp of member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or MIH. The Placement Managers are entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, brokerage commission under the Institutional Offering will not be payable by our Company.
- 4.8.2 As stipulated in the Underwriting Agreement, our Selling Shareholder will pay the Joint Underwriters an underwriting commission of 2.5% of the amount equal to the Retail Price multiplied by the Offer Shares underwritten pursuant to the Retail Offering ("**Retail Offering Proceeds**") and a discretionary fee of up to 1.0% of the amount equal to the Final Retail Price multiplied by the Offer Shares sold under the Retail Offering.
- 4.8.3 Our Selling Shareholder will pay the Placement Managers a placement fee of 2.5% and a discretionary fee of up to 1.0% of the amount equal to the Institutional Price multiplied by the Offer Shares sold to institutional and selected investors pursuant to the Institutional Offering.

4.9 Underwriting, Lock-up and Placement Agreements

4.9.1 Underwriting

We have on 26 January 2010 entered into the Underwriting Agreement with our Selling Shareholder, Joint Managing Underwriters and Underwriters for the Retail Offering to underwrite 59,893,000 Offer Shares under the Retail Offering subject to clawback and reallocation provisions and underwriting commission set out in Sections 4.3.3 and 4.8.2 of this Prospectus.

Below are the salient terms of the Underwriting Agreement:

The underwriting obligations of the Underwriters are several and not joint and are subject to certain conditions precedent which must be satisfied on the date of the closing of the Retail Offering. In addition, the Underwriters and the Joint Managing Underwriters, may, (and, if reasonably practicable, after prior consultation with our Selling Shareholder) by notice in writing given to our Selling Shareholder, elect to terminate the Underwriting Agreement upon the occurrence of any one of the following events:

4. DETAILS OF OUR IPO (cont'd)

- (i) any breach by us or our Selling Shareholder of any of the representations, warranties or undertakings set out in the Underwriting Agreement in any respect; or in the case of any warranties or representations or undertakings which are not qualified by any materiality requirements, in any material respect.
- (ii) us or our Selling Shareholder withholdings any material information from the Joint Managing Underwriters and the Underwriters, which may, or is likely to, have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect or change, whether individually or in the aggregate, and whether or not arising in the ordinary course of business on (i) the condition (financial or otherwise), results of operations or business affairs or prospects of our Company and our subsidiaries taken as a whole; (ii) the ability of our Company to perform in any material respect our obligations under or with respect to, or to consummate the transactions contemplated by the Underwriting Agreement and the Placement Agreement; or (iii) the IPO
- (iii) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Joint Managing Underwriters and the Underwriters by reason of Force Majeure (as defined below) which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of our IPO or which is likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms. "Force Majeure" means events which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
 - (a) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
 - (b) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
 - (c) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God.
- (iv) any government requisition or other occurrence of any nature whatsoever which may or is likely to have a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of our IPO.
- (v) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economical conditions or exchange control or currency exchange rates which in the opinion of the Joint Managing Underwriters and the Underwriters, may, or is likely to, have a Material Adverse Effect (as defined above). A material adverse change in the stock market condition is deemed to have occurred if the FTSE Bursa Malaysia KLCI Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day, on or after the date of the Underwriting Agreement and prior to the closing date for the Retail Offering, lower than 85 per cent. of the level of the Index at the last close of normal trading on Bursa Securities on the Market Day immediately

4. DETAILS OF OUR IPO (cont'd)

prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 consecutive Market Days.

- (vi) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more.
- (vii) any new law or regulation or change in law, regulation, directive, policy or ruling in any jurisdiction which in the reasonable opinion of the Underwriters and the Joint Managing Underwriters may materially prejudice the success of the Listing or which may or is likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms.
- (viii) the Institutional Offering or the Retail Offering is stopped or delayed by us, our Selling Shareholder or the regulatory authorities for any reason whatsoever (unless such delay has been approved by the Joint Managing Underwriters and the Underwriters).
- (ix) the Listing does not take place by the end of the third (3rd) month after the date of the Underwriting Agreement or within three (3) Market Days after the settlement date under the Underwriting Agreement (i.e. the date of delivery by the Underwriters of the Application Form(s) and the remittance by the Underwriters of the subscription monies payable for any underwritten shares) or such other extended date as may be agreed by the Joint Managing Underwriters and the Underwriters.
- (x) any commencement of legal proceedings or action against any member of our Group or our Selling Shareholder or any of their directors, which in the reasonable opinion of the Joint Managing Underwriters and the Underwriters, would have a Material Adverse Effect (as defined above) or make it impracticable to market our IPO or to enforce contracts to allot and/or transfer the Shares.
- (xi) if the SC issues an order pursuant to Malaysian laws such as to make it, in the sole opinion of the Joint Managing Underwriters and the Underwriters, impracticable to market our IPO or to enforce contracts to allot and transfer the Shares.
- (xii) the Placement Agreement has been terminated or rescinded in accordance with its respective terms or certain conditions as set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Joint Managing Underwriters in accordance with its terms.

Under the Underwriting Agreement, we and our Selling Shareholder have agreed severally, to indemnify the Joint Managing Underwriters and the Underwriters against any losses, claims, damages or liabilities pursuant to the Underwriting Agreement arising from any false or misleading information in this Prospectus or any misrepresentation or breaches of the representations, warranties or undertakings by us and our Selling Shareholder in the Underwriting Agreement.

4. DETAILS OF OUR IPO (cont'd)

4.9.2 Lock-up

- (i) We have agreed, subject to certain exceptions, that we shall not, without the consent of the Joint Bookrunners, for a period of 180 days from the Listing Date:
- offer, pledge, sell, contract to sell, mortgage, charge, assign, issue, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for Shares) whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
 - enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
 - deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities; or
 - agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, as amended, with respect to any of the foregoing.
- (ii) Our Selling Shareholder has entered into a shareholder lock-up agreement under which it has agreed that, subject to certain exceptions, it shall not, and shall procure that its shareholders, Affiliates and nominees or trustees holding Shares on trust for it or on its behalf shall not, without the consent of the Joint Bookrunners, for a period of 180 days from the Listing Date:
- offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;

4. DETAILS OF OUR IPO (cont'd)

- enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;
- agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, with respect to any of the foregoing; or
- sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Shares.

The restrictions above shall apply to all Shares (or any securities convertible into or exercisable or exchangeable for Shares) (i) held by our Selling Shareholder as at the date of the shareholder lock-up agreement or (ii) acquired by our Selling Shareholder after the date of the shareholder lock-up agreement and until and including the Listing Date.

The restrictions above do not apply (i) to Shares to be sold pursuant to our IPO, (ii) in respect of the additional Shares that are sold pursuant to the Over-Allotment Option granted by our Selling Shareholder to the Stabilising Manager, on behalf of the Placement Managers, (iii) to the transfer of up to 18,691,000 Shares by our Selling Shareholder to selected persons including certain directors and certain employees of the JCY Group prior to the Completion of the IPO, (iv) to the transfer of Shares by our Selling Shareholder as contemplated under the Share Lending Agreement, provided, that, these lock-up restrictions will apply to the Shares returned to our Selling Shareholder pursuant to the Share Lending Agreement, and (v) to the transfer of Shares by our Selling Shareholder as contemplated under the call option agreements under Sections 16.1(iv)(a) and (b) of this Prospectus.

- (iii) Each of our Directors have entered into shareholder lock-up agreements under which they have agreed that, subject to certain exceptions, they shall not, and shall procure that their Affiliates and nominees of trustees holdings Shares on trust for them or on their behalf, shall not, without the consent of the Joint Bookrunners, for a period of 180 days from the Listing Date:
- offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares, whether any

4. DETAILS OF OUR IPO *(cont'd)*

such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;

- enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;
- agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, with respect to any of the foregoing; or
- sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Shares.

The restrictions above shall apply to all Shares (or any securities convertible into or exercisable or exchangeable for Shares) (i) held as at the date of the shareholder lock-up agreement or (ii) acquired after the date of the shareholder lock-up agreement and until and including the Listing Date.

- (iv) Each of the persons named in Section 9.4.3 of this Prospectus who are not our Directors have entered into shareholder lock-up agreements under which they have agreed that, subject to certain exceptions, they shall not, and shall procure that their Affiliates and nominees of trustees holdings Shares on trust for them or on their behalf, shall not, without the consent of the Joint Bookrunners, for a period of 180 days from the Listing Date:

- offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;

4. DETAILS OF OUR IPO (cont'd)

- deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;
- agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, with respect to any of the foregoing; or
- sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Shares.

The restrictions above shall apply to all Shares (or any securities convertible into or exercisable or exchangeable for Shares) (i) held as at the date of the shareholder lock-up agreement or (ii) acquired after the date of the shareholder lock-up agreement and until and including the Listing Date but shall not apply in respect of Shares that are purchased pursuant to the Preferential Share Allocation Scheme.

- (vi) YK Yong has entered into a shareholder lock-up agreement under which he has agreed that, subject to certain exceptions, he shall not, and shall procure that his Affiliates and nominees or trustees holding ordinary shares of our Selling Shareholder (the "YKY Shares") on trust for him or on his behalf, shall not, without the consent of the Joint Bookrunners, for a period of 180 days from the Listing Date:
- offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any YKY Shares (or any securities convertible into or exercisable or exchangeable for YKY Shares) whether any such transaction is to be settled by delivery of YKY Shares or such other securities, in cash or otherwise;
 - enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the YKY Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the YKY Shares) whether any such transaction is to be settled by delivery of YKY Shares or such other securities, in cash or otherwise;
 - deposit any YKY Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the YKY Shares) in any depository receipt facilities;

4. DETAILS OF OUR IPO (cont'd)

- agree to do or announce any intention to do any of the above or an offering or sale of, any of the YKY Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such YKY Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, with respect to any of the foregoing; or
 - sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the YKY Shares.
- (v) Our Selling Shareholder has entered into two Call Option Agreements (further details of which are set out in Section 16.1(iv) of this Prospectus) with Maju Uni where Maju Uni must not and must cause and procure its nominee not to sell, transfer, assign, dispose of, charge, pledge, encumber or otherwise deal with in any way of part with possession or ownership of the Shares obtained under the call option agreements or any part thereof for a period of six months from the date of the Listing. Maju Uni must also not sell, transfer, assign, dispose of or otherwise deal with in any way or part with possession or ownership of the shares in its nominees or any part thereof (other than to any of its subsidiaries) for the same period of time.
- (vi) In addition, certain persons purchasing Shares pursuant to the Preferential Share Allocation Scheme may be requested to and enter into lock-up arrangements.

4.9.3 Placement

We and our Selling Shareholder expect to enter into a Placement Agreement with the Placement Managers in relation to the Institutional Offering. We and our Selling Shareholder will be requested, on a several basis, to give various representations, warranties and undertakings and provide an indemnity, subject to applicable law, against all claims, actions, enquiries, investigations, liabilities, demands, proceedings or judgements threatened, brought or established against certain parties including the Placement Managers under the Placement Agreement arising out of, among other things, untrue statements of a material fact in this Prospectus and other offering documents in relation to the Institutional Offering, any breach or failure by us or our Selling Shareholder to perform our obligations under the Placement Agreement or any breach of our respective warranties set out thereunder.

4.10 Trading and Settlement in Secondary Market

Upon Listing, the Offer Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository), which will be effected in accordance with the rules of Bursa Depository and the provisions of the SICDA as amended from time to time. Accordingly, our Company will not deliver share certificates to the purchasers of the Offer Shares.

Beneficial owners of Shares are required under the rules of Bursa Depository to maintain the Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Records of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to their respective securities accounts.

4. DETAILS OF OUR IPO (cont'd)

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that the Offer Shares will not commence trading on Bursa Securities until approximately 10 Market Days after the close of the Retail Offering. Holders of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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5. RISK FACTORS

OUR BUSINESS IS SUBJECT TO A NUMBER OF RISKS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, ALONG WITH THE OTHER MATTERS SET FORTH HEREIN, THE RISKS AND INVESTMENT CONSIDERATIONS SET FORTH BELOW. THE RISKS AND INVESTMENT CONSIDERATIONS SET FORTH BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES CURRENTLY FACING US OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY IN THE FUTURE HAVE A MATERIAL ADVERSE EFFECT ON US OR OUR SHARES.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this Prospectus.

5.1 Risks Relating to Our Business and Operations

5.1.1 All of our revenue is currently derived from Western Digital and Seagate. The loss of, or a significant reduction in orders from Western Digital or Seagate would have a material adverse effect on our financial condition

As of 30 September 2009, all of our revenue was derived from the sale of our components to our Key Customers or to MBA suppliers at the direction of our Key Customers. Based on direct sales, we derived 64.9% and 21.5% of our total consolidated revenue in the financial year ended 30 September 2009 from Western Digital and Nidec, respectively. Nidec is a MBA supplier to our Key Customers, and as a MBA supplier, Nidec attaches a spindle motor to the base plate before delivering its product to Western Digital and Seagate. Since Nidec as an MBA supplier now performs the assembly function for HDD manufacturers, Nidec has been directed by Western Digital and Seagate to acquire the HDD components from the JCY Group. We also sell components to five other MBA suppliers (including Nidec) at the direction of Western Digital or Seagate. As HDD vendors, Western Digital and Seagate direct their other component suppliers to buy certain of our products and direct us to deliver such products to these suppliers. As a result of our direct and indirect sales (through the MBAs) to Western Digital and Seagate, we consider them our Key Customers (further details of our customers is disclosed in Section 7.8 of this Prospectus). Historically, substantially all of our total consolidated revenue has been derived from one customer. Our Key Customers can make substantial demands on us, including demands on product pricing and on contractual terms, which may result in the allocation of risk to us as their contract manufacturer. We compete with other companies to supply components to our Key Customers and our ability to maintain a strategic relationship with our Key Customers is essential to our future performance. If we were to lose any of our Key Customers, or if any of our Key Customers should significantly reduce its orders of our products or require us to reduce our prices before we are able to reduce our cost, or if any of our Key Customers was to suffer financial hardship, our operating results would be materially and adversely affected. In addition, if any of our Key Customers' orders require us to reduce our price, this could result in a decrease in our revenue and our gross margins, which would have a material adverse effect on our results of operations and financial condition.

5. RISK FACTORS *(cont'd)*

In addition, any disruptions to the operations of our Key Customers, including production delays due to delayed delivery of HDD mechanical components or supplies by its other suppliers, would have a corresponding effect on our operations. Further, our customers operate in an industry that experiences frequent volatility. If either of our Key Customers were to suffer financial difficulties, whether as a result of downturns in the markets in which they operate or otherwise, this could result in a reduction of their orders for our products and have a material adverse effect on our financial condition. While we are dependent on our Key Customers for our strategic relationships, we are also exposed to credit risk of five other MBA suppliers (including Nidec) to whom we sell components at the direction of our Key Customers as our Key Customers are not liable for payment of the products that we sell to these parties. We derived 31.7% of our total consolidated revenue in the financial year ended 30 September 2009 from these third parties.

5.1.2 Our revenue, prices and margins are subject to declines due to fluctuating end-user demand of HDDs

Our products are used in data storage and in the establishment and operation of data communication networks. Our production is primarily based on quarterly production forecasts provided in advance by our Key Customers, and subsequently confirmed to us through purchase orders issued by our Key Customers on a periodic basis, usually every quarter. As a manufacturer and supplier of HDD mechanical components, our financial and operational results are closely linked to the growth of the HDD industry. If the actual growth in the data storage and data communication networking markets does not occur at the rate we expect or at a rate consistent with those prevalent over the past years, our business may be significantly affected. Demand for HDDs depends on the demand for systems manufactured by manufacturers (including original equipment manufacturers) and on storage upgrades to existing systems. Demand for HDD mechanical components is correspondingly affected. The demand for systems has been volatile in the past and may fluctuate depending on general economic conditions. For example, with macroeconomic conditions deteriorating rapidly in the second half of 2008, the HDD industry was hit hard in the last quarter of 2008, with a decline in unit shipments in what is traditionally the strongest quarter of the year. As a result, the HDD market may experience periods of excess capacity, which can lead to liquidation of excess inventories and intense price competition. A decline in the HDD industry would have a material adverse affect on our financial condition and operational results.

In addition, if our customers were to lower the prices for their products, this could in turn force us to reduce the prices for our products. If a reduction in price is not offset by larger volume orders, this could result in lower revenue and gross margins for us, which would have a material adverse affect on our operating results.

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5. RISK FACTORS (cont'd)

5.1.3 We are dependant on the accuracy of our customers' forecast on market demand and consumer requirements

The HDD industry faces difficulties in accurately forecasting market and customer demand for its products. The variety and volume of products we manufacture is based in part on these forecasts, which are made by our Key Customers and provided to us in advance on a quarterly basis, and confirmed (with adjustments) in our customers' purchase orders, which are usually issued on a quarterly basis (see Section 5.1.2 of this Prospectus). The quantities set forth in our customers' purchase orders are also subject to further adjustments on a weekly basis. If these forecasts exceed actual market demand or, if market demand decreases significantly from these forecasts, then the HDD industry could experience periods of product oversupply and price decreases, which would have a corresponding effect on us, and which may have a material adverse effect on our financial performance. If our Key Customers' forecasts do not meet actual market demand, or if market demand increases significantly beyond our Key Customers' forecasts, then we may not be able to satisfy our Key Customers' increased product needs in a timely manner, which may result in a loss of market share if our Key Customers are able to obtain their product requirements from their other suppliers.

We also rely, in part, on our Key Customers' quarterly forecasts in making decisions regarding investment of our resources. In addition, although we receive quarterly advance forecasts from our Key Customers, they are not obligated to purchase these forecasted amounts, but only those amounts set forth in their quarterly purchase orders (as adjusted on a weekly basis). As with most HDD vendors, our Key Customers use JIT inventory management processes, which enable them to maintain low inventory levels and require them to work closely with their suppliers to ensure timely delivery of supplies.

As we rely in part on these forecasts in determining our sub-component needs and our inventory requirements, we may have inadequate or excess inventory of our products or sub-components as compared with our Key Customers' actual requirements, which could have a material adverse effect on our operating results and financial condition. Further reductions in volumes or prices in future orders would result in a material adverse effect on our results of operations and financial condition.

5.1.4 Increased costs of raw materials may result in lower operating margins

The cost and availability of certain raw materials used to manufacture our products are critical to our success. We are exposed to the fluctuations of commodity prices. If the costs of our key raw materials, such as stainless steel and aluminium, rise, this would increase our costs and may result in lower operating margins if we are unable to pass such increased costs on to our customers. For instance, the purchase of stainless steel coil and aluminium ingot, which are critical materials for the production of HDD base plates and top cover assembly, accounted for 19.7%, 17.2% and 11.1% of our cost of sales for the three financial years ended 30 September 2007, 2008 and 2009. Under our current arrangements with our customers, our customers would bear any price increases (and enjoy any corresponding price decreases) of certain niche HDD sub-components which we obtain from our suppliers. However, we remain liable for any price increases in commodity materials, such as stainless steel and aluminium, and our operating margins may be reduced if we are unable to pass on the increased prices of such materials to our clients, through the pricing of our products.

During the end of the financial year ended 30 September 2008 and the first few months of the financial year ended 30 September 2009, we were exposed to elevated market prices in raw materials used for the production of HDD components. Consequently, we carried inventories at a higher cost during the downturn in 2008 as the demand for HDD components decreased.

5. RISK FACTORS (cont'd)

Our gross profit margin for the financial years ended 30 September 2007, 2008 and 2009 was 13.2%, 14.1% and 13.9%, respectively. We cannot assure you that future increases in the prices of our raw materials will not have an adverse effect on our gross profit margin.

5.1.5 Our operating results depend on optimising overall quality and costs of new and established products

Several key attributes are important to our business, including quality, cost, service and price. If we fail to:

- maintain overall quality of products on new and established programs;
- maintain competitive cost structures on new and established products;
- produce sufficient quantities of products at the capacities our customers demand while managing the integration of new and established technologies;
- develop and qualify new products on a timely basis that have changes in overall specifications or features that our customers may require for their business needs;
- obtain commitments from our customers to qualify new products, redesigns of current products or new components in our existing products;
- maintain an adequate supply of sub-components and raw materials required to manufacture our products; or
- maintain the manufacturing capability to quickly change our product mix between different capacities, form factors and spin speeds in response to changes in customers' product demands,

our operating results could be adversely affected.

5.1.6 A production delay in one of our manufacturing facilities could affect our production process

Our manufacturing facilities are in different locations and each facility is responsible for different parts of the production process. In addition to our manufacturing facilities in Malaysia, we have manufacturing facilities in Thailand and are in the process of establishing manufacturing facilities in the PRC. As such, our operations may be affected by political, economic and social developments in the Asian countries in which we operate, which may result in production delays. If there is a production delay or capacity constraint in one of our manufacturing facilities, this may affect our production process and we may not be able to deliver the products to our customers in a timely manner. This could have a material adverse effect on our business and results of operations.

5. RISK FACTORS (cont'd)

5.1.7 We may not be able to effectively manage our anticipated growth and the expansion of our operations

We have recently experienced a period of growth, which has placed, and will continue to place, significant demands on our management, operational, engineering and financial resources. There is a risk that the need to manufacture increasing volumes of products in order to meet large orders may affect our ability to deliver products on time. In particular, from time to time, our ability to deliver products on time is affected by the short lead time or unscheduled sudden increase in volume of products requested by our customers. If our Key Customers increase their orders with us, we may not be able to satisfy the product needs of our new customers, which may result in a loss of market share if our new customers decide to obtain its product requirements from other suppliers.

Our ability to effectively manage growth and expansion will also require us to continue to implement and improve our operational, financial and management information systems, and design and development processes, to train and manage our employees and to continue to develop, maintain and expand our supplier and customer relationships. We are in the process of expanding and setting up new manufacturing facilities in Malaysia, Thailand and the PRC. However, our ability to fully utilise the additional capacity provided by these new facilities is constrained by our ability to hire the requisite number of employees. Any failure to manage our growth and the expansion of our operations effectively could have a material adverse effect on our financial condition. We are subject to various regulations (see Sections 7.23, 7.24 and 7.25 of this Prospectus).

