



JCY INTERNATIONAL BERHAD

[200501031285 (713422 X)]
(Incorporated in Malaysia)

Interim Financial Statements
31 Mar 2021



JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME For The Period Ended 31 March 2021 (Unaudited)

	Individual Quarter 3 Months Ended		Cumulative 6 Months Ended	
	31 Mar 2021 Unaudited RM'000	31 Mar 2020 Unaudited RM'000	31 Mar 2021 Unaudited RM'000	31 Mar 2020 Unaudited RM'000
Revenue	247,084	269,508	523,936	547,335
Cost of sales	(261,217)	(256,546)	(548,348)	(521,717)
Gross (loss) / profit	(14,133)	12,962	(24,412)	25,618
Other operating income	1,353	1,439	2,581	3,891
Foreign exchange (loss) / gain	10	(2,675)	51	(6,421)
General and administrative expenses	(8,563)	(6,649)	(17,837)	(13,331)
(Loss) / profit from operations	(21,333)	5,077	(39,617)	9,757
Finance costs	(462)	(498)	(944)	(1,072)
(Loss) / profit before taxation	(21,795)	4,579	(40,561)	8,685
Income tax expense	(755)	(205)	284	(341)
Net (loss) / profit for the period	(22,550)	4,374	(40,277)	8,344
Other comprehensive income:				
- Foreign currency translation	6,790	8,518	8,133	8,327
Total comprehensive (loss) / income for the period	(15,760)	12,892	(32,144)	16,671
Net (loss) / profit attributable to:				
- Equity holders of the Company	(22,550)	4,374	(40,277)	8,344
Basic (loss) / earning per share (Sen)	(1.07)	0.21	(1.92)	0.40
Diluted (loss) / earning) per share (Sen)	(1.07)	0.21	(1.90)	0.39
Total comprehensive income / (loss) attributeable to:				
- Equity holders of the Company	(15,760)	12,892	(32,144)	16,671
Basic total comprehensive (loss) / income per share for the period (sen)	(0.75)	0.62	(1.53)	0.81
Diluted total comprehensive (loss) / income per share for the period (sen)	(0.74)	0.61	(1.52)	0.78

This statement should be read in conjunction with the Company's audited financial statements for the year ended 30 September 2020 and the accompanying explanatory notes attached to the interim financial statements.

JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2021 (Unaudited)

	As At 31 Mar 2021 Unaudited RM'000	As At 30 Sep 2020 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	327,043	322,683
Right of use assets	29,506	29,709
Intangible assets	5,386	-
Deferred tax assets	483	3,326
Restricted bank deposits	1,711	1,695
	<u>364,129</u>	<u>357,413</u>
Current assets		
Inventories	195,606	207,450
Trade and other receivables	252,011	251,464
Other current assets	6,051	9,484
Tax recoverable	913	645
Short term fund	47,340	46,941
Cash and bank balances	306,098	281,338
	<u>808,019</u>	<u>797,322</u>
TOTAL ASSETS	<u><u>1,172,148</u></u>	<u><u>1,154,735</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	547,993	544,871
Reserves	346,075	378,219
Total equity	<u>894,068</u>	<u>923,090</u>
Non-current liabilities		
Deferred tax liabilities	10,507	13,784
Lease liabilities	4,429	4,394
Long term employees benefits	4,540	4,929
	<u>19,476</u>	<u>23,107</u>
Current liabilities		
Trade and other payables	156,883	142,249
Short term borrowings	99,632	62,740
Short term lease liabilities	1,121	961
Tax payable	968	2,588
	<u>258,604</u>	<u>208,538</u>
Total liabilities	<u>278,080</u>	<u>231,645</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,172,148</u></u>	<u><u>1,154,735</u></u>

This statement should be read in conjunction with the Company's audited financial statements for the year ended 30 September 2020 and the accompanying explanatory notes attached to the interim financial statements.

JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Period Ended 31 March 2021 (Unaudited)

	Non-distributable				Distributable	Total RM'000
	Share capital RM'000	Foreign currency translation reserve RM'000	ESOS reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 01 October 2020	544,871	57,887	5,270	(15,584)	330,646	923,090
Total comprehensive income for the period	-	8,133	-	-	(40,277)	(32,144)
Transactions with owners:-						
Share-based payments under ESOS	-	-	-	-	-	-
Issuance of new shares pursuant to ESOS	3,122	-	-	-	-	3,122
At 31 March 2021	547,993	66,020	5,270	(15,584)	290,369	894,068
At 01 October 2019	536,732	48,181	4,473	(15,584)	314,878	888,680
Total comprehensive income for the period	-	8,327	-	-	8,344	16,671
Transactions with owners:-						
Dividend	-	-	-	-	(10,305)	(10,305)
Share-based payments under ESOS	-	-	440	-	-	440
Issuance of new shares pursuant to ESOS	2,514	-	-	-	-	2,514
At 31 March 2020	539,246	56,508	4,913	(15,584)	312,917	898,000
Total comprehensive income for the period	-	1,379	-	-	17,729	19,108
Transactions with owners:-						
Share-based payments under ESOS	-	-	357	-	-	357
Issuance of new shares pursuant to ESOS	5,625	-	-	-	-	5,625
At 30 September 2020	544,871	57,887	5,270	(15,584)	330,646	923,090

This statement should be read in conjunction with the Company's audited financial statements for the year ended 30 September 2020 and the accompanying explanatory notes attached to the interim financial statements.

JCY International Berhad

(Incorporated in Malaysia - Company No. 200501031285 [713422 X])

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS For The Period Ended 31 March 2021 (Unaudited)

	Cumulative 6 Months Ended	
	31 Mar 2021	31 Mar 2020
CASH FLOWS FROM	Unaudited	Unaudited
OPERATING ACTIVITIES	RM'000	RM'000
(Loss) / profit before taxation	(40,561)	8,685
Adjustments for :		
Depreciation	20,577	18,263
Amortisation of rights of use	938	304
(Gain)/loss on disposal of PPE / land use right	1,821	-
Inventory written down to NRV and obsolete inventory written-off	-	-
Unrealised (gain)/loss on foreign exchange	(6,156)	7,855
Property, plant and equipment written off	7	6
Share-based payments under ESOS	-	440
Defined benefit plan	(441)	346
Interest and investment income	(2,402)	(3,302)
Interest expense	525	963
Operating cash flow before working capital changes	(25,692)	33,560
Inventories	11,844	(12,776)
Receivables	9,060	(15,262)
Other Current Assets	3,433	(1,580)
Payables	13,276	19,479
Cash generated from operations	11,921	23,421
Interest paid	(401)	(963)
Tax (paid) / recovered	(2,038)	(654)
Net cash generated / (used in) from operating activities	9,482	21,804

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS For The Period Ended 31 March 2021 (Unaudited)

	Cumulative 6 Months Ended	
	31 Mar 2021	31 Mar 2020
(Continued)		
CASH FLOWS FROM	Unaudited	Unaudited
 INVESTING ACTIVITIES	RM'000	RM'000
Acquisition of property, plant and equipment	(26,813)	(10,155)
Proceeds from disposal of property, plant and equipment	1,417	39,554
Acquisition of businesses	(5,386)	-
Additional restricted bank deposits	-	-
Additional deposits in short term fund	(399)	(805)
Withdrawal of deposit for more than 3-months maturity with banks	7,300	-
Interest and investment income received	2,402	3,302
Net cash (used in) / generated from investing activities	<u>(21,479)</u>	<u>31,896</u>
CASH FLOWS FROM		
 FINANCING ACTIVITIES		
Dividend paid	-	(10,305)
Proceed from issuance of new shares pursuant to exercise of ESOS	3,122	2,514
Drawdown / (repayment) of short-term borrowings	36,978	6,021
Repayment on lease liabilities	(672)	-
Net cash generated from financing activities	<u>39,428</u>	<u>(1,770)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,431	51,930
EFFECTS OF FOREIGN EXCHANGE RATE DIFFERENCES	4,629	(4,991)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	274,038	242,180
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>306,098</u>	<u>289,119</u>

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JCY International Berhad

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

A1. BASIS OF PREPARATION

These interim financial statements are unaudited and have been prepared in compliance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Main Market LR").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 September 2020 and the accompanying explanatory notes attached to this interim financial statements. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of JCY International Berhad and its subsidiaries ("the Group") since the financial year ended 30 September 2020.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 30 September 2020, except for the following new Malaysian Financial Reporting Standards ("MFRSs") and Amendments to MFRSs adopted by the Group for the financial year ending 30 September 2021:-

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3: Definition of a Business

Amendments to MFRS 101 and 108: Definition of Material

Amendments to references to the Conceptual Framework in MFRS Standards

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Effective for financial periods beginning on or after 1 June 2020

Amendment to MFRS 16: Covid-19-Related Rent Concessions

A3. AUDITORS' REPORT IN PRECEDING FINANCIAL STATEMENTS

The auditors' report on the financial statements for the preceding year was not subject to any audit qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The Group does not experience significant fluctuations in operations due to seasonal factors, although demand for hard disk drive ("HDD") components tends to increase slightly during the last quarter of the financial year as a result of higher demand for HDDs.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

A5. UNUSUAL ITEMS AFFECTING THE ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOW

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter ended 31 March 2021.