5.1.8 We are subject to risks related to product defects, which could render us liable to compensate our customers for expenses incurred in their product recalls, and could subject us to claims in excess of the price of our products or which are greater than anticipated

We test our HDD mechanical components in our manufacturing facilities through a variety of means. However, there can be no assurance that our testing will reveal latent defects in our products, which may not become apparent until after our products have been delivered to our customers, or after assembly by our customers and sold into the market. Accordingly, there is a risk that product defects will occur, which would render us liable to replace such defective products or to compensate our customers for the value of the defective products. In extreme situations, product defects could require a product recall by our customers. Product recalls can be expensive to implement and, if a product recall by our customer can be directly attributed to the defects in our products, our customers could require us to compensate them for any expenses incurred in such product recall, and could in addition damage our relationship with our customers, and may cause us to lose market share with our customers.

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5. RISK FACTORS (cont'd)

5.1.9 We may not maintain adequate insurance coverage

We maintain all risks industrial insurance for our manufacturing facilities, equipment and inventories, public liability insurance for losses to others arising from our business operations and actions by our employees, burglary policy and workmen's compensation insurance. Such insurance, however, contains exclusions and limitations on coverage. In addition, we do not maintain insurance for business interruption. Significant damage to any of our manufacturing facilities, whether as a result of fire or other causes, would disrupt our production and may require some time before we are able to restore our production capability. Any production delay could result in a loss of market share if our customers decide to obtain their product requirements from other suppliers. Accordingly, our insurance policies do not provide coverage for all losses related to our business, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on our business, financial condition, results of operation and prospects. There can be no assurance that such insurance that we do carry will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. Further, our customers may also require us to maintain insurance policies with coverage of a certain quantum which may be higher than the coverage we maintain.

5.1.10 We depend on our suppliers for raw materials and do not typically have long-term supply contracts with them

We depend on our suppliers for raw materials. To maintain competitive manufacturing operations, we must obtain from our suppliers, in a timely manner, sufficient quantities of quality materials at acceptable prices. We obtain most of our materials, including aluminium and stainless steel, from a limited number of suppliers. We purchase all of our materials on a purchase order basis. We do not have long-term contracts with any of our suppliers. In the past, suppliers have extended lead times or limited the supply of required materials because of their capacity constraints. Consequently, from time to time, we have experienced difficulty obtaining quantities of raw materials needed on a timely basis.

In addition, from time to time, we may reject materials that do not meet our quality specifications, resulting in declines in output. There can be no assurance that we will be able to obtain sufficient quantities of raw materials and other supplies of an acceptable quality. If our ability to obtain sufficient quantities of raw materials and other supplies in a timely manner is substantially diminished or if there are significant increases in the costs of raw materials, it could have a material adverse effect on our operations and financial condition.

5.1.11 If we cease to receive favourable tax treatment in Malaysia, Thailand and the PRC, we may be subject to tax liability that could significantly affect our financial condition

Our Company has been granted the MSC status with effect from 12 January 2006 by the MDC pursuant to which our Company would be granted full income tax exemption on statutory income (which is income from our core manufacturing business) under the MITA. Our subsidiary, JCY HDD Malaysia, has also been granted full income tax exemption on statutory income under the MITA by MIDA. As a result of the tax exemptions enjoyed by our Company and JCY HDD Malaysia, we are not required to pay corporate income tax in Malaysia (currently 25%) on revenue generated from our manufacture of HDD mechanical components (see Section 13.2.5 of this Prospectus). Such tax incentives are due to expire on 11 January 2011 and 31 March 2016, respectively. We intend to re-apply for such tax incentives when they expire.

5. RISK FACTORS *(cont'd)*

We have also received an income tax exemption for our Thai subsidiary, JCY HDD Thailand, which entitles us to tax exemption on income from our manufacturing activities in Thailand, and a reduced rate of 10% withholding taxes in respect of dividend distributions. In respect of our manufacturing activities in the PRC, we also enjoy a tax-free period of two years from the date we register a profit, after which we will be entitled to a tax deduction of 50% for the next three years. As our PRC subsidiary, YK Technology Suzhou, registered a profit in 2008, the tax benefit that we enjoy in respect of our manufacturing activity in the PRC began in 2008 and will expire in December 2012.

There can be no assurance that we will be able to meet conditions imposed pursuant to our tax incentives to maintain our tax benefits or that we will be successful in renewing our tax incentives once they expire. The loss of these tax benefits will increase our tax liabilities and could have a material adverse effect on our results of operations and financial condition.

5.1.12 We may not retain our MSC status or continue to enjoy the benefits available to companies conferred with MSC status

Our Company has been granted MSC status with effect from 12 January 2006 by the MDC pursuant to which we enjoy certain financial and non-financial incentives (see Section 13.2.5 of this Prospectus). Presently, all companies conferred with MSC status enjoy financial and non-financial incentives, including an exemption from local ownership requirements. Our Company's MSC status is subject to our continuous fulfilment of certain criteria, including continuing with our design and development activities in connection with our manufacturing operations.

MDC, the body responsible for monitoring all MSC designated companies, has the right to withdraw any company's MSC status at any time if any of the conditions relating to the grant of the MSC status are breached. There can be no assurance that we can retain our MSC status or continue to enjoy the incentives available to companies conferred with MSC status. There is also no assurance that the incentives currently available to companies conferred with MSC status will not be changed or modified in any material manner in the future. Any loss of our Company's MSC status or of any incentives currently enjoyed by us as a result of our Company's MSC status, such as income tax exemption on statutory income, may materially affect our Group's business, operating results and financial condition.

5.1.13 Environmental costs could have a material adverse effect on our operating results

Our products may be subject to various regulations governing the environment, including those restricting the presence of certain substances in electronic products and making producers of those products financially responsible for the collection, treatment, recycling and disposal of certain products. Such laws and regulations have been passed in several jurisdictions in which our customers operate, including various EU member countries. For example, the EU has enacted the RoHS in Electrical and Electronic Equipment Directive. The RoHS prohibits the use of certain substances, including lead, in certain products, including HDDs, put on the market after 1 July 2006. Similar legislation may be enacted in other locations where we manufacture or sell our products. We will need to ensure that we comply with such laws and regulations as they are enacted. If we fail to comply with such legislation on a timely basis, we may suffer actions from such regulatory authorities or our customers may refuse to purchase our products, which would have a materially adverse effect on our business, financial condition and results of operations.

5. RISK FACTORS *(cont'd)*

We are also subject to environmental laws and regulations of Malaysia, Thailand and the PRC, where we have operations. From time to time there may be incidents of violations of environmental regulations (see Section 7.18 of this Prospectus). For example, JCY HDD Malaysia was charged under section 25(1) of the Environmental Quality Act, 1974 after the Department of Environment found that the chemical oxygen demand level in the water sample they collected from one of our manufacturing facilities was higher than allowed. This would be our second offence under this section. The maximum penalty is a fine of RM100,000 or imprisonment for a period not exceeding five years or both. In our first offence, we paid a fine of RM10,000. In Thailand, the relevant authorities in the industrial park imposed a limit for waste discharge. Due to JCY HDD Thailand rapid expansion, it exceeded the quota and consequently, JCY HDD Thailand paid an additional fee or penalty fee of Thai Baht 151,317.53 (or approximately RM15,000),

We could incur substantial costs in connection with our compliance with such environmental laws and regulations, and we could also be subject to governmental fines and liability to our customers if we were found to be in violation of these laws. If we have to make significant capital expenditure to comply with environmental laws, or if we are subject to significant capital expenses in connection with a violation of these laws, this may have a material adverse effect on our financial condition or operating results.

5.1.14 Specific Risks relating to our Subsidiary in the PRC

Our subsidiary, YK Technology Suzhou, is incorporated in the PRC, and has its manufacturing operations in the PRC. It is accordingly subject to various risks in the PRC, including risks resulting from economic, political and legal developments in the PRC. In addition, our manufacturing facilities in the PRC have not been qualified by our customers and there is no assurance that such qualification will be obtained.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government plays a significant role in regulating industry development by imposing industrial policies, and exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The PRC legal system embodies uncertainties which could limit the legal protections available to you and us. YK Technology Suzhou is a WFOE, which is an enterprise incorporated in the mainland of the PRC and wholly-owned by foreign investors, and is subject to laws and regulations applicable to foreign investment in the mainland of the PRC in general and laws and regulations applicable to WFOEs in particular. These laws, regulations and legal requirements are constantly changing, and their interpretation is often not available to us and other foreign investors, including you. In addition, we cannot predict the effect of future developments in the PRC legal system including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

Further, although we have been granted the right to use the land we occupy in Suzhou, the lease for the land has not been registered. As registration is required to perfect the lease, in the event that a third party has a duly registered lease over the same property, the right of such third party will prevail.

There can be no assurance that any new laws enacted, or any changes to the existing laws or the interpretation or enforcement of such laws will not materially or adversely affect our business or operations.

5. RISK FACTORS (cont'd)

5.1.15 Specific Risks relating to our Subsidiary in Thailand

Our subsidiary, JCY HDD Thailand, is incorporated in Thailand, and has its manufacturing operations in Thailand. It is accordingly subject to various risks in Thailand, including risks resulting from economic, political and legal developments in Thailand.

Our business in Thailand may be affected by the political situation in Thailand, which has been unstable from time to time. Thailand's government has frequently intervened in the Thai economy and has occasionally made significant changes in policy. The Thai government's actions to control inflation have resulted in, among other things, wage and price controls, capital controls and limitations on imports. Our business and operations in Thailand are also subject to the changing and uncertain legal and regulatory framework for doing business in Thailand. Thai laws and regulations governing business entities may change and are often subject to a number of possibly conflicting interpretations, both by business entities and by Thai courts. These rules and requirements are often promulgated and overseen by different government entities or departments, which may be national, regional or municipal, and these entities may differ in their interpretation and enforcement of the rules.

In addition, we have employees in Thailand, and Thai labour laws are highly protective of employees. Under Thai labour laws, we are generally prohibited from discharging employees without severance payments and/or compensation in the absence of gross misconduct, neglect, acts of dishonesty or serious violation of work rule and order. As such, we have limited measures at our disposal to reduce headcount in order to increase efficiencies, reduce costs or achieve similar objectives. Any changes to employment terms and conditions that diminish employees' rights and benefits would require the consent of the employees.

We have in the past and may in the future experience work stoppages in Thailand. In December 2009, our Thai employees went on strike to demand for additional welfare and bonus, resulting in a shutdown of our Thai facilities for one full operational day. This strike was settled amicably within the day, with us agreeing to some of our Thai employees' terms and conditions, including a one month bonus payment. This strike, and any strikes that we may experience in the future affected and may affect our business, such as delays in our operations, disruptions to our production process and monetary compensation to our workers. Any changes in economic, political, legal and regulatory conditions or policies in Thailand could adversely affect the results of our operations.

5.1.16 Unexpected production interruptions may materially and adversely affect our financial condition and results of operations

Our manufacturing processes depend upon a stable supply of electricity, water and natural gas, which are subject to unexpected supply interruptions. From time to time, we have experienced water and power shortages at our manufacturing facilities in Malaysia and Thailand and we may experience similar interruptions in the future. Our manufacturing facilities could also be adversely affected by events such as the breakdown of equipment, a fire at one of our facilities, difficulties or delays in obtaining spare parts and equipment, raw material shortages, power shortages and blackouts, fire, floods, natural disasters, civil disorders, industrial accidents and the need to comply with Government directives concerning matters such as hygiene, safety and environmental protection. In particular, our manufacturing processes involve producing molten aluminium, which relies on electricity and gas supplies. Any power cuts lasting long periods could result in the stoppage of our entire manufacturing processes at a plant. No assurance can be given that any material production interruption will not occur in the future or that such interruptions would not have a material adverse effect on our financial condition and results of operations.

5. RISK FACTORS (cont'd)

There were only several occasions where the company experienced interruptions in electricity supply in its Malaysia and Thailand plants where the main switch board (MSB) broke down resulting in interruption to certain Malaysia plant for 1 to 3 days. A small fire at the roof also interrupted a small portion of the plant for about half a day. However, the majority of our past interruptions were resolved within the same day and our operations were only interrupted for a maximum of half a day during each occurrence. As the electricity supply interruptions were minimal, they did not result in any material impact on our results of operations. Further, from time to time we may also receive back-bills from our electricity suppliers. For example, JCY HDD Malaysia had recently received from Tenaga Nasional Berhad a back-bill relating to the electricity supplied to our manufacturing facilities in Penang in the amount of approximately RM8.4 million which JCY HDD Malaysia is in the process of resolving. The additional electricity charges were in respect of the electricity charges supposedly undercharged by Tenaga Nasional Berhad for the period from September 2007 to November 2009 due to the incorrect meter reading from electricity meters that were either defective or tampered.

5.1.17 We depend on our key personnel and skilled employees, as well as foreign labour primarily supplied by our sub-contractors

Our success depends upon the continued contributions of our key personnel and skilled employees, many of whom would be difficult to replace. Worldwide competition for skilled employees in the HDD industry is intense. If we are unable to retain our existing key personnel or skilled employees, or hire and integrate new key personnel or skilled employees, our operations may be materially and adversely affected.

In addition, the HDD industry is labour intensive and we may experience difficulty in attracting employees to work in our manufacturing facilities, especially if labour costs increases. To meet our manpower requirements, we are also dependent on foreign workers, who operate in our factories in Malaysia. As at 30 September 2009, approximately 68.9% of our total employees and contract workers are foreign workers. Such foreign workers are primarily engaged on a contract basis primarily through sub-contractors who assist in all relevant regulatory and other legal aspects of engaging foreign workers. If we are unable to obtain an adequate supply of foreign workers through our sub-contractors for any reason (including, for instance, as a result of a change in Government policy on foreign labour), our operations would be adversely affected. In addition, if any of our sub-contractors are in breach of any relevant immigration, work place relations or health and safety laws or regulations, this would affect our supply of foreign workers and may place us in breach of such laws or regulations. This would have a materially adverse effect on our results of operations and financial condition.

5.1.18 Our market is highly competitive and we may not be able to compete effectively

We operate in markets that are highly competitive and subject to rapid change and that are significantly affected by new product introductions and other market activities of industry participants. The price of HDDs has fallen over time due to increases in supply, cost reductions, technological advances and price reductions by major market players seeking to liquidate excess inventories or attempting to gain market share. The prices of HDD mechanical components have correspondingly fallen in tandem with the price of HDDs. In addition, rapid technological changes often reduce the volume and profitability of sales of existing products and increase the risk of inventory obsolescence. In addition, we face potential competition from new entrants, including our current technology suppliers as well as competition from other companies that produce alternative storage technologies like flash memory. If competition persists and intensifies in the future, this may have a material adverse effect on our results of operations and financial condition.

5. RISK FACTORS (cont'd)

Some of our current and potential competitors may have longer operating histories, lower operating costs, or greater financial, technical, marketing or other resources than we do and we cannot assure you that we will have the resources to compete successfully in the future. In addition, some of our competitors have the resources to enable them to adopt aggressive pricing policies to gain market share or to shift production to lower cost regions. If we are unable to compete successfully against our current and future competitors, we could experience profit margin reductions or loss of market share which could have a material adverse effect on our financial condition.

5.1.19 Our current or future competitors may gain a technology advantage or an advantageous cost structure that we cannot match and new competitive products could have better performance or lower cost structures than HDD products

It may be possible for our current or future competitors to gain an advantage in product technology, manufacturing technology or process technology, which may allow them to offer products or services that have a significant advantage over the products and services that we offer. Advantages could be in capacity, performance, reliability, serviceability or other attributes. If we are unable to match these technology advantages due to the proprietary nature of the technology, limitations on process capability or other factors, we could be at a competitive disadvantage to those competitors.

In addition, if our competitors are able to achieve a lower cost structure for manufacturing HDD mechanical components by moving manufacturing facilities to advantageous locations or through other restructuring activities and we are unable to match their cost structure, we could be at a competitive disadvantage to those competitors as they may be able to sell HDD mechanical components at lower prices while remaining profitable.

Advances in magnetic, optical, semiconductor or other data storage technologies also could result in competitive products that have better performance or lower cost per unit of capacity than HDD products. High-speed semiconductor memory could compete with HDD products in the future. Semiconductor memory is much faster than magnetic HDDs and flash memory, a non-volatile semiconductor memory has higher "read" performance than HDDs. Flash memory could become competitive in the near future for applications requiring less storage capacity than that provided by HDDs. SSD, a data storage device that uses solid-state memory to store persistent data, could become more competitive in the future as it has low access time for read operations, a high speed of random reading, low power consumption and is more resistant against vibration. If these products prove to be superior in performance or cost per unit of capacity as compared with HDD products, the HDD industry may suffer as a result. This would have a material adverse effect on our operations and financial results, given our role as a HDD mechanical components manufacturer.

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5. RISK FACTORS *(cont'd)*

5.1.20 Changes in the markets for HDDs require us to develop new products and new technology

The HDD industry changes from time to time with the introduction of new products and new technology. For example, some new multimedia devices, such as personal video recorders and digital video recorders, incorporate one or more HDDs, and may require attributes not currently offered in our products which have resulted in a need to expend capital to develop new interfaces, form factors, technical specifications or HDD features and to increase our overall operational expenses without corresponding incremental revenue at this stage. If we are not successful in using our existing technology and expertise in manufacturing HDD mechanical components to develop new products in response to our customers' new product offerings for the emerging CE market or if we are required to incur significant costs in developing such products, it may have a material adverse effect on our operating results and financial condition.

While we continue to develop new products and look to expand into other applications, the success of our new product introductions is dependent on a number of factors, including difficulties faced in manufacturing, requirements of our customers, effective management of inventory levels in line with anticipated product demand and the risk that our new products may have quality problems or other defects in the early stages of introduction that were not anticipated in the design of those products. If we fail to successfully develop and manufacture new products, our customers may decrease the amount of our products that they purchase, and we may lose business to our competitors who offer these products.

5.1.21 Not all the conditions attached to the land which we occupy and use are fully complied with

We are subject to conditions attached to the land which we occupy and use. If we are found to be in breach of any of these conditions, we may not be able to continue to occupy and use the land (see Annexure A – Summary of JCY Group's landed properties).

We cannot assure you that all the conditions attached to the land are fully complied with. In particular, we are occupying and using six plots of land located at Tebrau IV Industrial Area under 60-year leases granted by the landowner, Johor Corporation, which is a Johor state government agency. We have a factory building and office on each of these plots of land. The master title to the Tebrau IV Industrial Area expressly requires the landowner to apply to the relevant state authority for a formal re-categorisation of land use within two years from the date of registration of the master title, failing which the land cannot be used or developed for any purpose. Pursuant to the Malaysian National Land Code 1965, the affected land shall become liable to forfeiture by the state authority upon the breach of any condition to which such land is subject. Despite Johor Corporation's obligation to obtain separate titles to the plots of land under the lease agreements, we were informed that Johor Corporation had not obtained separate titles, or completed the conversion of the category of land use of the master title for four out of the six plots of land.

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5. RISK FACTORS (cont'd)

We use the land at Tebrau IV Industrial Area which we lease from Johor Corporation at Tebrau IV Industrial Area for our manufacturing operations. As this land use is not in compliance with the express condition of the master title, there can be no assurance that the land will not become liable to forfeiture by the state authority. Further, certain land we own or occupy in Penang, Malaysia, impose requirements relating to the employment of Bumiputera. As we are not in compliance with these requirements, there can be no assurance that the land will not become liable to forfeiture by the state authority. Further, certain of our leases in Johor, Malaysia impose Bumiputera employment requirements and a breach of these requirements may lead to the termination of such leases. If any of the land is forfeited or any lease is terminated and we are forced to move our manufacturing facilities and operations, this would result in a material adverse effect on our results of operations and financial conditions.

5.1.22 The interests of our principal shareholder, YKY Investments, may differ from those of our Company

Upon completion of the Listing, YKY Investments is expected to continue to own a majority of our Company's Shares. As a result, YKY Investments will have the power to appoint a majority of our Directors and to direct the management and policies of our Company. YKY Investments is a private company limited by shares incorporated in the Bahamas. 100% of the shares in YKY Investments are currently held by UBS Nominees Ltd and Unihouse Nominees Ltd ("**UBS Nominees**") on behalf of YK Yong. Prior to Listing, it is intended that UBS Nominees (as a nominee for YK Yong), will transfer the YKY Investments shares to YKY Trustees Pte Ltd ("**YKY Trustees**"). As a result, YKY Trustees will hold the YKY Investments shares under a revocable discretionary trust for the benefit of YK Yong and his named beneficiaries, which are currently his wife and his children. During YK Yong's lifetime and where he is not suffering from any incapacity, YK Yong will retain the investment or asset management functions, responsibilities, powers or duties under the trust. Under the Listing Requirements, transactions between our Company and our principal shareholder, YKY Investments, are in certain circumstances, subject to the approval of our Company's independent shareholders (see Section 11 of this Prospectus). The interests of YKY Investments may differ from those of our Company, and resulting transactions may be adverse to our Company.

5.2 Risks Relating to Our Shares**5.2.1 There has been no prior market for our Shares**

On 28 January 2010, approval was obtained from Bursa Securities to list our Shares on the Main Market. It is expected that our Shares will be admitted for trading on the Main Market on or about 25 February 2010. However, our Shares comprise existing securities for which there is currently no public market. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares.

The Offer Shares could trade at prices that may be lower than the Institutional Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our operating results and the markets for similar securities. Our Company, our Selling Shareholder, our Joint Global Co-ordinators, our Joint Bookrunners, our Joint Managing Underwriters and Underwriters, have no obligation to make a market for our Shares or to maintain the listing of our Shares on the Main Market.

5. RISK FACTORS (cont'd)**5.2.2 We may not be able to pay dividends to our shareholders**

We conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, and consequently an important factor in our ability to pay dividends on the Shares, is dividends and other distributions received from our subsidiaries, in particular JCY HDD Malaysia. Our subsidiaries' ability to pay dividends or make other distributions to us are subject to their having sufficient funds and distributable profits which are not needed to fund their operations, other obligations or business plans. Further, as our Company is a shareholder of our operating companies, our claims as such will generally rank junior to all other creditors and claimants against our operating companies. In the event of an operating company's liquidation, there may not be sufficient assets for our Company to recoup our investment. For a description of our dividend policy (see Section 12.3 of this Prospectus).

5.2.3 The sale or the possible sale of a substantial number of our Shares in the public market following the Offering could adversely affect the price of our Shares

Following the sale of 530,210,000 Offer Shares pursuant to the IPO, 530,210,000 Shares, or approximately 25.9%, will be held by investors participating in the Offer for Sale, and the remaining Shares will be held by our existing shareholders before the Offer for Sale, option holders and certain other persons. The Shares will be tradable on the Main Market following Listing. If existing shareholders of our Company sell or are perceived as intending to sell a substantial amount of Shares, the market price for the Shares could be adversely affected.

Apart from the lock-up arrangement as disclosed under Section 4.9.2 (i) and (ii), certain Directors and key management have also entered into a lock-up arrangement in respect of the Shares allocated to them under the Preferential Share Allocation Scheme and/or Shares to be transferred to them by YKY Investments prior to the completion of our IPO.

5.2.4 There may be a delay or failure in trading of the Shares, or a delay between settlement and trading of the Shares

The occurrence of any one or more of the following events may cause a delay in or cancellation of the listing of the Shares on the Main Market:

- (i) the identified investors under the Institutional Offering fail to subscribe for the portion of the Offer Shares allocated to them;
- (ii) the Placement Managers or the Underwriters exercising their rights pursuant to the Placement Agreement, or Underwriting Agreement, as the case may be, discharge themselves from their obligations thereunder; or
- (iii) our Company being unable to meet the public spread requirement as determined by Bursa Securities, including a minimum of 1,000 public shareholders holding not less than 100 Shares each upon completion of the Offering and at the point of the Listing; or
- (iv) our Company is unable to obtain the approval of Bursa Securities for the Listing for whatever reason.

5. RISK FACTORS *(cont'd)*

5.2.5 Our Share price may be volatile

Our Shares are to be listed on the Main Market. The performance of our Shares on Bursa Securities is affected by external factors such as the performance of regional and international stock exchanges and the inflow and outflow of foreign funds. Sentiments may also be affected by other external factors such as Malaysian economics and political conditions and overall market conditions as well as the growth potential of various sectors of the economy. The price of our Shares may fluctuate as a result of variations in our operating results. If the trading volume of our Shares is low, the price fluctuations may be exacerbated. Since our prospects are linked with the HDD industry, the price of our Shares may rise and fall in tandem with announcements of competitive developments, acquisitions or strategic alliances within the HDD industry, involving us, our subsidiaries, our competitors, our customers or our customers' competitors.

The price of our Shares is also prone to news regarding the gain or loss of significant customers or key personnel, as well as changes in securities analysts' recommendations or estimates of our financial results. There can be no assurance that the price of our Shares will not be subject to volatility or will not fall because of developments in our industry or for other reasons, which may adversely affect your investment in our Shares.

5.3 Other Risks**5.3.1 Political, economic and social developments in Malaysia and other Asian countries may adversely affect our Group**

As a substantial portion of our Group's operating revenues are derived from activities in Asia, in particular Malaysia, Thailand and the PRC, our Group's business, prospects, financial condition and results of operations may be adversely affected by political, economic and social developments in the Asian countries in which we operate. In mid-1997, following the substantial depreciation of the Baht, many countries in Asia, including Malaysia, experienced a significant economic downturn and related economic, financial and social difficulties. As a result of the decline in value of a number of the region's currencies, many Asian governments and companies had difficulty in servicing foreign-currency denominated debt and many corporate customers defaulted on their debt repayments. As the economic crisis spread across the region, governments raised interest rates to defend weakening currencies, which adversely impacted domestic growth rates. In addition, liquidity was substantially reduced as foreign investors withdrew or reduced investment in the region and domestic banks restricted additional lending activity. The currency fluctuations, as well as higher interest rates and other factors, materially and adversely affected the economies of many countries in Asia. The global economy has suffered a decline since 2008 and it is difficult to predict the ongoing effects of the global economic downturn. A recurrence of similar adverse economic developments globally, particularly in Asia, could have a material adverse effect on Malaysia and its economy and consequently on our Group's financial condition and results of operations. In addition, any other adverse change in trends or a general economic slowdown as a result of changes in labour costs, inflation, interest rates, taxation or other political or economic developments in the key markets in Asia in which our Group operates could materially affect the financial condition or results of operations of our Group and the ability of our Company to pay dividends on our Shares.

5. RISK FACTORS (cont'd)

Any change in government policy or any political instability arising from these changes, may have a material adverse effect on our Group, its business, operations, financial condition and prospects. Furthermore, any changes in the composition of governments could result in a change in policies, including with respect to the HDD industry in the Asian markets in which we operate, which may result in increasing competition and/or increasing regulation of our Group's activities. Any change to the regulation of our Group's HDD activities may have a material adverse effect on our Group's business results of operations and financial condition. Other political and economic uncertainties include but are not limited to the risks of war, terrorism, riots, expropriation, nationalism, renegotiations or nullifications of existing contracts, changes in interest rates and methods of taxation.

5.3.2 The outbreak of an infectious disease in Asia may negatively impact our Group's business, financial condition and results of operations

Demand for much of our Group's products may be affected by, among other things, the strength or weakness of the Malaysian economy as well as the economies of other Asian countries. An infectious disease outbreak in Malaysia or other parts of Asia could have a significant impact on the Malaysian economy as well as the economies of other Asian countries.

The occurrence of severe acute respiratory syndrome or Influenza A H1N1 virus in Malaysia or in other Asian countries, could lead to a decline in the Malaysian economy or the economies of other Asian countries, as the case may be, which may have a material adverse effect on our Group's business, financial condition and results of operations. An epidemic or outbreak could also require quarantine and other safeguard measures resulting in temporary closures or work stoppages at our Group's main office and branches, which may also have a material adverse effect on our Group's business, financial condition and results of operations.

5.3.3 The Malaysian Ringgit may be subject to exchange rate fluctuations or further foreign exchange controls

BNM has in the past intervened in the foreign exchange market to stabilise the Ringgit and has, on 2 September 1998, maintained a fixed exchange rate of RM3.80 to USD1.00. On 21 July 2005, BNM announced that the exchange rate of the Ringgit will be allowed to operate in a managed float, with its value being determined by various economic factors, BNM had stated that it would monitor the exchange rate against a currency basket to ensure that the exchange rate will not deviate significantly from the current exchange rate, which may result in significantly higher domestic interest rates, liquidity shortages or other exchange controls. However, there can be no assurance that BNM or the Government will, or would be able to, so intervene or maintain the exchange rate in the future or that any such intervention or fixed exchange rate would be effective.

Substantially all our revenue, expenses and foreign currency denominated obligations are denominated in, or directly or indirectly linked to benchmarks denominated in, the U.S. dollar, while our reporting currency is denominated in Ringgit. Changes in the current exchange rate may result in significantly higher domestic interest rates, liquidity shortages, capital or further exchange controls. While fluctuations in the Ringgit/U.S. dollar exchange rate may not have a material impact on our U.S. dollar denominated cash flow, it may have a material impact on the reporting of our revenue, expenses and foreign currency denominated obligations, as they are required to be stated in Ringgit, as well as on financial and other covenants contained in our indebtedness that are based upon such reported revenue, expenses and obligations.

5. RISK FACTORS *(cont'd)*

Furthermore, there can be no assurance that the Government will not impose more restrictive or other foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in the Government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets. Consequently, this may adversely affect the value of the Shares and the ability of shareholders to liquidate the Shares or repatriate the proceeds from the liquidation of such Shares out of Malaysia.

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6. INFORMATION ON JCY GROUP

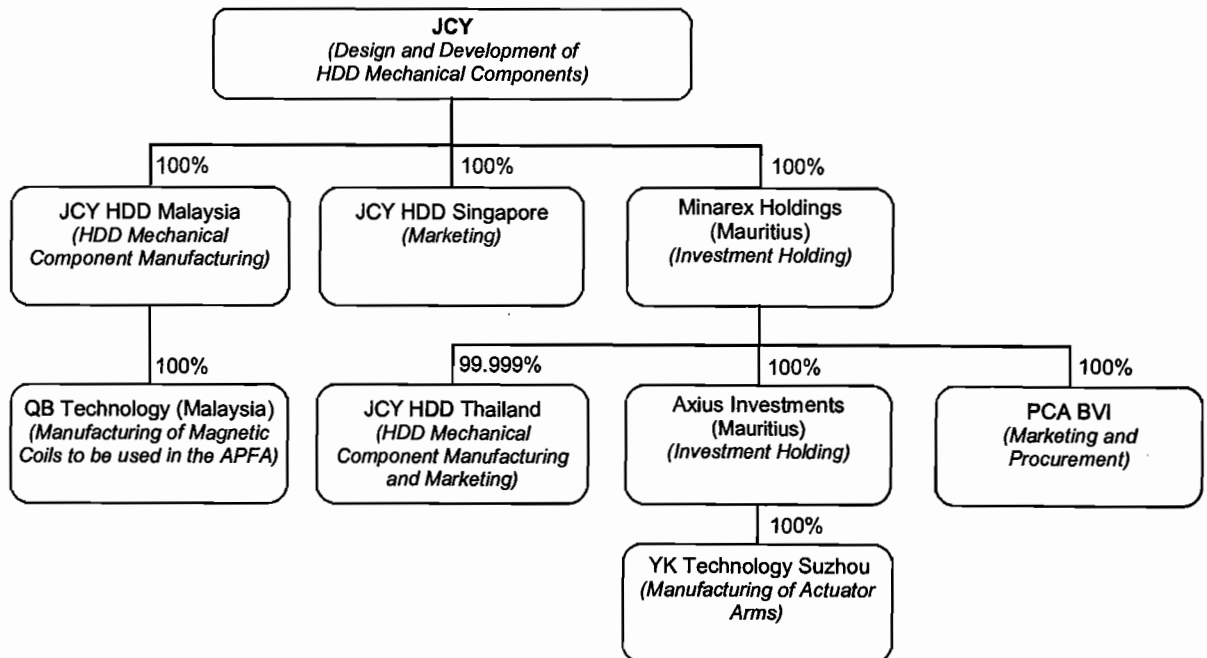
6.1 History and Business

We are the successor to PCA, the primary entity within the Predecessor Group. PCA was incorporated in 1994 by YK Yong as "Pre-Circuit (M) Sdn. Bhd.," as a supplier of PCBAs to Western Digital. In 1996, PCA started manufacturing die-cast machined base plates with a single plant in Johor Bahru, Malaysia. PCA thereafter diversified the number of HDD mechanical components produced to include die-cast machined base plates, top cover assembly, APFA, antidisks, stators and flex brackets, established various manufacturing facilities (Penang in 2001, Malacca in 2004 and Suzhou, PRC in 2005) as well as expanded existing capacity. In 2000, PCA changed its name to "PCA Hard.com Sdn. Bhd."

Another key entity within the Predecessor Group is PCA Mahlin (previously known as "Mahlin Min Aik Corporation Sdn Bhd"). PCA Mahlin was owned by Arif Shakeel and his wife in 1997 and thereafter the shares were transferred to Richard Michael McHone, Chua Eng Chew and Trois Holding S.A. (of which YK Yong is the sole beneficial owner) in 1999. PCA Mahlin was acquired by PCA in January 2000. In 2002, PCA sold the entire share capital of PCA Mahlin to Yong Jong Siah and Tan Guat Tin. Yong Jong Siah is a sibling of YK Yong and Yong Yong Chai, and Tan Guat Tin is the spouse of Yong Jong Siah.

Our Company was incorporated as JCY International Sdn Bhd in Malaysia on 21 October 2005 and converted into a public company on 25 January 2006. Our Group completed a restructuring in March 2006, where JCY acquired all of the operating assets and inventories owned by the Predecessor Group, excluding all of their liabilities and certain of their specified assets (such as non-core assets, accounts receivable and cash) and entered into new agreements from 1 April 2006 with all of the Predecessor Group's customers and suppliers. Our Group commenced our business using the operating assets and inventories we acquired pursuant to this restructuring. YK Yong, the founder of the Predecessor Group, relinquished all management control upon completion of the restructuring in March 2006. Since then, the management of our Group lies with our key management, as described in Section 9.4 of this Prospectus.

Our current Group structure is set forth below:



6. INFORMATION ON JCY GROUP *(cont'd)*

- (a) JCY is the holding company for our Group and also undertakes design and development for our Group.
- (b) JCY HDD Malaysia is responsible for our Group's manufacturing activities. Currently, its primary production activities include casting of base plates, assembly of actuators, antidisks, stamping for top covers and E-coating.
- (c) JCY HDD Singapore serves as an intermediary for our Group's marketing activities.
- (d) Minarex Holdings (Mauritius) is an investment holding company and serves as the primary holding company for our operations in the PRC and Thailand.
- (e) QB Technology (Malaysia) is responsible for the manufacturing of magnetic coils to be used in the APFA.
- (f) JCY HDD Thailand serves as the machinery centre for base plates and is also directly responsible for marketing and sales to its customers in Thailand.
- (g) Axius Investment (Mauritius) is an investment holding company and serves as the primary holding company for our operation in Jiangsu, the PRC.
- (h) PCA (BVI) mainly serves as an intermediary for our Group's marketing and international procurement activities.
- (i) YK Technology Suzhou will be primarily responsible for the manufacturing of actuator arms.

6.2 Share Capital

There has been no change in the authorised or issued and paid-up share capital of our Company in the last three years up to the LPD. Our current authorised share capital is 2,000,000,000 comprising 8,000,000,000 ordinary shares of RM0.25 each. Our current issued and paid-up share capital is RM511,215,000 comprising 2,044,860,000 Shares. We do not have any outstanding warrant, options, convertibles and uncalled capital as at the LPD.

6.3 Details on Subsidiaries

The subsidiaries of our Company as at the LPD are as follows:

Name	Date & country of incorporation	Issued & paid-up share capital	Par value per share	Equity interest %	Principal activities
JCY HDD Malaysia	16 November 2005/ Malaysia	RM451,751,000	RM1.00	100	Manufacturing and trading of HDD components
JCY HDD Singapore	15 September 2005/ Singapore	SGD1,000,000	*n.a.	100	Trading of HDD components
Minarex Holdings (Mauritius)	25 April 2006/ Mauritius	USD2	USD1.00	100	Investment holding

6. INFORMATION ON JCY GROUP (cont'd)

Name	Date & country of incorporation	Issued & paid-up share capital	Par value per share	Equity interest %	Principal activities
Subsidiary of JCY HDD Malaysia					
QB Technology (Malaysia)	5 January 2001/ Malaysia	RM1,800,000	RM1.00	100	Manufacturing of magnetic coils for HDD
Subsidiaries of Minarex Holdings (Mauritius)					
Axius Investments (Mauritius)	25 April 2006/ Mauritius	USD2	USD1.00	100	Investment holding
JCY HDD Thailand	21 September 2004/ Thailand	Thai Baht 399,000,000 (partially paid-up)	Thai Baht 100	99.999	Manufacturing and distribution of HDD components
PCA BVI	2 December 2004/ BVI	USD1,000	USD1.00	100	International marketing support and procurement services
Subsidiary of Axius Investments (Mauritius)					
YK Technology Suzhou	31 August 2004/ PRC	USD52,000,501 has been paid-up and verified	*n.a.	100	Manufacturing and trading of HDD components

Note:

* Not applicable.

Set out below is further information on the subsidiaries of our Company:

6.3.1 JCY HDD Malaysia (Company No. 715017-A)**(i) History and Business**

JCY HDD Malaysia was incorporated in Malaysia under the Act on 16 November 2005 as a private company limited by shares. JCY HDD Malaysia commenced business on 1 April 2006 and is involved in manufacturing and trading of HDD components.

(ii) Share Capital

As at the LPD, the authorised share capital of JCY HDD Malaysia is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each, of which 451,751,000 ordinary shares of RM1.00 each are issued and fully paid-up.

(iii) Substantial Shareholder

JCY HDD Malaysia is a wholly-owned subsidiary of our Company.

(iv) Subsidiary and Associated Company

As at the LPD, the subsidiary of JCY HDD Malaysia is QB Technology (Malaysia).

6. INFORMATION ON JCY GROUP (cont'd)**6.3.2 JCY HDD Singapore (Company No. 200512885-Z)****(i) History and Business**

JCY HDD Singapore was incorporated in Singapore under the Companies Act (Cap. 50) on 15 September 2005 as a private company limited by shares. JCY HDD Singapore commenced business on 1 April 2006 and is involved in trading of HDD components.

(ii) Share Capital

As at the LPD, the issued and paid up share capital of JCY HDD Singapore is SGD1,000,000 comprising 1,000,000 ordinary shares.

(iii) Substantial Shareholder

JCY HDD Singapore is a wholly-owned subsidiary of our Company.

(iv) Subsidiary and Associated Company

As at the LPD, JCY HDD Singapore does not have any subsidiary or associated company.

6.3.3 JCY HDD Thailand (Company No. 0105547129126)**(i) History and Business**

JCY HDD Thailand was incorporated in Thailand as a private limited company under the Civil and Commercial Code of Thailand on 21 September 2004 under the name PCA Technology Co., Ltd. and on 10 March 2008 we changed to our present name. JCY HDD Thailand commenced business on 6 December 2007 and is involved in manufacturing and distribution of HDD components.

(ii) Share Capital

As at the LPD, the registered share capital of JCY HDD Thailand is Thai Baht 399,000,000, comprising 2,340,000 ordinary shares of Thai Baht 100 each which are issued and fully paid-up and 1,650,000 ordinary shares of Thai Baht 100 each which are issued and partially paid up.

Details of the changes of the registered share capital in JCY HDD Thailand for the last three years up to the LPD are as set out below:

Date of increase	No. of shares	Par Value Thai Baht	Consideration Thai Baht	Total registered share capital
1 August 2007	2,320,000	100	58,000,000*	234,000,000
4 December 2009	1,650,000	100	41,250,000	399,000,000

Note:

* The remaining subscription price has been paid and the 2,320,000 issued shares are fully paid up

6. INFORMATION ON JCY GROUP *(cont'd)*

(iii) Substantial Shareholder

JCY HDD Thailand is a 99.999% subsidiary of Minarex Holdings (Mauritius).

(iv) Subsidiary and Associated Company

As at the LPD, JCY HDD Thailand does not have any subsidiary or associated company.

6.3.4 PCA BVI (Company No. 627837)

(i) History and Business

PCA BVI was incorporated in the BVI under the International Business Companies Act (CAP 291) of BVI on 2 December 2004 as a private company limited by shares under the name of Machspeed International Limited. PCA BVI changed its name to PCA Hard.Com Sdn Bhd Ltd on 2 November 2005. PCA BVI commenced business in December 2005 and the principal activities of PCA BVI are international marketing support and procurement services.

(ii) Share Capital

As at the LPD, the authorised share capital of PCA BVI is USD50,000 comprising 50,000 shares of USD1.00 each, of which 1,000 shares of USD1.00 each are issued and fully paid-up.

(iii) Substantial Shareholder

PCA BVI is a wholly-owned subsidiary of Minarex Holdings (Mauritius).

(iv) Subsidiary and Associated Company

As at the LPD, PCA BVI does not have any subsidiary or associated company.

6.3.5 YK Technology Suzhou (Company Registration No. 320500400021606)

(i) History and Business

YK Technology Suzhou was incorporated in the PRC under the laws of the PRC on 31 August 2004 as a WFOE with limited liability. YK Technology Suzhou commenced business on 31 August 2004 and the principal activities of YK Technology Suzhou are manufacturing and trading of HDD components.

(ii) Capital

As at the LPD, the registered capital of YK Technology Suzhou is USD100,000,000 of which USD52,000,501 has been paid-up and verified.

6. INFORMATION ON JCY GROUP (cont'd)

Details of the capital contribution in YK Technology Suzhou in the last three years are set out below:

Date of registration	Increase in registered capital	Method of contribution	Total registered capital
17 November 2008	USD60,000,000	In cash and equipment and conversion of the registered foreign-debt into equity	USD100,000,000 of which USD52,000,501 has been verified

(iii) Substantial Shareholder

YK Technology Suzhou is a wholly-owned subsidiary of Axis Investments (Mauritius).

(iv) Subsidiary and Associated Company

As at the LPD, YK Technology Suzhou does not have any subsidiary or associated company.

6.3.6 Minarex Holdings (Mauritius) (Company No. 62303)**(i) History and Business**

Minarex Holdings (Mauritius) was incorporated in Mauritius under the laws of Mauritius on 25 April 2006 as a private company limited by shares. Minarex Holdings commenced business on 26 April 2006 and the principal activities of Minarex Holdings (Mauritius) are investment holding.

(ii) Share Capital

The authorised share capital of Minarex Holdings (Mauritius) is USD2 comprising 2 ordinary shares of USD1 each, of which 2 ordinary shares of USD1 each are issued and fully paid-up.

(iii) Substantial Shareholder

Minarex Holdings (Mauritius) is a wholly-owned subsidiary of our Company.

(iv) Subsidiary and Associated Company

As at the LPD, subsidiaries of Minarex Holdings (Mauritius) are JCY HDD Thailand, PCA BVI, Axis Investments (Mauritius), and YK Technology Suzhou, the wholly-owned subsidiary of Axis Investments (Mauritius).

6.3.7 Axis Investments (Mauritius) (Company No. 62320)**(i) History and Business**

Axis Investments (Mauritius) was incorporated in Mauritius under the laws of Mauritius on 25 April 2006 as a private company limited by shares. Axis Investments commenced business on 26 April 2006 and the principal activity of Axis Investments (Mauritius) is investment holding.

6. INFORMATION ON JCY GROUP *(cont'd)*

(ii) Share Capital

The authorised share capital of Axius Investments (Mauritius) is USD2 comprising 2 ordinary shares of USD1 each, of which 2 ordinary shares of USD1 each are issued and fully paid-up.

(iii) Substantial Shareholder

Axius Investments (Mauritius) is a wholly-owned subsidiary of Minarex Holdings (Mauritius).

(iv) Subsidiary and Associated Company

As at the LPD, Axius Investments (Mauritius) does not have any subsidiary or associated company other than YK Technology Suzhou, its wholly-owned subsidiary.

6.3.8 QB Technology (Malaysia) (Company No. 535997-K)

(i) History and Business

QB Technology (Malaysia) was incorporated in Malaysia under the Act on 5 January 2001 as a private company limited by shares. QB Technology commenced business on 5 January 2001 and is involved in manufacturing of magnetic coils for HDD.

(ii) Share Capital

As at the LPD, the authorised share capital of QB Technology (Malaysia) is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 1,800,000 ordinary shares of RM1.00 each are issued and fully paid-up.

(iii) Substantial Shareholder

QB Technology (Malaysia) is a wholly-owned subsidiary of JCY HDD Malaysia.

(iv) Subsidiary and Associated Company

As at the LPD, QB Technology (Malaysia) does not have any subsidiary or associated company.

Save as disclosed above, there were no changes to the authorised and issued and paid-up share capital of our subsidiary companies for the past three years up to the LPD. Our subsidiary companies also do not have any outstanding warrant, options, convertible securities and uncalled capital as at the LPD.

As at LPD, we and our subsidiary companies are also not involved in any bankruptcy, receivership or proceedings of similar nature.

6. INFORMATION ON JCY GROUP *(cont'd)*

6.4 Material Capital Expenditures and Divestures

Save as disclosed in Section 13.6 of this Prospectus, JCY has not undertaken any material acquisition or divestment of interests for the three years ended 30 September 2009, and up to the date of this Prospectus.

6.5 Summary of Landed Properties

Details of the landed properties owned, leased or occupied by our Group are set out in Annexure A of this Prospectus.

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7. BUSINESS

7.1 Overview

Based on TRENDFOCUS' report contained in Section 8 of this Prospectus, we are one of the largest global precision engineering manufacturers of HDD mechanical components based on revenue and unit production for base plates, top cover assembly, APFA and antidisks in 2009. Our manufacturing facilities are located in the states of Johor, Penang and Malacca, in Malaysia, and in Saraburi, Thailand. We are in the process of establishing new manufacturing facilities in the PRC. We primarily manufacture base plates, top cover assembly, APFA and antidisks, which are key mechanical components of HDDs. We jointly develop these components with and manufacture them for our customers, which then assemble these components into completed HDDs, primarily 3.5 inch and 2.5 inch HDDs.

Our revenue and net profit for the three financial years ended 30 September 2009 are set forth in the table below:

	Financial year ended 30 September		
	2007 (RM millions) (Audited)	2008 (RM millions) (Audited)	2009 (RM millions) (Audited)
Revenue	1,657.8	1,834.9	1,758.0
Net profit	173.9	202.8	207.3

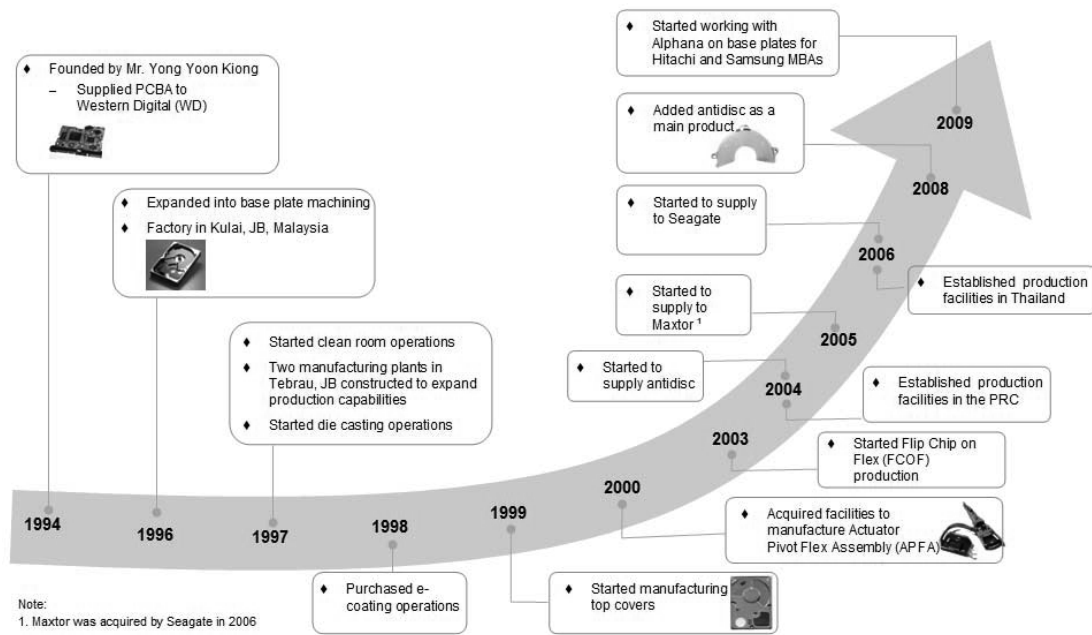
Based on direct sales, we derived 64.9% and 21.5% of our total consolidated revenue for the financial year ended 30 September 2009 from Western Digital and Nidec, respectively. Nidec is a MBA supplier to our Key Customers and our sales to Nidec are at the direction of Western Digital and Seagate. We also sell components to five other MBA suppliers (including Nidec) at the direction of Western Digital or Seagate. As HDD vendors, Western Digital and Seagate direct their other component suppliers to buy certain of our products and direct us to deliver such products to their suppliers. As a result of our direct and indirect sales (through the MBAs) to Western Digital and Seagate, we consider them our Key Customers. According to TRENDFOCUS, Western Digital and Seagate held approximately 26.8% and 31.5% market share of HDD sales worldwide in 2008 in terms of unit shipment respectively. Western Digital has been a customer of JCY since 1994 and Seagate since 2006.

As of 30 September 2009, we had total assets of RM1,461.1 million.

7.2 Key Achievements/Milestones/Awards of the Business of Our Group

Our Company was incorporated in Malaysia on 21 October 2005. Our Group completed a restructuring in March 2006, where JCY acquired all of the operating assets and inventories owned by the Predecessor Group, excluding all of their liabilities and certain of their specified assets (such as non-core assets, accounts receivable and cash) and entered into new agreements from 1 April 2006 with all of the Predecessor Group's customers and suppliers. Our Group commenced our business using the operating assets and inventories we acquired pursuant to this restructuring. The following diagram sets forth the milestones of the JCY Group including those of the Predecessor Group:

7. BUSINESS (cont'd)



In November 2009, JCY HDD Singapore received a Performance Achievement Award from Western Digital. The areas considered by Western Digital in making this award were prompt delivery, quality, pricing, design, engineering and product development.

7.3 Our Competitive Strengths

7.3.1 We are a market leader and through our continued capital expansion, are well positioned to benefit from the growth in the HDD market

We are one of the largest global precision engineering manufacturers of HDD mechanical components based on revenue and unit production for base plates, top cover assembly, APFA and antiscs in 2009, according to estimates by TRENDFOCUS. We believe that we have established a strong reputation as a reliable supplier of HDD mechanical components.

We believe that we are well positioned to benefit from the growth in the HDD market because of our continued capital expansion. We have incurred a total of RM465.5 million on capital expenditure in the last three financial years ended 30 September 2009. We have already invested in a significant expansion of our production facilities in Malaysia and Thailand, which is expected to be completed in 2010. Further, our recent expansion in production facilities, where we increased our total factory production floor space from 828,592 sq ft as of 30 September 2006 to 1,156,375 sq ft as of 30 September 2009, increased our production capacity. We are also in the process of establishing new manufacturing facilities in the PRC to efficiently service our existing and potential customers' operations. We believe that our continued capital expansion, together with our market leadership, has positioned us to benefit from the growth in the HDD market as economic conditions continue to improve.

7. BUSINESS (cont'd)

7.3.2 Cost competitive producer of high quality HDD mechanical components

We believe that we are a leading producer of high quality and cost competitive HDD mechanical components. We operate a vertically integrated, manufacturing platform that is capable of delivering multi-component solutions to meet the needs of our customers. Our low costs are predominantly driven by our scale and efficiency of operations, vertically integrated processes and strategic low cost locations.

Due to the scale of our operations and because we are a multi-component manufacturer, we believe that we benefit from significant economies of scale as compared to our competitors. We believe that our large-scale operations enable us to improve production efficiency through better assembly line co-ordination and specialization of skills. We believe that our scale of operations also helps to secure priority relationships with suppliers of our manufacturing equipment and other machinery, which result in priority delivery, greater bulk discounts, better credit terms and reliability in terms of the quantity and quality of supply.

Our vertically integrated manufacturing process and utilisation of modern equipment streamline our operations, resulting in lower costs while also enabling us to maintain control over the design, production and quality of the components we manufacture. Our manufacturing facilities also share common material planning and management systems and have integrated processes. This allows us to adapt quickly to any changes in our customers' designs and products. Our vertically integrated manufacturing process also reduces reliance on outsourcing, thus improving quality control methods, leading to higher production yields and lower rejection rates.

We have established certain of our manufacturing facilities in strategic low cost locations and in close proximity to our customers. This reduces the overall response time to our customers' requests and lowers logistics costs. For example, our facilities in Johor, Malacca and Penang in Malaysia are able to support Western Digital's operations in Petaling Jaya. We also have an inventory hub located in Bangkok and a manufacturing facility in Saraburi to support Western Digital's operations in Thailand. Once our new PRC manufacturing facilities are completed and fully operational, we will be able to efficiently service our existing and potential customers' operations.

We select specific locations for manufacturing in order to achieve the lowest possible cost. For example, certain labour intensive production activities are being undertaken in the PRC. Energy intensive processes such as casting and machining of base plates are undertaken in Malaysia, where energy costs are typically lower.

We believe that our consistently high level of product quality also differentiates us from other manufacturers and creates a barrier to entry for potential new entrants, given the stringent qualification process enforced on component manufacturers by the HDD vendors. As such, we take care to purchase and maintain advanced equipment and processes used in the manufacture of our products. For instance, we continually invest in specialized tools and equipment used in the manufacture of our products. Our Kulai plant in Johor, Malaysia has received the ISO 9001 quality management system certification and the ISO 14001 environmental management system certification.

7. BUSINESS (cont'd)

7.3.3 We are a multi-component producer focused on our core competencies

Our products are essential components in HDDs. We are a multi-component manufacturer with a large scale of operations. According to TRENDFOCUS, most of our competitors either focus on a single component or have diversified to supply components to other non-HDD sectors (see Section 8 of this Prospectus).

Our manufacturing platform is suited to meet the changing needs of our customers. Global HDD manufacturers have been streamlining their supplier base and may prefer multi-component suppliers because they reduce administrative costs and optimize investment costs from a supplier's perspective. As a multi-component manufacturer, we are able to optimise our resources (equipment and engineering know-how). As the manufacturing and regulation of the specifications and quality of such components can be done by us, our customers minimise the risk of any complementary components not being able to operate in tandem with each other. Our customers are also assured of a similar level of quality of each HDD mechanical component obtained from us, given the identical level of quality control processes we adopt.

Our multi-component capabilities also create opportunities for bundling and cross-selling which help strengthen existing customer relationships and interdependence. A significant advantage of having a multi-component business is that we will be able to start producing new products in large quantities to existing customers to drive growth. For example, in 2008, we successfully introduced the antisc as one of our main products.

7.3.4 Strategic 'two-way' relationships with Western Digital and Seagate

We have established a long-term strategic relationship with Western Digital since 1994. As one of Western Digital's key suppliers and preferred contract manufacturers, we have benefited and grown together with Western Digital.

In addition to Western Digital, we have been working with and have established a strategic relationship with Seagate since 2006. We have been supplying Seagate with base plates since 2006 and antiscs since 2008.

According to TRENDFOCUS, from 2005 to 2008, Western Digital and Seagate have increased their market share in terms of shipments and for 2008, Western Digital and Seagate had a combined market share of 58.3%.

As a preferred strategic supplier, we jointly develop the components with our customers to ensure efficient design for both cost and manufacturing. We believe we are able to do so because our manufacturing processes are highly efficient and the precision components are of high quality.

Our strategic long-term relationships with our Key Customers also provide us with visibility into the latest industry trends. This allows us to plan our capital investment and process improvements ahead of our competitors.

7. BUSINESS (cont'd)

7.3.5 High barriers to entry to the HDD mechanical component manufacturing industry

The high investment costs and long lead time required to establish a new manufacturing operation as well as the uncertainty of securing customers and production volume are major deterrents to new entrants to this industry. HDD vendors also typically require all of their new third party component manufacturers to undergo stringent qualification processes which take approximately six to 10 months. There is no significant cash inflow to the supplier during the qualification period. The high level of technical expertise required to produce high quality products makes it difficult for new entrants as we believe that vendors generally prefer working with manufacturers with an established track record. We have gone through long and stringent qualification processes with our Key Customers and are currently undergoing the process with Alphana on base plates for Hitachi and Samsung MBAs. We are also continuously working with both Western Digital and Seagate on their new programmes.

Most HDD vendors use JIT inventory management processes, which require them to work closely with their suppliers to ensure timely delivery of supplies. JIT delivery enables these HDD vendors to maintain low inventory levels, hence the strong reliance on incumbent suppliers, like us, to ensure smooth operations and supply. This makes it costly for vendors such as our Key Customers to switch suppliers and difficult for new entrants to enter the industry.

7.3.6 Strong growth opportunities in the near future

Our growth opportunities are underpinned by the following key factors:

- growth in the overall HDD market;
- growth in our Key Customers' share of the HDD market;
- growth in our Key Customers' procurement needs;
- expansion of the number of products that we provide to our customers; and
- expansion of our customer base.

According to TRENDFOCUS, worldwide HDD shipments are expected to increase at a CAGR of 11.6% from 2009 to 2012. This growth is expected to be supported by the growth in the desktop segment and as well as in the mobile and CE segments. In particular, the advent of netbooks and the increased usage of external drives are expected to also contribute to growth in the overall HDD market (see Section 8 of this Prospectus).

According to TRENDFOCUS, as of 30 September 2009, in terms of shipment units, the five largest companies in the HDD market accounted for a total of 100.0% of the total HDD market share (assuming that Toshiba and Fujitsu, which was acquired by Toshiba in 2009, are considered as a single entity). We currently supply our products to Western Digital and Seagate, who in the aggregate are expected to account for about 60.3% of the total HDD market share in 2009. Western Digital is estimated to ship a total of 161.8 million units in 2009 representing a growth of 11.9% year-on-year, while its market share is estimated to increase by 2.4% in 2009 to 29.1%. In the same year, Seagate is estimated to ship a total 173.4 million units, representing year-on-year growth of 1.7%, while its market share is estimated to remain almost the same in 2009 at 31.2%. According to TRENDFOCUS, as the two largest players in the HDD market, our Key Customers continue to benefit from their

7. BUSINESS (cont'd)

large-scale operations which enable them to offer comparatively low HDD prices.

With our continued expansion of our production capacity and active involvement in the ongoing design and development programs with both Western Digital and Seagate and more recently with Alphana (on base plates for Hitachi and Samsung MBAs), we believe we are well positioned to increase our share of our Key Customers' and as well as other HDD manufacturers' HDD mechanical component procurement needs. This may include expanding the number of mechanical products (such as disk clamps) that we provide.

Japanese and Korean HDD manufacturers have typically sourced components from captive or domestic vendors. Most recently in October/November 2009, we have started working with Alphana on base plates for Hitachi and Samsung MBAs. Currently, we are in the midst of the design and qualification period for these companies.

Our future manufacturing facilities in the PRC, together with our current operations in Thailand and Malaysia, will allow us to be in close proximity to potential customers such as the Japanese and Korean HDD manufacturers and potentially enable us to develop a relationship with these manufacturers.

7.3.7 Experienced management team

We have an experienced senior management team with an average of over 22 years of management experience and over 16 years of experience in the HDD industry. Our senior management team has played a significant role in the achievement of our Group's growth and in establishing our Company as a leading HDD mechanical component manufacturer (see Section 9.4 of this Prospectus).

7.4 Our Strategy

Our strategy is to continue to build on our strengths as a low cost, high quality, reliable manufacturer of selected HDD mechanical components and to capture a significant share of our customers' requirements.

The key elements of our strategy are as follows:

- expanding strategic customer relationships and support;
- investing in capacity expansion;
- continuously improving production efficiency and lowering costs; and
- focusing on higher value-add products.

7.4.1 Expanding strategic customer relationships and support

We intend to build on our existing strategic relationships with our Key Customers and will continue to focus our attention on our Key Customers to seek new opportunities while continuing to provide them with high quality precision components.

Central to our growth strategy is the expansion of our relationship with Seagate and going forward, Alphana who have recently approached us to manufacture their HDD mechanical components. In 2008, we were qualified and started producing antidisks for Seagate.

7. BUSINESS (cont'd)

7.4.2 Investing in capacity expansion

Capacity is one of the limiting factors to our growth and the expansion of our business with our Key Customers. As such, we have been investing and will continue to invest in capacity expansion to meet an increase in demand for our products by:

- building new production facilities; and
- maximising the productivity of existing facilities.

We have incurred a total of RM465.5 million on capital expenditure in the last three financial years ended 30 September 2009. We have already invested in a significant expansion of our production facilities in Malaysia and Thailand, which is expected to be completed in 2010. We are also in the process of establishing manufacturing facilities in the PRC to efficiently service our existing and potential customers' operations. The financing for the expansion will be through internal funds and external borrowings from financial institutions.

In addition to building new facilities, we also intend to better utilise our existing factory space to allow for increases in our production capacity. We can increase our base plate production capabilities by modifying the layout of our existing factories. We also have the flexibility to convert some of our existing warehouse/storage spaces, such as the warehouse hub in Thailand, into production areas.

Besides redesigning the layout of our existing factories, we also intend to upgrade our existing equipment, which will increase our production capability very quickly. We are in the process of increasing our machine/equipment output capacity by further improving our designs with respect to additional stations and cavities output per machine/equipment.

7.4.3 Continuously improving production efficiency and lowering costs

We continue to place an emphasis on the enhancement of production efficiencies through seeking to optimise our production and manufacturing processes, on-going training of our employees, investment in equipment and technology and the location of our manufacturing facilities in low cost centres, such as the PRC. We intend to leverage on our technical expertise through on-going investment in design and development to enhance our current product offerings and develop more efficient manufacturing processes.

Currently JCY outsources certain tooling and manufacturing processes such as plating, FIG, casting, machining, deburring and toolings. We will seek to develop both products and processes in-house, thereby reducing reliance on outsourcing, through the use of sub-components developed and manufactured in-house. We will also engage in joint development projects where necessary, to enhance our ability to focus our design and development investment in areas of strategic importance. This will enable us to lower unit costs of production and to increase our market share of the HDD mechanical component market.

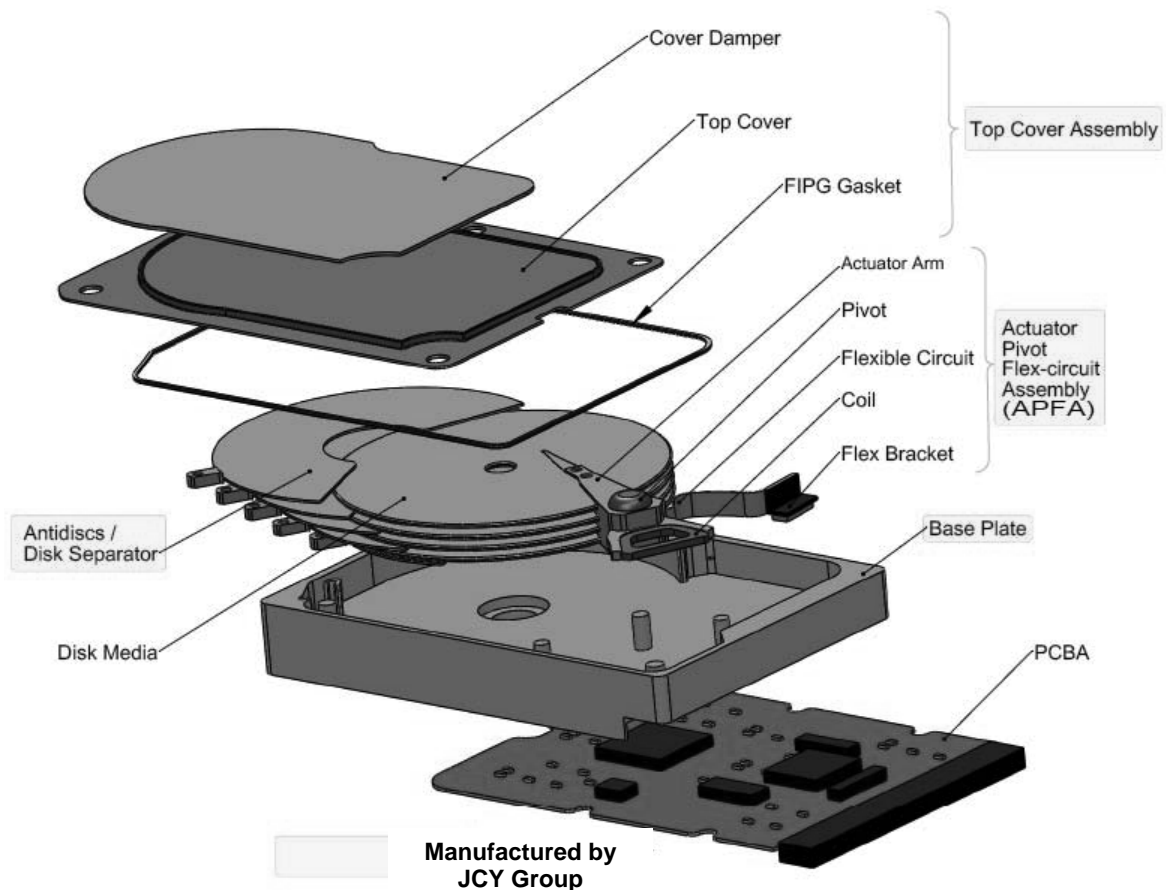
7. BUSINESS (cont'd)

7.4.4 Focusing on higher value-add products

We have positioned ourselves as a quality HDD mechanical components manufacturer, focusing on high value-added products which require high levels of technical competencies. Our strategic relationships with our Key Customers provide us with opportunities to be involved in the design and development of new components and also the flexibility to adjust our production mix and focus our resources on developing higher value-add products. Typically, these high value-added products are more difficult for our competitors to replicate.

7.5 Our Products

We primarily manufacture four main HDD mechanical components, namely, base plates, top cover assembly, APFA and antidisks.



Base Plates

The base plate is the main component to which all other HDD mechanical components are directly or indirectly attached. It forms the base of the HDD on which the top cover is secured. Base plates are typically made from aluminium which is smelted, cast and then machined to the required precision. Our base plates are primarily used in 3.5 inch and 2.5 inch HDDs.

7. BUSINESS (cont'd)

We design, develop and manufacture a variety of base plates for our customers, according to their specifications. This allows our customers to subsequently affix various other components to a base plate, such as the spindle motor, pivot and media, in order to complete the assembly of a HDD. While the basic specifications of each of the products are provided by our customers for their specific end products, we provide input on our customers' designs to assist with improving the efficiency of such design from a manufacturing and component cost perspective (DFM and DFC inputs). Our manufacturing operations for base plates are fully vertically integrated except for certain purchased components.

Top Cover Assembly

Top covers, which are typically made of stainless steel, are used to protect the HDDs from external contaminants, such as dust. Top covers commonly come with a cover damper for sound attenuation to achieve near-zero operating noise. An FIPG is applied to the top cover to ensure a tight seal between the top cover and the base. We stamp the cover damper, the top cover and apply the FIPG gasket. These parts are then assembled by us to form the top cover assembly.

We develop and manufacture a variety of HDD top cover assembly based on our customers' specifications. We manufacture top cover assembly primarily for 3.5 inch and 2.5 inch HDDs. These are similarly customized in accordance with the needs, designs and prices specified by our customers. Our customers provide us with basic specifications for the top cover assembly and we provide input from a DFM and DFC perspective. With the exception of certain outsourced processes (such as a small proportion of FIPG applications because of different raw FIPG gasket materials and processes and also electrolysis nickel plating), our manufacturing operations for top cover assembly are fully vertically integrated.

APFA

Actuator arms (together with the suspension arms) move the heads to the desired location on the surface of the platters/media. This positioning movement must be extremely precise and quick because it affects the speed of the drive. The actuator arms are designed with different number of arms to cater to the number of heads required in the HDD.

We design, develop and manufacture a variety of APFA for our customers according to their specifications. As in the manufacture of base plates and top cover assembly, we also provide input from a DFM and DFC perspective to our customers.

We machine the actuator arm from an extruded bar. We then assemble the actuator arm with components such as pivot, flex circuit and coil flex bracket to form the APFA. Our manufacturing operations for actuator arms and assembly processes for the APFA are fully vertically integrated.

Antidiscs

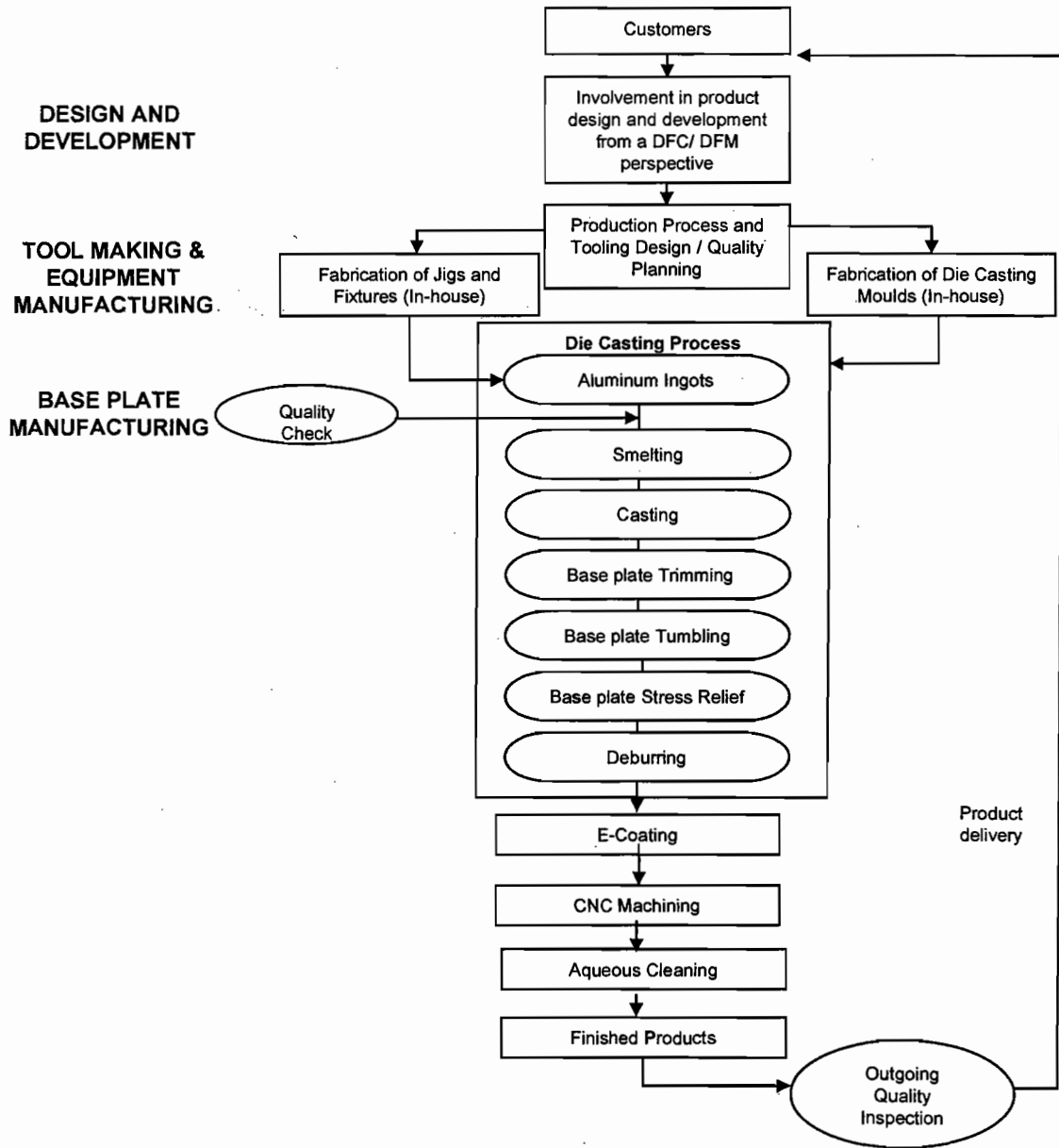
The antidisc is a stationary disc separator plate used in HDDs to suppress turbulence near a disk drive read/write head. HDDs typically have multiple disks, and a separator plate is placed between each pair of adjacent disks. Our engineering team works closely with our customers' designers, providing customers with valuable DFM and DFC inputs. Our input is very important to the customers as it enables the customers to achieve manufacturability of the antidiscs at a competitive cost. We manufacture antidiscs from both extruded aluminium stocks/bars as well as aluminium die casting materials.

7. BUSINESS (cont'd)

7.6 Manufacturing Processes

7.6.1 Base Plates

Process Flow for Production of Base Plates



7. BUSINESS *(cont'd)*

We are involved in each of our customer's product design and development efforts right from the beginning. When a customer plans to introduce a new product, it will provide us with the design and drawing specifications. We will review the design from a DFM and DFC perspective, and upon agreement by the customer, produce a prototype for the customer. Following discussions with the customer on the design and dimensioning of the product based on the prototype, we will produce casting moulds and toolings (such as jigs and fixtures) in-house, in accordance with the new product's specifications.

During die casting, raw materials such as aluminium alloy ingots are moulded into the form of the base plate design stipulated by the customer. Every customer has several different designs for different performance and capacity requirements. The process consists mainly of smelting, casting, trimming, tumbling and secondary operations, followed by inspection processes. During smelting, the solid aluminium alloy is melted in a smelting furnace. The molten metal is then transferred to a holding furnace. A transferring device then automatically transfers the molten metal to the die casting machine, injecting it under pressure into a die. The molten metal solidifies to form the base plate with the required specifications. The castings produced are first trimmed in a press to remove excess attachments before they are transferred into tumbling machines, or shot blasted for deburring and smoothening. Secondary operations may be necessary to remove any residual burrs. This is followed by stress relief whereby the castings are baked in an oven and then pre-treated before commencement of E-coating.

During E-coating, base plates are coated or primed with electrically charged paint to prevent corrosion. The base plates are first pre-treated using a chemical process that removes oil and contaminants on their surfaces followed by an alodine coating which is a RoHS compliant coating that prevents surface corrosion. The pre-treated base plates are then passed through the electro-deposit process in which they are immersed in electrically charged paint before being channelled into an oven for curing. These base plates are then brought to the machining room for further value-added work. Finally, the castings undergo a VMI for general defects before proceeding to the machining stage during which they undergo precision machining processes in which they are dimensionally shaped by machines through cutting, drilling and milling, or a combination of these processes to achieve the desired dimensions according to customers' specifications.

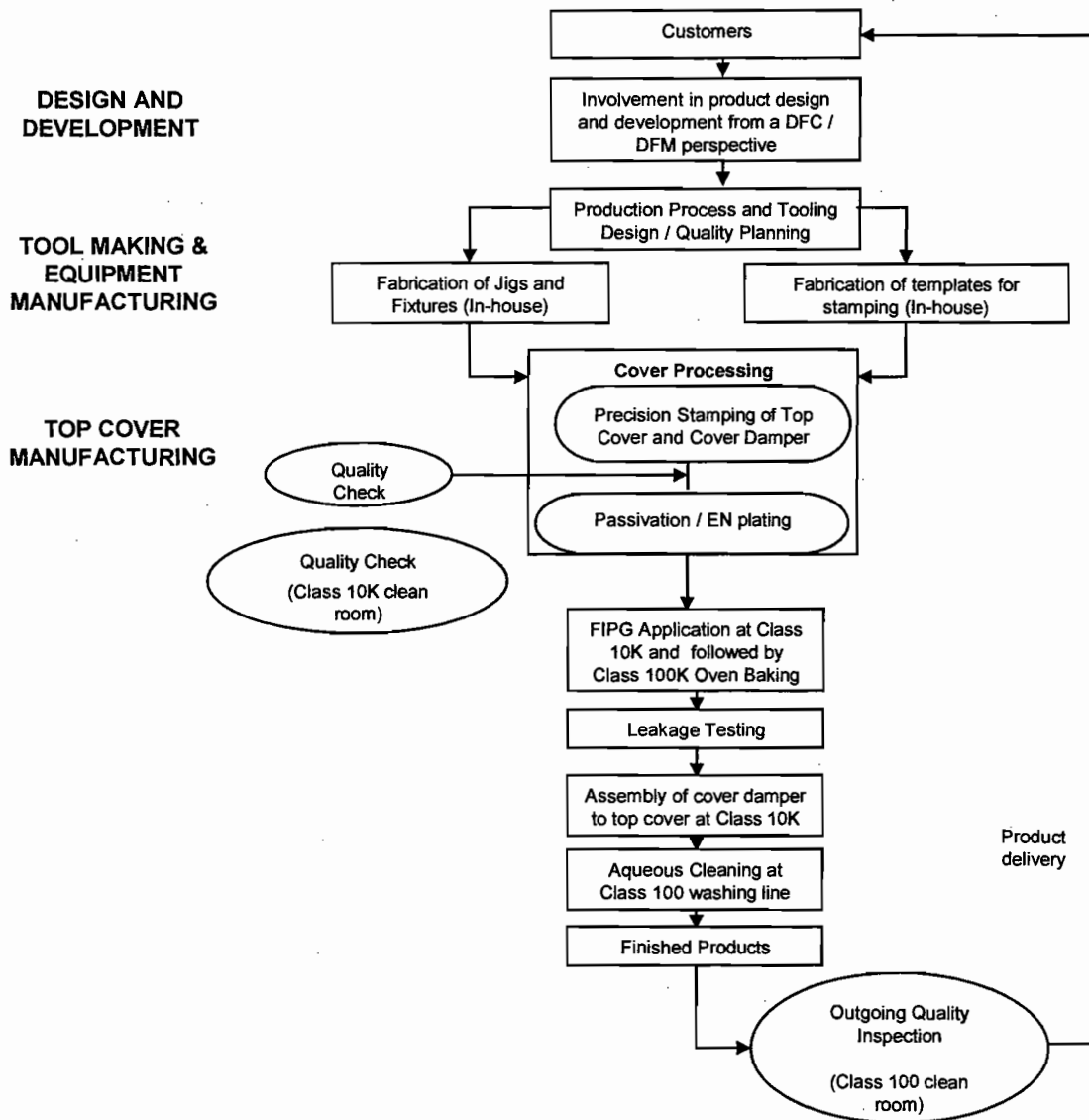
Precision machining is a key aspect of the production process which provides a high degree of accuracy. We have in operation CNC machining centres that have high speed, high accuracy and repeatability capabilities with multiple tool changing functions, and which allow for high volume production of base plates with tight tolerances. Our qualified engineering personnel carry out the complex programming needed to run the machining CNC machines.

7. BUSINESS (cont'd)

We have a conveyor washing line that uses ultrasonic technology to remove the coolant oil and other contaminants on the surface and in the holes of the machined base plates. This process allows for washing, rinsing, blowing dry and hot air within the same line. The parts are then directly conveyed to a clean room for visual and dimensional inspection, after which they are packaged and shipped to customers.

7.6.2 HDD Top Covers

Process Flow for Production of Top Covers



Our involvement in our customers' product design and development efforts on top cover assembly is similar to that described above for base plates.

7. BUSINESS *(cont'd)*

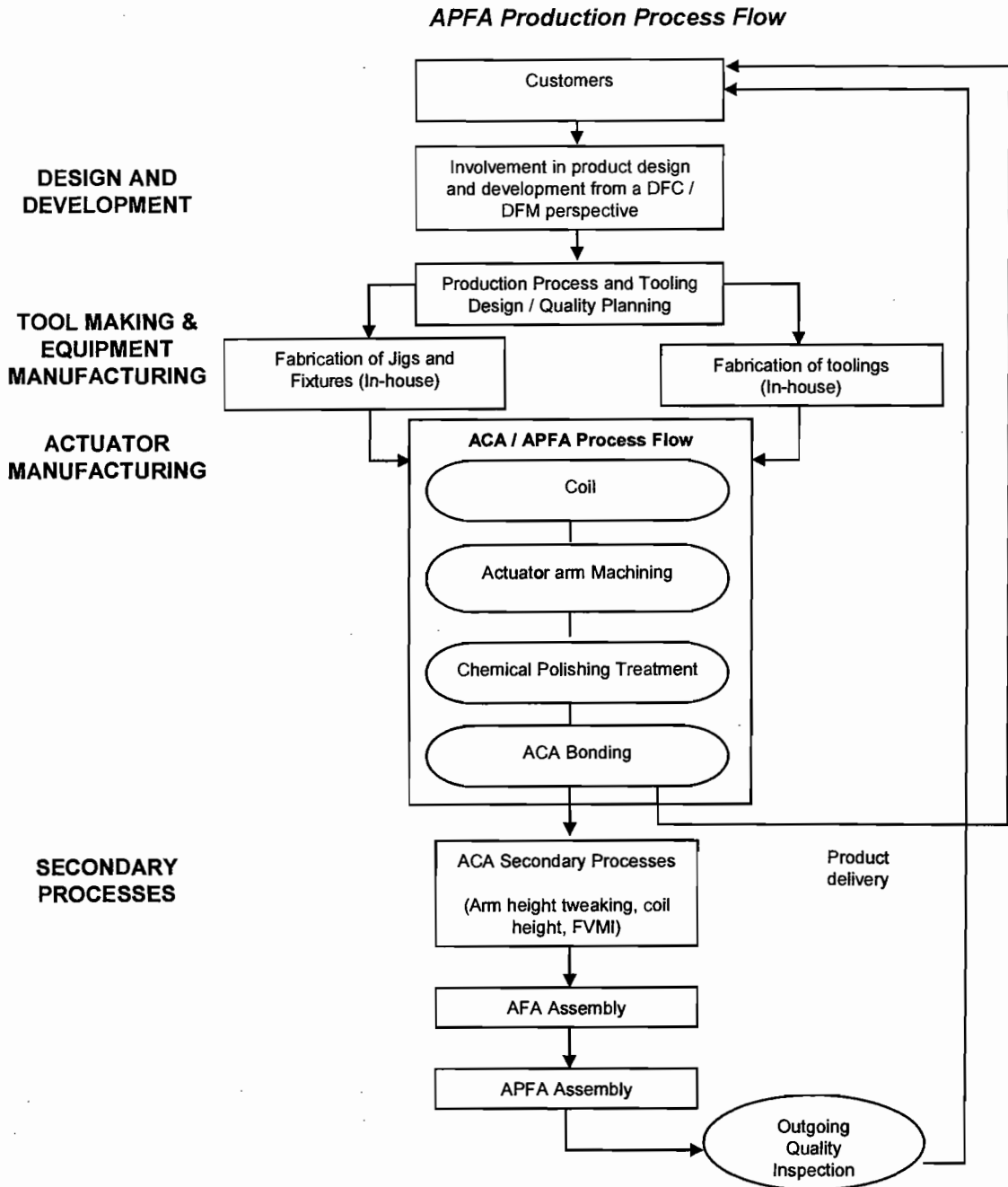
Stainless steel sheets are stamped into the designed shapes by a high precision stamping machine. These top covers are visually inspected to ensure that they are free of scratches and other defects, and that they meet certain stringent tolerance controls. The stamped top covers are then either passivated or etched to remove surface oil and contaminants. The stamped top covers are then sent for plating, before being sent into a Class 10K clean room for VMI. During the VMI process, the top cover assembly is inspected for defects, such as stains, scratches or dents. The remaining top covers are then loaded into FIPG plotting machines to dispense the gasket material according to the profile of the sealing required.

After application of the FIPG, the covers are baked to cure the gasket and remove all volatile gases that may harm the performance of the disk drive. The sealing capacity of the FIPG is then tested in specialised machines. The top covers are washed in a Class 100 washing line, and channelled directly to a Class 100 clean room, where certain other sub-components, such as dampers and filters, are assembled to the top covers. The top cover assembly, which is the final product, is then inspected and vacuum packed with double bags, and shipped to customers.

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7. BUSINESS (cont'd)

7.6.3 APFA



We are involved in our customers' product design and development efforts on the APFAs. Our involvement in our customers' product design and development efforts is similar to our services for base plates and top cover assembly, as described above.

7. BUSINESS *(cont'd)*

We manufacture actuator arms by machining extruded aluminium bars using a high speed precision CNC machine, where slitting saws are used to cut the aluminium bars to produce finger-like arms. Chemical polishing technology is then used to remove the minute burrs on actuator arm, which may otherwise cause HDD failures.

Copper or aluminium wire coil is then bonded onto the actuator arm to form the ACA. The ACA is then subjected to washing, coil height, fantail profile check, resistance, high-potential test and arm height inspection.

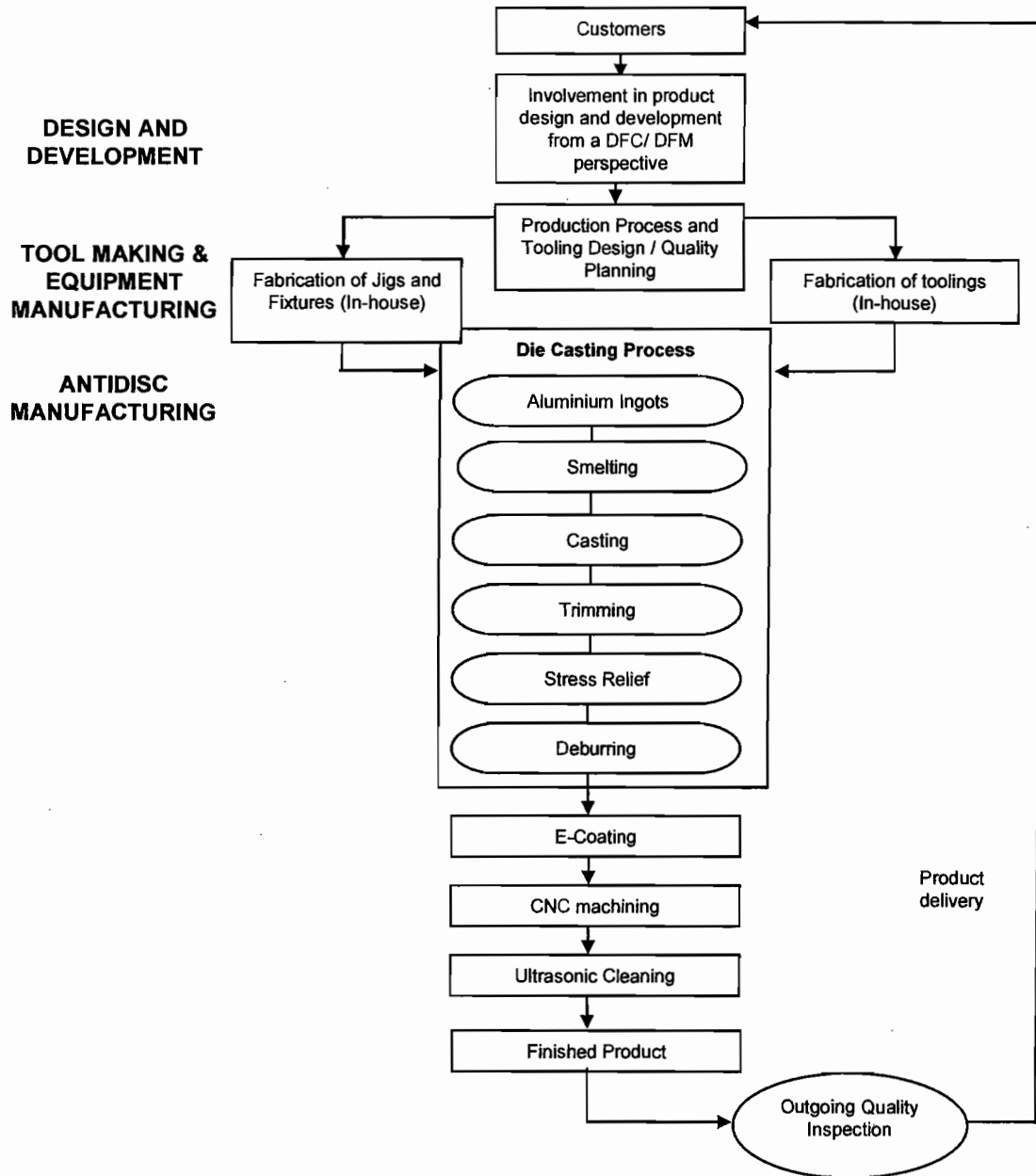
The ACA is then assembled with FCOF and the other component such as the flex bracket and pivot to form the APFA. The APFAs are packed in anti-static trays and shipped to customers.

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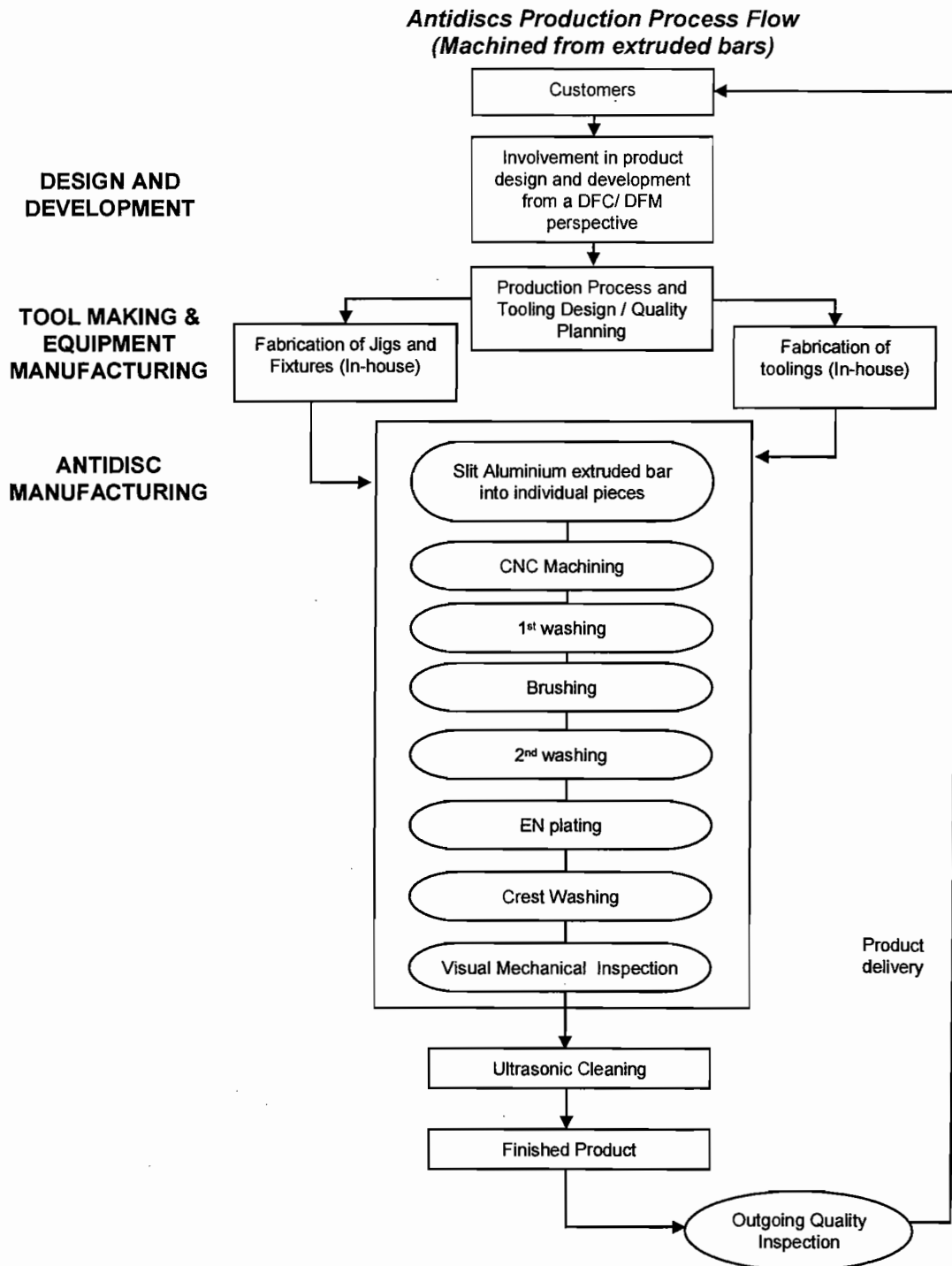
7. BUSINESS (cont'd)

7.6.4 Antidiscs

Antidiscs Production Process Flow
(Machined from die casting parts)



7. BUSINESS (cont'd)



We machine the antidiscs either from an aluminium extruded stock/bar or aluminium die-casting parts depending on the customer's design and requirements.

In the aluminium die-casted process, the antidiscs are die-casted from multi-cavities die/mould. The parts are then trimmed, stress-relieved and burrs are removed before being sent for E-coating. Flatness is then checked by fixtures to ensure the specifications are met before machining. The antidiscs are then ultrasonically washed, followed by a VMI before being packed for shipment.

7. BUSINESS (cont'd)

The aluminium extruded antidisks are machined from extruded aluminium stocks/bars. The machined antidisks are then washed, brushed and sent for EN plating. Plated parts are further washed and finally double vacuumed packed for shipment.

7.7 Quality Control Procedures or Quality Management Programmes

Our Group maintains a quality control unit and laboratory at our production facilities to monitor our materials and products for compliance with contract specifications. Our Group generally relies on the product quality history of our long term suppliers. Each shipment of raw materials is typically accompanied by a certificate of compliance. For long term suppliers with established records, certain testing requirements may be reduced.

All other incoming materials are controlled upon arrival for quality assurance. Materials not conforming to specified standards are either rejected or conditionally accepted. A supplier corrective action request is issued to suppliers in the case of a rejection or conditional acceptance, which requires response within one to seven days. Materials suppliers are assessed annually.

All in-process and finished products are tested and graded according to specifications. A product release slip is issued for products stating quality and grade, clearing the product for sale. A non-compliance note is issued for products not meeting specifications.

Our Group's Kulai plant in Johor, Malaysia has received the ISO 9001 quality management system certification and the ISO 14001 environmental management system certification.

7.8 Our Customers

Based on direct sales, we derived 64.9% and 21.5% of our total consolidated revenue in the financial year ended 30 September 2009 from Western Digital and Nidec, respectively. Nidec is a MBA supplier to our Key Customers, and as a MBA supplier, Nidec attaches a spindle motor to the base plate (which was typically performed by HDD manufacturers in the past) before delivering its product to Western Digital and Seagate. Since Nidec as an MBA supplier now performs the assembly function for HDD manufacturers, Nidec has been directed by Western Digital and Seagate to acquire the HDD components from the JCY Group.

We also sell components to five other MBA suppliers (including Nidec) at the direction of Western Digital or Seagate. As HDD vendors, Western Digital and Seagate direct their other component suppliers to buy certain of our products and direct us to deliver such products to these suppliers. The price of the products is agreed between Western Digital or Seagate and us. While the sale and purchase of the components is between each of these five companies and us, we depend on Western Digital and Seagate for our relationships with these customers.

As a result of our direct and indirect sales (through the MBAs) to Western Digital and Seagate, we consider them our key customers. Western Digital has been a customer of JCY Group's business since 1994 and Seagate has been a customer of JCY Group's business since 2006. We sell the full range of our products to Western Digital and base plates and antidisks to Seagate. Seagate has recently qualified our top cover assembly.

7. BUSINESS *(cont'd)*

Western Digital and Seagate are leading manufacturers of HDDs and design, develop, manufacture and sell HDDs to original equipment manufacturers for inclusion in computer systems or subsystems and to distributors, resellers and retailers. According to TRENDFOCUS, Western Digital and Seagate have, in terms of the number of units of HDDs delivered in 2008, a market share of 32.0% and 44.1% respectively in 3.5 inch HDD units worldwide, 22.6% and 18.0% respectively in 2.5 inch HDD units worldwide, and 27.0% and 31.6% respectively in all HDD units worldwide.

We believe that we have good relationships with our Key Customers (see Section 5.1.1 of this Prospectus).

We also believe that our consistently high level of product quality also differentiates us from other manufacturers and creates a barrier to entry for potential new entrants, given the stringent qualification process enforced on component manufacturers by the HDD vendors. Further, most HDD vendors use JIT inventory management processes, which require them to work closely with their suppliers to ensure timely delivery of supplies. JIT delivery enables these HDD vendors to maintain low inventory levels, hence the strong reliance on incumbent suppliers, like us, to ensure smooth operations and supply. This makes it costly for vendors such as our Key Customers to switch suppliers and difficult for new entrants to enter the industry, thus strengthening our strategic 'two-way' relationships between us and our Key Customers.

Our customer relations efforts focus on strengthening our relationships with our Key Customers. Our Group has continued to maintain our strategic business relationship with Western Digital since 1994 and had also managed to include Seagate as one of our Key Customers. The strategic business relationship is currently managed by our key management, mainly by our Strategic Accounts Management Team, comprising two of our Executive Directors, our senior business development managers and key engineers. These managers and engineers work with the design center and formulate the product road map together with our Key Customers' design and technical team to ensure that a new product can be launched on time. They are also involved in discussions with our Key Customers on their needs and a prequalification process during which we engage in the design and building of prototypes which are tested by our Key Customers.

The factory operation team will take over for the mass production of the new product and ensure that the quality as well as the timely delivery of the components manufactured meet the requirements of our Key Customers. Once the product is close to maturity/launch, our Executive Directors will work on the day-to-day volume and pricing and communicate with Seagate and Western Digital on their JIT purchases.

With our Strategic Accounts Management Team, who has an in-depth understanding of the components we manufacture, we are able to provide support to our Key Customers in terms of production planning, new component designs and DFC and DFM input and continuously servicing and working closely with our Key Customers. Our Group believes that our relationship management strategy and quality manufacturing support will ensure the continuity of our Group's business relationship with our Key Customers in the future.

We are currently undergoing the prequalification process with Alphana on base plates for Hitachi and Samsung MBAs, and have recently qualified our top covers with Seagate. We believe that our customer relations efforts have been productive and consistent with our strategy to expand strategic customer relationships and support (see Section 7.4.1 of this Prospectus).

7. BUSINESS (cont'd)

The breakdown of customers contributing 10% or more of our revenue for each of the last three financial years ended 30 September 2009 is as follows:

No.	Customers	Percentage Contribution					
		2007		2008		2009	
		RM (million)	%	RM (million)	%	RM (million)	%
1	Western Digital	1,388.4	83.7%	1,274.4	69.5%	1,141.3	64.9%
2	Nidec	204.5	12.3%	360.4	19.6%	378.4	21.5%

7.9 Customer Contracts

Our dealings with our Key Customers are generally based on our customers' purchase orders. The sale and purchase of our products are made pursuant to individual purchase orders, usually issued on a quarterly basis (as adjusted on a weekly basis). Our customers typically provide advance guidance of their requirements for the following quarter, so that we can plan our production schedule accordingly.

The quantity of components set forth in the quarterly advance forecast only provides an estimate of our customer's quarterly requirements of certain components, and are subject to adjustment by our customers on a weekly basis. The actual quantity of components that we sell to any customer in a given period may be less than, or may exceed, the quantity stated in the purchase orders. The prices of the various components are negotiated and agreed between us and our customers prior to the issue of the purchase orders by such customers, and will apply to all components sold within the agreed period.

The initial prices of our various components are driven by the manufacturing processes required for such components, and are largely determined after discussions between the appropriate representatives of our customers, who provide the initial component design specifications and volume estimates, and our senior business development managers and key engineers, who provide input from a DFM and DFC perspective. After agreeing on the final component prices with our customers, we may adjust the initial prices to reflect fluctuations in raw material prices, manufacturing processes or design modifications. We may also agree to provide pre-agreed quantity or bulk discounts under certain circumstances.

The terms and conditions of the arrangements under which we supply our products to our customers generally favour our customers. Each purchase order sets forth the general terms and conditions governing the sale of our products and the quantity and price in respect of each component. Generally, we are required to warrant that our products are free of defects in materials, workmanship and design, and that our products will be fit for the purposes of our customers for the duration set forth in the purchase order. During the warranty period, we are also obliged at the option of our customers, to replace any defective products or to refund the purchase price of any rejected products. We may also be required to indemnify our customers against all claims, suits, liabilities, damages, costs and expenses under certain circumstances. We do not have insurance covering us against product liability claims, and if any of our products are defective, our customers could make claims against us for such defective products or for consequential damage arising from such defective products (see Section 5.1.8 of this Prospectus). Certain of our purchase orders state that we should maintain employer's liability and general commercial liability insurance with coverage of which may be higher than the coverage we maintain.

7. BUSINESS *(cont'd)*

Our manufactured products are transported to logistics hubs located in Petaling Jaya, Malaysia or Bangkok, Thailand for collection by our customers on a JIT basis. These hubs are managed either by our customers or by independent third parties. We bear the risks relating to any loss or damage to our products during the period of their storage at such logistics hubs, although the operators are required to obtain insurance in relation to all property stored within the hubs.

The risks relating to loss or damage to our products pass to our customers upon their taking delivery of such products by taking our products out of the logistics hub. We usually receive payment for our products within 45 to 60 days after our customers take delivery. Payments for our products are usually made in batches, typically on a fortnightly basis.

7.10 Supply Arrangements

Our manufacturing operations require us to use raw materials such as aluminium ingots, aluminium extruded bars, stainless steel as well as HDD sub-components, including FCBs, chips and pivots.

We have established strategic relationships with our key suppliers of raw materials such as aluminium ingots, aluminium extruded bars and stainless steel, which are commodity products. The prices at which we purchase such raw materials are generally dependent on their prevailing market prices and we do not enjoy any quantity or bulk discounts. However, our relationship with our suppliers generally affords us priority in obtaining supplies of raw materials, even in instances where such materials may be in short supply.

We have similarly established strategic relationships with our key suppliers of manufacturing and other equipment. As a result, we enjoy competitive pricing terms and favourable credit terms in respect of the manufacturing equipment we purchase, as well as priority access to certain new machinery and technology.

We purchase our HDD sub-components for the manufacture of APFA (such as FCBs) from approved third party vendors selected by our Key Customers, with the pricing and other key terms predetermined by such Key Customers. The cost of such sub-components is generally passed through to our customers and we do not bear any significant risk of price fluctuations.

We order raw materials and HDD sub-components from our suppliers through purchase orders on an as-needed basis, based on our customers' purchase orders and forecasts. Our purchase orders typically specify the type and quantity of raw materials or sub-components required and the price of such raw materials or sub-components, which is arrived at in the manner described above. We do not have long-term contracts with any of our suppliers. In general, we have not encountered any problems with our suppliers with respect to the delivery or quality of raw materials or HDD sub-components. We believe that we have good relationships with our suppliers.

7. BUSINESS (cont'd)

Based on the aggregate value of our purchases, none of our suppliers of raw materials accounted for more than 10.0% of such purchases during each of the past three financial years ended 30 September 2009. Our top three suppliers of raw materials are Sumitomo Electric Interconnect, NSK Micro Precision Co., Ltd and Ye Chiu Metal Smelting Sdn. Bhd. We believe that we are not dependant on these suppliers of raw materials as the raw materials supplied are commodities which we can source from alternative suppliers.

Our major suppliers of manufacturing and other equipment that accounted for more than 10.0% of such purchases, based on the aggregate value of our purchases of plant, machinery and equipment during each of the past three financial years ended 30 September 2009, are set forth below:

Name of Manufacturing and Other Equipment Supplier	Percentage value of purchases			Duration of Relationship
	2007	2008	2009	
Shinapex Co., Ltd	46.0%	47.6%	37.1%	12 years
Toshiba Machine S.E. Asia Pte. Ltd.	-*	-*	18.5%	12 years

Note:

* Less than 10.0%

We also rely on public utilities, primarily in the form of electricity and water in Johor, Malacca and Penang which are supplied by Tenaga Nasional Berhad (in respect of electricity in Johor, Malacca and Penang), Jabatan Bekalan Air, Johor (the Johor Water Supply Department, in respect of water in Johor), the Public Works Department of Melaka (in respect of water in Malacca) and Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (the Penang Water Supply Corporation, in respect of water in Penang), electricity in Thailand, which is supplied by Provincial Electricity Authority of Thailand and electricity in Suzhou, PRC, which is supplied by Suzhou Electricity Supply Co. (see Section 5.1.13 of this Prospectus).

7.11 Manufacturing Facilities and Properties

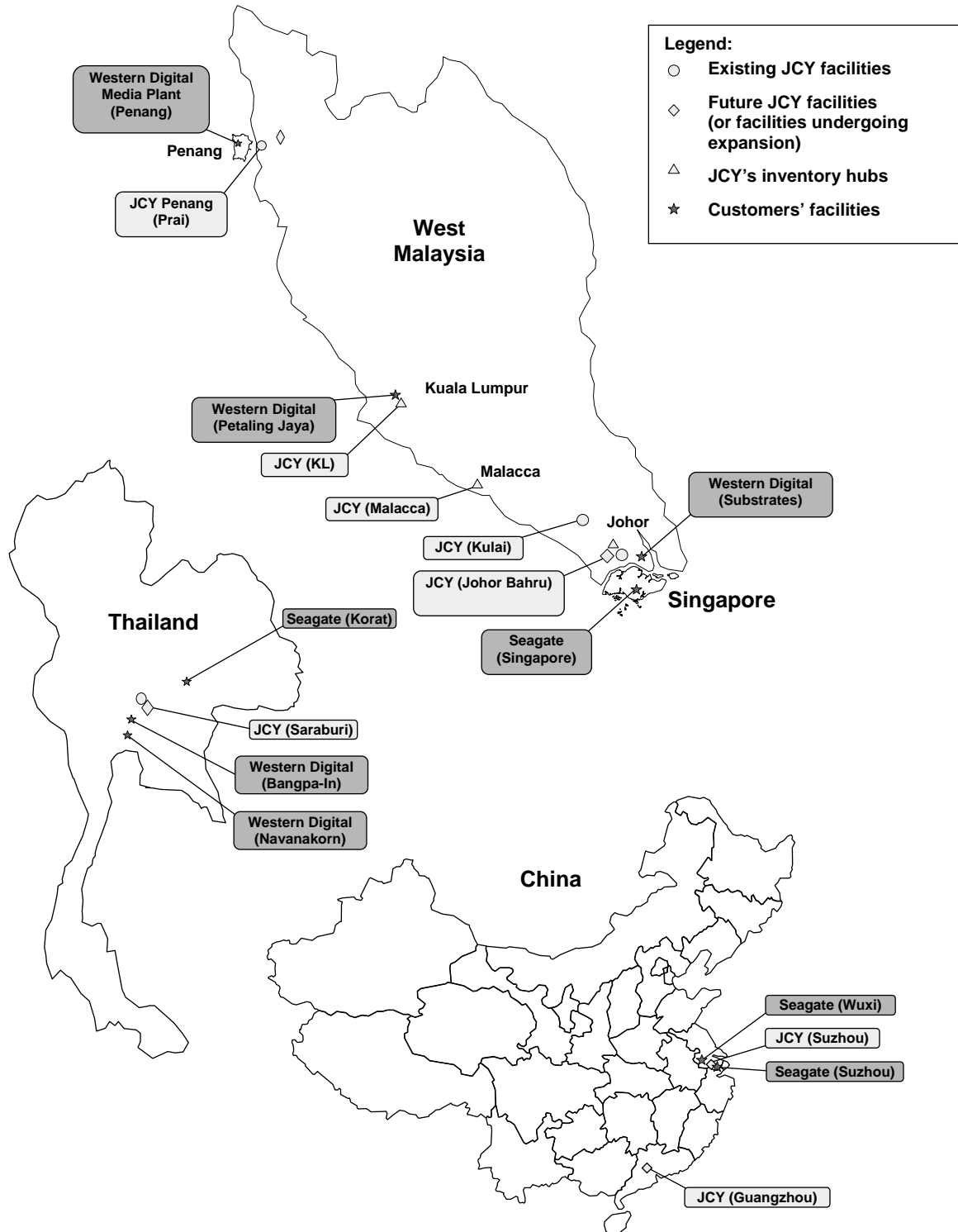
Our operational strategy is to provide production facilities in close proximity to our customer base. See Annexure A for a summary of properties owned, leased or occupied by our Group.

Our manufacturing process is vertically integrated and utilises modern equipment, thus lowering costs and making operations more efficient and allowing it to have better control over the design, production and quality of its components.

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7. BUSINESS (cont'd)

The following diagram illustrates the locations of our Group's production facilities as at 30 September 2009:



7. BUSINESS (cont'd)

The following table sets forth a summary of our production facilities as of 30 September 2009:

Location	Plant	Components manufactured/ Process	Gross Factory Floor Area (sq ft)	Gross Administrative Area (sq ft)	Number of employees/ contract workers
Malaysia:					
Johor	Tebrau	Base plates, top cover, actuators	667,312	26,628	8,678
	Pasir Gudang	Plating	30,699	2,497	161
	Kulai	Base plates, actuators	92,368	10,172	3,100
Malacca	Jasin	Base plates (VMI/HUB)	64,036	10,333	629
Penang	Prai 1 and 2	Actuators	<u>126,600</u>	<u>20,400</u>	<u>4,009</u>
Subtotal			981,015	70,030	16,577
Thailand	Saraburi P1 & P2	Base plates	96,783	6,398	2,090
PRC	Suzhou P1 ⁽¹⁾	Machining	<u>78,577</u>	<u>5,382</u>	<u>952</u>
Total			<u>1,156,375</u>	<u>81,810</u>	<u>19,619⁽²⁾</u>

Notes:

⁽¹⁾ The existing plant has not been qualified by Western Digital. Products manufactured at this facility are shipped to our plants in Johor Bahru and Penang to complete the manufacturing process. Western Digital will be invited to carry out its qualification test on our new Suzhou plant in the PRC once the plant is set up and fully operational.

⁽²⁾ The total number of employees does not include the number of employees in Singapore as we have no production facilities in Singapore.

The capacity of our manufacturing facilities varies with changes in the product mix. Based on the product mix for the quarter ended 30 September 2009, our total capacity was approximately 98.0 million components for the quarter and our utilisation for the same period was approximately 86.0%. The utilisation rate was affected by the shortage of labour at that point in time.

The following table sets forth a summary of our production facilities that we expect will be completed in the first half of 2010:

Location	Plant	Components manufactured/Process	Gross Factory Floor Area (sq ft)	Gross Administrative Area (sq ft)
Malaysia	Prai, Penang	Actuator Assembly	100,200	800
PRC	Suzhou	Actuators (Machining)	215,500	85,000
	Guangzhou ⁽¹⁾	Actuators (Machining)	⁽²⁾ 156,700	⁽²⁾ 25,000
Total			<u>472,500</u>	<u>110,800</u>

Notes:

⁽¹⁾ The land on which the Guangzhou plant will be situated is leased from YK Technology (Foshan) Co. Ltd, a company wholly-owned indirectly by YKY Investments.

⁽²⁾ The factory is currently being constructed. These estimates are based on gross area only.

7. BUSINESS *(cont'd)*

Once fully operational, we expect that our operations at our current Suzhou plant (together with all of the workers) will be entirely transferred to our new Suzhou plant. Our rationale for setting up the new Suzhou plant is to cater to the expected demand growth of our Key Customers. Our Guangzhou plant is to be set up to take advantage of lower labour costs, to cater for the potential customers in the region, as well as to cost effectively transport manufactured products back to Malaysia due to the close proximity of a port to the said Guangzhou facility.

The new plants will have to be qualified by our Key Customers. In the event the qualification by our Key Customers is not obtained in a timely manner, the timing of commencement of operations may be affected.

We have Class 100, Class 10K clean rooms and Class 100 washing lines which are required for the manufacture and production of our various HDD mechanical components, in most of our manufacturing facilities. Our facilities are laid out to enable flexible production and ability to add capacity quickly. Facilities are located within the same locations or geographically proximate locations; therefore, reducing transportation and packaging costs.

Our manufacturing facilities generally operate on the basis of two 12-hour shifts per day, and we schedule regular preventative maintenance work. Production/operating capacities are, among others, constrained by the size of the production facilities and availability of workers.

7.12 Employees / Contract Workers

As of 30 September 2009, we employed 4,117 permanent employees worldwide, comprising a total of 1,048 permanent employees in Malaysia and 3,069 permanent employees in the PRC and elsewhere. In addition, we engage contract workers through our sub-contractors, aggregating a total of 15,529 contract workers in Malaysia as of 30 September 2009. Our management, supervisory and administrative staff are permanent employees, and our machine operators are primarily contract workers. All the requisite documentary and other legal requirements for the engagement of contract workers, including the application for work permits, are obtained by our sub-contractors, who assume the role of employers to such contract workers. Our operating subsidiaries render payment of service fees to these sub-contractors on a monthly basis, which are calculated based on the number of contract workers supplied and their respective man-hours for such period.

We consider our qualified and motivated employees to be a key factor in our business success. Our future success will depend on our continued ability to attract, retain and motivate highly qualified engineering personnel, for whom competition is intense. Our employees are not represented by any collective bargaining organisation and our operating subsidiaries have never experienced a work stoppage except as disclosed in Section 5.1.15 of this Prospectus. We believe that our relations with our employees are good.

7. BUSINESS (cont'd)

The following table shows the number of our permanent employees and contract workers as of the dates indicated:

As of 30 September	2007	2008	2009
Operations (<i>Employees</i>)	988	2,550	3,618
Operations (<i>Contract Workers</i>)	14,958	17,715	15,529
General and administration (<i>Employees</i>)	395	428	499
Total	16,341	20,693	19,646

As of 30 September	2007	2008	2009
Total employees in Malaysia	668	690	1,048
Total contract workers in Malaysia	14,958	17,715	15,529
Total employees in Singapore	32	29	27
Total employees in Thailand	2	1,602	2,090
Total employees in PRC	681	657	952
Total	16,341	20,693	19,646

Other than contributions made to the Employees Provident Fund as required under Malaysian law, our Group does not have in place any pension, retirement or similar benefits for our employees.

We are regulated by, and are in compliance with all Malaysian employment regulations, including the Employment Act 1981 of Malaysia and the Employment Regulations 1957.

Our subsidiary in the PRC is regulated by the major labour laws and regulations in the PRC including the Labour Contract Law, the Implementing Regulations of the PRC on Labour Contract Law, the Labour Law of the PRC, the Law of the PRC on Mediation and Arbitration of Labour Disputes and the Trade Union Law. Our subsidiary in Thailand is similarly regulated in this area by laws and regulations such as the Labour Protection Act B.E. 2541 (1998), Labour Relations Act B.E. 2518 (A.D. 1975) and Workmen's Compensation Act B.E. 2537 (A.D. 1994).

Our Directors are not aware of the existence of any breach of any of the above mentioned regulations by us that would have a material adverse effect on us.

7.13 Training and Development Programmes

The Human Resource Department provides a structured approach for the training and development of our Group's employees by aiming to link the capabilities required to implement our Group's business strategies to individual training needs to ensure that the employees have the requisite skills and knowledge.

Some of the training and development programmes attended by our Group's employees in the year 2008 and on-going for the year 2009 include:

- 5S for Quality Environment training in relation to good house-keeping and workplace organisation;
- 7QC Tools training in relation to efficient and effective problem solving methods;
- LEAN Manufacturing in relation to tools and techniques to achieve effective results; and
- Understanding & Implementing an effective OHSAS 18001 Management System in relation to implementing and integrating such management system into daily business activities.

7. BUSINESS (cont'd)

7.14 Insurance

We maintain all risks industrial insurance for our manufacturing facilities, equipment and inventories. The insurance for our manufacturing facilities and our equipment covers physical damage and consequential losses from certain other risks up to our respective policy limits except for exclusions as defined in the policy. We also maintain public liability insurance for losses to others arising from our business operations and actions by our employees. In addition, we also maintain burglary policy and workmen's compensation insurance.

Significant damage to any of our manufacturing facilities, whether as a result of fire or other causes, could materially and adversely affect us. We do not insure against the loss of key personnel (see Section 5.1.9 of this Prospectus).

7.15 Design and Development

Our design and development activities started in 1997 in connection with the manufacture of HDD mechanical components. Our design and development program is focused on the development of new and enhanced DFM and DFC processes, which seek to support emerging technologies and designs in the HDD industry.

Details of the technologies, software and tools used as part of our design and development activities are as follows:

- **Magma mould flow simulation software** – simulates the molten materials flow in mold during high temperature operating conditions. This software enables us to optimise mold flow design;
- **Solid works premium software** – which we use to assist us in optimising our design in fixtures and automation;
- **Anca and Rolleromatic cutter grinder** – optimisation of customised cutter design;
- **Scanning Electron Microscope (“SEM”)** – analyses the plating quality enabling us to optimise our plating operations; and
- **Higher precision CNC machine** – tool which we use to produce new product prototyping through co-design and development with our customers.

We currently carry out our design and development activities in Johor and Penang, Malaysia. Through our experience, we have developed new conceptual designs and processes for manufacturing that complement our customers' core needs and objectives, with the primary intention of enhancing the specifications of our customers' products to enable their integration with other components during the assembly of a HDD unit.

In the past, we have undertaken significant design and development efforts each year, in addition to a number of smaller design and development projects. We review the status of all of our active design and development projects annually and make adjustments to the investment levels of these projects as needed.

The amount spent on the design and development activities was approximately 1% of revenue for each of the three financial years ended 30 September 2009.

7. BUSINESS (cont'd)

We believe that our future success will depend in part on our ability to continue to deliver efficient DFM and DFC processes to our Key Customers. We maintain close long-term relationships with leading companies in the HDD industry, including our Key Customers and suppliers, in order to develop our manufacturing processes to meet specific customer requirements.

7.16 Intellectual Property

We have documented internal processes for the management and protection of our customers' intellectual property. These include employee and contractor supplier agreements and non-disclosure agreements.

We sell the majority of our components to Western Digital and Seagate, who incorporate them into their own branded HDDs. As a result, branding is not an important aspect of our business. We currently trade under the "JCY" and "PCA" names and marks, but have not and do not intend to register these names and marks.

Save as discussed above, there are no brand names, patents, trade marks, licenses, technical assistance agreements, franchises and other intellectual property rights pertaining to, or licensed by or from the JCY Group.

7.17 Safety

We employ extensive safety procedures designed to ensure the safety of our workers, our assets, the public and the environment. We have in place safety procedures to minimise the occurrence of accidents and to emphasise work place safety.

It is our corporate policy that in the event of any conflict between the progress of work and safety or environmental concerns, the safety of our employees and workers, equipment and third parties and preservation of the environment are paramount. We provide our employees and workers with comprehensive training in safety and environmental related matters. Government officials make both scheduled and random checks at our operating facilities to ensure that safety procedures are being followed.

Our activities are regulated by Malaysian laws and regulations, including the Factories and Machineries Act 1967 of Malaysia and the Occupational Safety and Health Act 1994 of Malaysia.

We are also regulated by the occupational safety laws and regulations of the PRC including the Production Safety Law, the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents, the Measures for Reporting and Dealing with the Production Safety Incidents, the Regulation on Work-Related Injury Insurances and the Occupational Disease Prevention Law.

In Thailand, we are regulated by laws and regulations which include the Factory Act B.E. 2535 (1993), Labour Protection Act B.E. 2541 (1998) and the Public Health Act B.E. 2535 (1992).

Our Directors are not aware of the existence of any breach of any such regulations by our Company and its subsidiaries that would have a material adverse effect on us.

7. BUSINESS (cont'd)

7.18 Environmental Matters

We have in place procedures designed to protect and preserve the environment and to minimise pollution. We subject all our waste products (such as waste water) to treatment and processing. We also engage accredited waste disposal sub-contractors, such as Kualiti Alam Sdn. Bhd. (in respect of our waste products in Malaysia) to process and dispose of all waste products that we are unable to adequately treat. From time to time, there may be incidents of violations of environmental regulations (see Section 5.1.13 of this Prospectus). In April 2001, our Kulai plant in Johor, Malaysia was awarded the ISO 14001 environmental management system certification.

Our Malaysian operations are subject to Malaysian laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection, including the Environmental Quality Act 1974 of Malaysia.

We have one waste treatment plant for our manufacturing operations in Tebrau, Johor Bahru, and are currently in the midst of constructing a second waste treatment plant. The second waste treatment plant is expected to be completed by April 2010 and we believe that the second plant would be sufficient to mitigate any environmental issues in respect of the waste from our plant, subject to the confirmation of the DOE.

We are also subject to environmental laws and regulations in the PRC in respect of our operations in Suzhou, PRC. The major environmental laws and regulations applicable include the Environmental Protection Law, the Water Pollution Prevention Law, the Atmospheric Pollution Prevention Law, the Environmental Noise Pollution Prevention and the Environmental Impact Assessment Law. To date, we have not breached any environmental laws in the PRC. We will continue to monitor and ensure full compliance with the environmental laws.

Our operations in Saraburi, Thailand are subject to environmental laws and regulations such as the Environment Protection and Conservation Act B.E.2535. The Saraburi Industrial Park, where our subsidiary, JCY HDD Thailand currently operates, has an existing waste treatment facility which treats the waste water of the manufacturing facilities within the aforesaid industrial park. We are also currently planning the construction of our own waste treatment plant for our manufacturing facility there.

Our Directors are not aware of the existence of any breach of any such regulations by our Company and its subsidiaries that would have a material adverse effect on us.

7.19 Competition

The HDD industry is a capital intensive industry with significant price competition. New entrants to this industry would require significant investment in specialised tooling and manufacturing equipment, as well as a skilled labour force. Furthermore, the pre-qualification process that new entrants would need to undergo to be awarded orders from HDD companies is time-consuming. In many instances, the qualification process could take up to six to 10 months, and part of the cost of such process would have to be borne by the entrant (see Section 5.1.11 and Section 8 of this Prospectus on the HDD Value Chain Overview).

7. BUSINESS (cont'd)

7.20 Legal Proceedings

From time to time, we may become involved in legal proceedings relating to claims arising out of our operations in the normal course of business. Neither we nor our subsidiaries, at the date of this Prospectus, are engaged in any material litigation, whether as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

7.21 Interruptions to Business for the Past 12 months

There was no interruption to our Company's business and operations which had a significant effect on our operations in the 12 months preceding the LPD (see Section 5.1.16 of this Prospectus).

7.22 Approvals, Major Licenses and Permits of Our Group

7.22.1 JCY

The table below sets forth the approvals, major licenses and permits of our Company as at the LPD.

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
MDC	Date of issue: 12 January 2006	MSC status certificate	- Complete business registration as a locally incorporated company within a month from date of letter, i.e., 12 January 2006.	Complied
			- Establish HDD Design & Development Centre in Designated Cybercity with office space requirement of 10,000 sq ft within six (6) months from 12 January 2006.	Noted*
			- Minimum 15% of total employees (excluding support staff) of our Company shall be knowledge workers.	Complied
			- Products produced are original and not in infringement/violation of intellectual property or proprietary rights.	Complied
			- Submit to MDC copy of our Company's Annual Report and Audited Statement in parallel with submission to the Companies Commission of Malaysia.	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			- To inform MDC of any change in equity/shareholding structure prior to making such changes.	Noted
			- To obtain the prior approval for proposed change in name.	Noted
			- Compliance with all statutory, regulatory and/or licensing requirements.	Noted

Note:

- * MDC granted an extension on 17 May 2006 to JCY to locate in an MSC designated Cybercity by 1 September 2006 and noted via its letter on 24 July 2006 that JCY intends to take up an office space of 5,000 square feet. MDC further stated that upon receipt of the tenancy agreement MDC will be able to confirm that JCY has met its MSC Malaysia relocation requirements. We have notified MDC on 18 August 2006 that we have entered into a tenancy agreement for an office space of 7,306 sq ft in a Designated Cybercity. We have received a response from MDC on 7 September 2007 acknowledging the tenancy and reminding JCY that the implementation and operation of the company's principal MSC qualifying activities should be located at and undertaken from the MSC designated Cybercity or Cybercentre at all times.

7.22.2 JCY HDD Malaysia

The table below sets forth the approvals, major licenses and permits of JCY HDD Malaysia as at the LPD.

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
MIDA	Issue date : 28 November 2005	Exemption from taxation	- Total additional investment in fixed assets (excluding land) of at least RM240 million in a period of three years commencing on or before 30 June 2006;	Complied
	Expiry date : For 10 years effective on the date to be fixed by MITI		- JCY HDD Malaysia has to manufacture components, parts and modules for HDD including HDD with capacities above 60 GB and 80 GB; and	Complied
			- The ratio of staff with qualifications in degrees in the science and technical fields, or diploma with experience of at least five years in related fields, has to be at least 7% of the total labour force.	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
MITI	Issue date : 28 April 2006	Manufacturing licences	- Sales of JCY HDD Malaysia's shares must be notified to MITI;	Noted
	Effective date : 19 October 2005		- JCY HDD Malaysia is required to train residents of Malaysia so that the transfer of technology and skills can be channelled to all position levels; and	Complied
			- JCY HDD Malaysia has to implement the project as approved and in accordance with the laws, and the rules and regulations in Malaysia.	Complied

7.22.3 QB Technology (Malaysia)

The table below sets forth the approvals, major licenses and permits of QB Technology (Malaysia) as at the LPD.

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
MITI	Issue date : 13 December 2001	Manufacturing licence	- The composition of the board of directors of QB Technology (Malaysia) shall in general reflect the equity structure of QB Technology (Malaysia). MITI shall be informed in respect of any appointment of director or any change in the board of directors.	Complied
	Effective Date: 10 October 2001		- QB Technology (Malaysia) shall appoint or train Malaysian citizens in order to reflect the composition of the different races in every level of employee structure.	Noted
			- Should QB Technology (Malaysia) decide to purchase used machineries, prior written approval has to be obtained from MITI and valuation has to be conducted by independent valuer approved by MITI. In addition, MITI has to grant the approval prior to any intention to change, increase or reduce those machineries which will result in significant change on the workforce and/or production.	Noted

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			<ul style="list-style-type: none"> - QB Technology (Malaysia) shall as far as practicable, use services which are locally owned by Malaysian entrepreneurs in the National Development Policy. 	Noted
			<ul style="list-style-type: none"> - QB Technology (Malaysia) is required to obtain prior written approval from MITI before signing any agreement on the technology transfer from foreigners for the following: <ul style="list-style-type: none"> (i) Joint venture agreements; (ii) Technical assistance and know how agreements; (iii) Licensing agreements; (iv) Trademark and patents agreements; (v) Turnkey contract agreements; and (vi) Management agreements. <p>The above condition is not applicable for the purchase of machineries which requires technical services from manufacturers to supervise and ensure full commissioning of the machineries.</p>	Noted
			<ul style="list-style-type: none"> - The goods manufactured by QB Technology (Malaysia) are required to achieve the quality accepted by the Malaysian Government. 	Complied
			<ul style="list-style-type: none"> - QB Technology (Malaysia) is required to manage the projects in accordance to all the above-mentioned conditions and to comply with the laws and other regulations in Malaysia 	Complied
MITI	Issue dates : 20 October 2006 and 2 August 2007	Manufacturing licences	<ul style="list-style-type: none"> - MITI has to be informed /notified in relation to any sale of QB Technology (Malaysia)'s shares. 	Noted
	Effective Date: 2 August 2006 and 17 May 2007		<ul style="list-style-type: none"> - QB Technology (Malaysia) must give training to Malaysian workers so that there would be technology and expertise transfer. 	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			- QB Technology (Malaysia) must execute and carry out its projects as approved and in accordance with the laws and regulations in Malaysia	Complied

In addition to the above, certain approvals, certificates and registrations have been issued in the name of the Predecessor Group in relation to assets acquired by our Group under the restructuring exercise in 2006.

7.22.4 JCY HDD Thailand

The table below sets forth the approvals, major licenses and permits of JCY HDD Thailand as at the LPD.

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
Board of Investment ("BOI")	28 March 2007	Promotional Certificate issued by BOI to grant tax privileges and non-tax benefits for promoted businesses	- Registered capital shall be not less Thai Baht 200,000,000	Complied
			- The business operation shall be conformed with the approval of promoted business as follows (i) Type of product: metal part for HDD i.e. base plate (ii) Size of business: metal manufacturing for HDD i.e. base plate 60,000,000 pieces per annum Working hour: 24 hours per day: 360 days per year) By-product is disposal or waste from the production process	Complied
			- The investment capital excluding cost of land and working capital shall not less than Thai Baht 1,000,000.	Complied
			- The corporate income tax which is exempted under Section 31 paragraph 1 and 3 shall not exceed amount of Thai Baht 691,113,000.00. However such amount shall be amended upon the investment capital excluding cost of land and working capital calculated as of the commenced date of operation.	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			- The promoted person shall obtain ISO 9000 certification or other equivalent international standards within 2 years after commencing operations. If the promoted person cannot perform such obligation within specified period, the rights and benefits of corporate income tax's exemption shall be revoked for 1 year.	Complied
			- The factory must be located at the industrial area of the SIL Industrial Co., Ltd., Saraburi province.	Complied
			- Subject to Sections 25 and 26 of the BOI Act, the promoted person shall not allow such foreign skilled workers and experts to perform or undertake any duty other than positions as approved by the Board of Investment Office (the "Office")	Complied
			- When any skilled worker or expert vacates his/her position, the Office shall be notified thereof within 15 days as from the date of his/her vacancy	Noted
			- The promoted person shall urgently train and support Thai employees to perform their duties on the promoted project to replace the foreign skilled workers and experts within the period provided by the Office	Noted
			- The promoted person shall report the performance of the training provided by the foreign skilled workers and experts to Thai employees in accordance with the form and procedure specified by the Office	Noted
			- Subject to Section 27 of the BOI Act, the land on which a title is granted shall be used only for an engagement of the promoted activity	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			<p>- The rights under sections 28 and 29 of the BOI Act shall be exercised as follows:</p> <p>(i) With regard to imported machineries subject to bank guarantee, the promoted person shall submit to the Office the list of machineries for which exemption from import duties is applied in accordance with the form, procedures and conditions specified by the Office for approval within one year following the expiry date of the period of importation. Upon expiration the of said one year period, the Office will revoke the rights and benefits of such exemption from import duties on the imported machines and subject to the bank guarantee against such imports;</p> <p>(ii) The machineries exempted or reduced from import duties shall be used only for the promoted activity specified herein; and</p> <p>(iii) The machineries exempted from import duties shall not be mortgaged, disposed of, transferred, leased, or allowed other persons to use.</p>	n.a.
			<ul style="list-style-type: none"> • In case that there is any claim for enforcement of mortgage against the machineries, the promoted person shall inform the Office within 15 days from the date of the court accepts the complaint. If the duty on mortgaged machineries tax cannot be fully paid in accordance with Section 42 of the BOI Act, the promoted person shall be liable for the mortgaged 	Noted

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			<p>machineries tax until completion in accordance with the law on customs tariff.</p> <ul style="list-style-type: none"> • To transfer any machinery for the purpose of leasing or hire-purchase agreement, the promoted person shall perform in compliance with the regulations specified by the Office. 	Noted
			<ul style="list-style-type: none"> - Subject to Section 30 of the BOI Act, raw or essential material must only use for the promoted activity and shall be filed for an approval for importation of not less than two months prior to import of such raw or essential material 	Complied
			<ul style="list-style-type: none"> - Subject to Section 31 of the BOI Act, the income and expense accounts of the promoted business shall be separated from all other businesses in order to properly calculate the net profit which is exempted from corporate income tax derived from the promoted activity 	Complied
			<ul style="list-style-type: none"> - Subject to Section 36 (1) of the BOI Act, raw material or necessary material must be used for producing, mixing, or assembling for exporting purpose and for the promoted activity 	Complied
			<ul style="list-style-type: none"> - The promoted person shall notify the operation of Project to the Office due at 6 months, one year, and two years from the BOI certificate being issued 	Complied
			<ul style="list-style-type: none"> - Once the Project starts operating, the promoted person shall report the result of business activity of the Project and business procedure to the Office as follows: <ul style="list-style-type: none"> (i) For every change of ratio of shareholdings between Thai and foreign shareholders 	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			and changing of shareholding among foreigner of different nationalities;	
			(ii) Financial status and performance of the business activity as required by the Office as of 31st July annually; and	Complied
			(iii) Any other business from time to time as required by the Office within specified period.	Noted
			- The promoted person shall incorporate appropriate measures for the prevention and control of harmful effects to the quality of the environment or to prevent harmful effects which may affect to neighbourhood with an approval and consent from the related authorities	Complied
			- The promoted person shall perform in compliance with other relevant laws	Complied
			- Ceasing of business operation exceeding two months shall require a written permission from the Office	Noted
			- The promoted person shall facilitate the BOI's inspector officer	Complied
			- The manufacturing procedure or services shall conform with the approved project which is proposed to the Office.	Complied
Department of Industrial Works, of Ministry of Industry	1 April 2008	Certificate of Engaging in the Factory Operation in the Industrial Zone according to the Factory Act B.E. 2535, as amended	- Quality of the wastewater shall have to comply with standard criteria as stipulated by the industrial zone.	Complied
			- If the company fails to comply with standard criteria, or is contaminated with chemical substance, or heavy metal, a preliminary wastewater system shall be provided to improve the quality of water to meet the standard first.	Complied

7. BUSINESS (cont'd)

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
			<ul style="list-style-type: none"> - If the common wastewater system of the industrial zone is not in service, the factory shall have to provide its own wastewater treatment system with sufficient size and quality to improve the factory's whole wastewater system throughout working hours to meet the (Ministry of Industry Announcement No. 2, 1992), which is promulgated in line with Factory Act 1992 - In case the business operation produces air pollutants, a system for the elimination of dust and/or soot and smoke and/or paint spray and/or vaporized chemical substance and/or fumed lead incurred from production procedures which suffice in size and quality must be provided and must shall not cause trouble or any risk that is detrimental to operators or local residents in the vicinity - Sewage or discarded materials shall comply with Ministry of Industry Announcement on the Refuse or Discarded Materials Disposal 2005 	<p>Noted</p> <p>Not applicable ("n.a.")</p> <p>Complied</p>
The BOI Office	16 January 2008	Permit to Own Land	n.a.	n.a

7. BUSINESS (cont'd)**7.22.5 YK Technology Suzhou**

Issuing Authority	Date of Issue/ Effective Date and Expiry	Nature of approvals, licence and permits	Equity and other material terms and conditions imposed	Status of compliance
Jiangsu Suzhou Industrial and Commercial Bureau	Date of issue: 17 November 2008 Expiry date: 30 August 2054	Business License Enterprise – Registration	-	n.a.
The People's Government of Jiangsu Province	Date of issue: 26 July 2007	Certificate of Approval Enterprise – Incorporation	-	n.a.
Jiangsu Suzhou Wuzhong State Taxation Bureau & Suzhou Wuzhong Local Taxation Bureau	Date of issue: 21 November 2008	Tax Registration Certificate Certificate – Taxation	-	n.a.
Suzhou Foreign Exchange Bureau	Date of issue: 7 July 2008	Certificate of Foreign Exchange Registration Certificate – Foreign Exchange	-	n.a.
Environmental Protection Bureau of Wuzhong District, Suzhou	Date of issue: 28 May 2008 Expiry date: 27 May 2010	Pollution Discharge Permit License – Environmental Protection	-	n.a.
Suzhou Municipal Foreign Trade and Economic Cooperation Bureau	Date of issue: 3 July 2009 Expiry date: 31 July 2010	Approval Certificate for Processing Trade	-	n.a.

7.23 Regulation in Malaysia affecting Our business**7.23.1 Industrial Co-Ordination Act, 1975**

Pursuant to the Industrial Co-Ordination Act, 1975 (“ICA”), a person engaged in a manufacturing activity and with shareholders’ funds in excess of RM2,500,000 or which engages more than 75 full-time employees must acquire a manufacturing licence issued by MITI.

The ICA defines “manufacturing activity” as “the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”.

7. BUSINESS (cont'd)

MITI has issued manufacturing licences to our Group as set out in Section 7.22.2 of this Prospectus.

7.23.2 Environmental Quality Act 1974

The Environmental Quality Act, 1974 ("EQA") and the regulations made thereunder contains provisions and regulations for the prevention, abatement, control of pollution and enhancement of the environment.

Scheduled Waste

Among others, under the EQA, Section 34B of the EQA prohibits a person from:

- (a) placing, depositing or disposing of, or causing or permitting to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters;
- (b) receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or
- (c) transiting or causing or permitting the transit of scheduled wastes,

without any prior approval of the Director General of Environmental Quality.

Any person who contravenes this section shall be guilty of an offence and shall be liable to a fine not exceeding RM500,000 or to imprisonment for a period not exceeding five years or to both.

Section 43 of the EQA further provides that where an offence against the EQA or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of the commission of the offence was a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

The Environmental Quality (Scheduled Wastes) Regulations, 2005 ("EQSWR") requires, inter alia:

- (a) notification to the Director General in writing of new categories and quantities of scheduled wastes, which are generated, within 1 month of its generation;
- (b) scheduled wastes to be disposed of at prescribed premises only;
- (c) scheduled wastes to be treated at prescribed premises or at on-site treatment facilities only;

7. BUSINESS (cont'd)

- (d) every waste generator to ensure that scheduled wastes generated by him are properly stored, treated on-site, recovered on site for material or product from such scheduled wastes or delivered to and received at prescribed premises for treatment, disposal or recovery of material or product from scheduled wastes;
- (e) scheduled wastes to be stored in containers which are durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment and the containers of scheduled wastes to be clearly labelled for identification and warning purposes; and
- (f) a waste generator to keep accurate and up-to-date inventory of the quantities and categories of scheduled wastes being generated, treated and disposed of.

Every offence which consists of any omission or neglect to comply with, or any act done or attempted to be done contrary to the EQSWR may be compounded under section 45 of the EQA. Pursuant to section 45, the Director General or any Deputy Director General of Environmental Quality or any other public officer or any local authority to which the Director General of Environmental Quality has delegated such power in writing, may compound any offence under the EQA or the regulations made thereunder which is prescribed by the Minister to be a compoundable offence by accepting from the person reasonably suspected of having committed the offence a sum of money not exceeding RM2,000.

Regulations 9 and 10 of the EQSWR generally provides that scheduled wastes shall be stored in containers which are compatible with the scheduled wastes to be stores, durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment. Incompatible scheduled wastes shall be stored in separate containers, and such containers shall be placed in separate secondary containment areas and areas for the storage of the containers shall be designed, constructed and maintained adequately in accordance with the guidelines prescribed to prevent spillage or leakage of scheduled wastes into the environment. Containers of scheduled wastes shall be clearly labelled in accordance with the types applicable to them as specified in the Third Schedule of the EQSWR and marked with the scheduled waste code as specified in the First Schedule of the EQSWR for identification and warning purposes.

7.23.3 Factories and Machineries Act, 1967

The Factories and Machineries Act, 1967 ("**FMA**") regulates factories and machineries by way of registration and examination of such machinery to ensure the maintenance of health and safety standards, including the welfare of all parties involved.

Section 19(1) of the FMA prohibits a person from operating or causing or permitting to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the event of any contravention of Section 19(1), an Inspector of Factories and Machinery shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued.

7. BUSINESS (cont'd)

Regulation 10(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 requires the owner of every steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power to hold a valid certificate of fitness in respect thereof so long as such machinery remains in service. The period of validity of every certificate of fitness shall ordinarily be 15 calendar months from the date of inspection or such longer period not exceeding three years as the Chief Inspector of Factories and Machinery in his discretion may consider appropriate.

Regulation 14 provides that after an initial inspection every factory and every machinery shall be inspected at regular intervals by an Inspector of Factories and Machinery so long as such factory remains in operation or such machinery remains in use. The regular interval shall ordinarily be 15 months subject to such extension not exceeding 36 months, and the regular inspection shall ordinarily be carried out during the 15 months following the month in which the last inspection was made or where the interval has been extended during the month following the expiry of the extended interval.

Generally, following the inspection of every steam boiler, unfired pressure vessel and hoisting machine other than a hoisting machine driven by manual power and on payment of the prescribed fee the Inspector of Factories and Machinery shall where he is satisfied that such machinery complies with the provisions of the FMA and the regulations relating thereto, issue the appropriate certificate of fitness.

Any person who contravenes section 19 of the FMA shall be guilty of an offence and on conviction to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three years or to both. Where the offence for which any person is convicted is a continuing offence, such person shall, in addition to the punishment in respect of that offence, be further liable to a fine not exceeding RM2,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

7.23.4 Employment Act, 1981

The Employment Act, 1981 ("EA") regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers.

Section 61 of the EA provides that every employer shall prepare and keep one or more registers containing such information regarding each employee employed by him as may be prescribed by regulations made under EA. Section 97, inter alia provides that any employer who fails to keep a register required under section 61 EA commits an offence.

Section 99A of the EA stipulates that any person who commits any offence under, or contravenes any provision of, EA or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM10,000.

7. BUSINESS (cont'd)

Regulation 6 of the Employment Regulations 1957 ("ER") provides that every employer shall unless otherwise permitted by the Director General keep the Register of Employee required to be kept under ER in the office within the place of employment on which employees are employed and shall make such Register of Employees available for inspection by the Director General as and when required to do so.

7.23.5 Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 ("OSHA") regulates the safety, health and welfare of persons at work.

Sections 15, 16 and 17 of the OSHA require every employer and every self-employed person to:

- (a) ensure, so far as is practicable, the safety, health and welfare at work of all its employees, including but not limited to the following, as far as is practicable:
 - provide and maintain the plant and systems of work that are safe and without risks to health;
 - ensuring safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
 - provide such information, instruction, training and supervision as is necessary to ensure the safety and health at work of his employees;
 - maintain any place of work in a condition that is safe and without risks to health and provide and maintain the means of access to and egress from it that are safe and without such risks; and
 - provide and maintain a working environment for his employees that is safe, without risks to health, and adequate as regards facilities for their welfare at work.
- (b) prepare and as often as may be appropriate revise a written statement of its general policy with respect to the safety and health at work of its employees and the organisation and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all of its employees; and
- (c) conduct its undertaking in such a manner as to ensure, so far as is practicable, that it and other persons, not being his employees, who may be affected thereby are not thereby exposed to risks to their safety or health.

Section 18 of the OSHA requires an occupier of non-domestic premises which has been made available to persons, not being his employees, as a place of work, or as a place where they may use a plant or substance provided to their use there, shall take such measures as are practicable to ensure that the premises, all means of access thereto and egress therefrom available for use by persons using the premises, and any plant or substance in the premises or provided for use there, is or are safe and without risks to health.

7. BUSINESS (cont'd)

Section 19 of the OSHA provides that a person who contravenes the above provisions of the OSHA shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding two years or to both.

Section 20 of the OSHA requires a person who designs, manufactures, imports or supplies any plant for use at work must, as far as practicable:

- (a) ensure that the plant is so designed and constructed as to be safe and without risks to health when properly used;
- (b) carry out or arrange for the carrying out of such testing and examination as may be necessary for the performance of the duty imposed on him by paragraph (a) above; and
- (c) take such steps as are necessary to secure that there will be available in connection with the use of the plant at work adequate information about the use for which it is designated and has been tested, and about any condition necessary to ensure that, when put to that use, it will be safe and without risk to health.

Section 21 of the OSHA requires a person who formulates, manufactures, imports or supplies any substance for use at work must, as far as practicable:

- (a) ensure the substance is safe and without risks to health when properly used;
- (b) carry out or arrange for the carrying out of such testing and examination as may be necessary for the performance of the duty imposed on him by paragraph (a) above; and
- (c) take such steps as are necessary to secure that there will be available in connection with the use of the substance at work adequate information about the results of any relevant test which has been carried out on or in connection with the substance and about any condition necessary to ensure that it will be safe and without risk to health when properly used.

Section 23 provides that a person who contravenes Sections 20 or 21 of the OSHA shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM20,000 or to imprisonment for a term not exceeding 2 years or to both.

Section 52 provides that where a body corporate contravenes any provisions of the OSHA or any regulation made thereunder, every person who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

7. BUSINESS (cont'd)

7.23.6 MSC status

The MSC status certificate granted to us states the following 10 point Bill of Guarantees:

- (1) To provide a world-class physical and information infrastructure.
- (2) To allow unrestricted employment of local and foreign knowledge workers.
- (3) To ensure freedom of ownership by exempting companies with MSC Status from local ownership requirements.
- (4) To give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally.
- (5) To provide competitive financial incentives, including Pioneer Status (100% exemption) for up to 10 years or an Investment Tax Allowance for up to 5 years and no duties on the importation of multimedia equipment.
- (6) To become a regional leader in Intellectual Property Protection and Cyberlaws.
- (7) To ensure no censorship of the Internet.
- (8) To provide globally competitive telecommunications tariffs.
- (9) To tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub.
- (10) To provide a high-powered implementation agency to act as an effective one-stop super shop.

(Source : MSC Status Certificate)

7.24 Regulation in Thailand affecting Our business**7.24.1 Factory Act B.E. 2535.**

Normally, a company would be required to obtain a license from the Department of Industrial works, Ministry of Industry for the construction and operation of a factory. However, there are some companies whose factories are located in an industrial zone and are not required to obtain such a license, but they will still have to comply with the regulations issued under the Factory Act. The Factory Act also regulates areas such as, factory environment, type of factory and machinery used in the factory, safety, standard and control of waste etc.

7.24.2 Labour Protection Act B.E. 1998, as amended

Ministerial Regulations issued thereunder, states the standards relating to safety, occupational sanitation and the working environment. In case the working environment to be implemented by employers, building, premises, machinery or equipment used by employees, create hazardous conditions for those employees, the authority could have the power to order the employer to temporally cease to operate all or part of the aforesaid machinery or equipment.

7. BUSINESS (cont'd)

7.24.3 Environment Protection and Conservation Act B.E.2535

The Act contains provisions and regulations for the protection and conservation and enhancement of environment. The Act also regulates the environmental standards, and the regulations issued thereunder may require a project owner/business operator of some projects or business operation in an environment protection area to prepare an environmental impact assessment report to be submitted to the authority.

7.25 Regulation in the PRC Affecting Our business**7.25.1 Entrance of Foreign Investment**

The principal regulation governing foreign ownership of companies' production businesses in the PRC is the "Foreign Investment Industrial Guidance Catalogue (as amended in 2007)" (外商投资产业指导目录) (2007年修订) and the "Interim Measures for the Administration of Examining and Approving Foreign Investment Projects" (外商投资项目核准暂行管理办法). According to such regulations and the "Notice of the National Development and Reform Commission on Further Strengthening the Administration of Foreign Investment Projects" (国家发展改革委关于进一步加强和规范外商投资项目管理的通知) YK Technology Suzhou's production businesses fall into the encouraged category for foreign investment and the application of such a project with a total investment (including the increased amount of capital) of USD 100 million or more shall be subject to the examination and approval of the National Development and Reform Commission.

7.25.2 Dividend Distribution

The principal regulations governing distribution of dividends paid by WFOE include the "Wholly Foreign-Owned Enterprise Law" (中华人民共和国外资企业法), as amended in 2000; the "Wholly Foreign-Owned Enterprise Law Implementation Rules" (中华人民共和国外资企业法实施细则), as amended in 2001.

Under these regulations, WFOE in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE in the PRC is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to a general reserves until the accumulative amount of such reserves reach 50.0% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Furthermore, under the new Enterprise Income Tax Law ("EIT Law"), dividends payable from foreign invested enterprises to their non-PRC enterprise investors are subject to a withholding tax at a rate of 10.0%. Given that the new EIT Law has been promulgated only recently, its implementation has yet to be further clarified in practice.

7. BUSINESS (cont'd)

7.25.3 Business Model

The business model of “processing of supplied materials” of YK Technology Suzhou, is subject to the “Tentative Measures for the Management of Examination and Approval of Processing Trade” (加工贸易审批管理暂行办法) and the “Customs Law of the People's Republic of China” (中华人民共和国海关法).

According to the Tentative Measures for the Management of Examination and Approval of Processing Trade, before engaging in the business of “processing of supplied materials”, companies shall submit the application to the competent department of foreign economic cooperation and trade for examination and approval. After examining and verifying the relevant certificates and materials in accordance with the state provisions, the competent authority shall issue the Approval Certificate for Processing Trade to the company.

7.25.4 Environmental Regulations

YK Technology Suzhou is subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental regulations applicable to YK Technology Suzhou includes the “Environmental Protection Law of the People's Republic of China” (中华人民共和国环境保护法), the “Water Pollution Prevention Law of the People's Republic of China” (中华人民共和国水污染防治法), the “Atmospheric Pollution Prevention Law of the People's Republic of China” (中华人民共和国大气污染防治法), the “Environmental Noise Pollution Prevention Law of the People's Republic of China” (中华人民共和国环境噪声污染防治法), the “Environmental Impact Assessment Law of the People's Republic of China” (中华人民共和国环境影响评价法), the “Regulations Governing Environmental Protection in Construction Projects” (建设项目环境保护管理条例) and the “Administrative Measures for Completion Acceptance of Environmental Protection in Construction Projects” (建设项目竣工环境保护验收管理办法).

According to the “Environmental Protection Law of the People's Republic of China” and the “Environmental Impact Assessment Law of the People's Republic of China” promulgated by the Standing Committee of the National People's Congress respectively on 26 December 1989 and 28 October 2002, the “Regulations Governing Environmental Protection in Construction Projects” promulgated by the State Council of the PRC on 29 November 1998, and the “Administrative Measures for Completion Acceptance of Environmental Protection in Construction Projects” promulgated by the Administration of Environmental Protection (the successor to which is the Ministry of Environmental Protection) on 27 December 2001, YK Technology Suzhou shall submit the Report Form on Environmental Assessment (环境影响报告表) to the competent environmental protection authorities for approval and the Company shall also submit the Application Form for Acceptance of Environmental Protection in Construction Projects (建设项目竣工环境保护验收申请表) to such authorities for approval before commencing the actual production.

7. BUSINESS (cont'd)

According to the "Environmental Protection Law of the People's Republic of China", the "Water Pollution Prevention Law of the People's Republic of China" and the "Atmospheric Pollution Prevention Law of the People's Republic of China" promulgated by the Standing Committee of the National People's Congress respectively on 28 February 2008 and on 29 April 2000, companies must obtain the Pollution Discharge Permit (排污许可证) if the companies directly discharge waste water or the waste gas into the waters or the air.

7.25.5 Taxation

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. Prior to the new Enterprise Income Tax Law and its implementation rules that became effective on 1 January 2008, in accordance with the PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises, or the Income Tax Law, and the related implementing rules, foreign invested enterprises incorporated in the PRC are generally subject to an enterprise income tax rate of 33%. The Income Tax Law and the related implementing rules provide certain favourable tax treatments to foreign invested enterprises. Production-oriented foreign-invested enterprises scheduled to operate for a period of 10 years or more are entitled to exemption from income tax for two years commencing from the first profit-making year and a 50% reduction in income tax for the subsequent three years. In certain special areas such as coastal open economic areas and economic and technology development zones, foreign-invested enterprises are entitled to reduced tax rates, namely: (1) in coastal open economic zones, the tax rate applicable to production-oriented foreign-invested enterprises is 24%; and (2) certified high and new technology enterprises incorporated and operated in economic and technology development zones determined by the State Council may enjoy a 50% deduction of the applicable rate.

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law, or the new PRC tax law, or the new EIT Law, which becomes effective on 1 January 2008. The State Council subsequently promulgated the Implementation Rules for the PRC Enterprise Income Tax Law and Notice on the Implementation of the Transitional Preferential Policies in respect of the Enterprise Income Tax, respectively, on 6 and 26 December 2007. The new EIT Law adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revokes the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. The new EIT Law also provides for transitional measures for enterprises established prior to the promulgation of the new EIT Law and eligible for lower tax rate preferential treatment in accordance with the then prevailing tax laws, up until 16 March 2007, and administrative regulations. These enterprises will gradually become subject to the new, unified tax rate over a five-year period beginning 1 January 2008; enterprises eligible for regular tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the new EIT Law and until their preferential treatments expire. The preferential treatment period for enterprises which have not enjoyed any preferential treatment for the reason of not having made any profits, however, shall be deemed as starting from the implementation of the new EIT Law.

7. BUSINESS (cont'd)

In addition, under the new EIT Law, an enterprise established within the PRC in accordance with the PRC law shall be a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25% on its global income. Moreover, its historical operating results may not be indicative of its operating results for future periods as a result of the expiration of the tax holidays YK Technology Suzhou enjoys.

Pursuant to the Provisional Regulations on value-added tax and their implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in the PRC are generally required to pay value-added tax at a rate of 17% of the gross sales proceeds received, less any deductible value-added tax already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to the refund of some or all of the value-added tax that it has already paid or borne. YK Technology Suzhou's imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import value-added tax.

7.25.6 Labour

The major labor laws and regulations applicable to the Company include the "Labor Contract Law of the People's Republic of China" (中华人民共和国劳动合同法), the "Implementing Regulations of the People's Republic of China on Labor Contract Law" (中华人民共和国劳动合同法实施条例), the "Labor Law of the People's Republic of China" (中华人民共和国劳动法), the "Law of the People's Republic of China on Mediation and Arbitration of Labor Disputes" (中华人民共和国劳动争议调解仲裁法), the "Trade Union Law of the People's Republic of China" (中华人民共和国工会法).

In accordance with the Labor Contract Law of the People's Republic of China and other relevant regulations, companies shall strictly implement the labor quota standard and may not threaten or threaten the employee to work overtime in disguise. Subject to the following limitations, where companies arrange for overtime work, it shall make overtime payment to the employee: (i) employees who work on a piece-rate basis are entitled to overtime pay when the employer arranges them to work over time after they complete the reasonable work quotas; (ii) employees who work on accumulative working hours are entitled to overtime pay when their work hours exceed the statutory limitation; and (iii) employees who work on flexible work hours are not entitled to overtime pay according to the state provisions.

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