A6. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in accounting estimates that have had a material effect in the current financial period results.

A7. CAPITAL COMMITMENTS

The Group has capital commitments for the followings:

	As at 31 Mar 21 RM'000	As at 30 Sep 20 RM'000
Approved and contracted for :		
Purchase of properties, plants and equipment	7,380	10,874

A8. DEBTS AND EQUITY SECURITIES

During the quarter under review, the Company issued 3,331,800 new ordinary shares arising from the exercise of options granted under the Executive Share Option Scheme ("ESOS") for the Eligible Executives of JCY International Berhad and its subsidiaries at the exercise price of 25 sen per share.

There were no repurchase, cancellation, resale and repayment of debt and equity securities during the quarter under review.

A9. DIVIDENDS PAID

Dividends declared or paid, if any, during the financial quarter under review and the financial year ending 30 September 2021 are disclosed in note B11.

A10. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are disclosed in the Condensed Consolidated Statements of Comprehensive Income and note B12.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

A11. SEGMENTAL INFORMATION

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

- (i) Malaysia
- (ii) Thailand
- (iii) Others : These consist of segments which cover mainly China and Singapore but which individually fall below the 10% threshold of a reportable segment

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Total RM'000
6 Months Ended 31 March 2021					
Segment revenue					
Sales to external customers	367,086	155,412	1,438	-	523,936
Inter-segment sales	93,914	-	-	(93,914)	-
Total	461,000	155,412	1,438	(93,914)	523,936
Segment results	(10,150)	(22,663)	(6,086)	(1,378)	(40,277)
As at 31 March 2021					
Total assets	1,572,078	206,978	603,576	(1,210,484)	1,172,148
Total liabilities	181,451	212,960	418,780	(535,111)	278,080
6 Months Ended 31 March 2020					
Segment revenue					
Sales to external customers	391,045	156,184	106	-	547,335
Inter-segment sales	94,228	-	-	(94,228)	-
Total	485,273	156,184	106	(94,228)	547,335
Segment results	48,114	(30,959)	(701)	(8,110)	8,344
As at 31 March 2020					
Total assets	1,665,201	146,355	490,886	(1,184,618)	1,117,824
Total liabilities	220,410	225,507	324,952	(551,045)	219,824

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

A12. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial year.

A14. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2021.

A15. RELATED PARTY TRANSACTIONS

There was no related party transaction in the current period under review and the corresponding period in previous financial year.

A16. MATERIAL EVENT SUBSEQUENT TO END OF CURRENT FINANCIAL QUARTER

There was no material event of sufficient clarity after the current financial quarter under review that have not been reflected in the financial statements for the period.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	Revenue		Net Profit / (Loss)	
	3 Months Ended		3 Months Ended	
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
Segments	RM'000	RM'000	RM'000	RM'000
Malaysia	216,554	235,488	11,339	43,634
Thailand	68,827	80,238	(21,043)	(24,838)
Group	247,084	269,508	(22,550)	4,374

	Revenue		Net Profit / (Loss)	
	6 Months Ended		6 Months Ended	
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
Segments	RM'000	RM'000	RM'000	RM'000
Malaysia	461,000	485,273	(10,150)	48,114
Thailand	155,412	156,184	(22,663)	(30,959)
Group	523,936	547,335	(40,277)	8,344

Detailed Analysis for current quarter and cumulative period

The Group recorded a revenue of RM247.1 million and RM523.9 million for the reporting quarter and cumulative period respectively, these represent a reduction of 8.3% in revenue for the reporting quarter and 4.3% for the cumulative period compared to previous year's corresponding periods. The reduction in revenue recorded in the reporting periods was due mainly to weakened average exchange rate of US Dollar against Ringgit Malaysia and lower quantity shipped in the reporting periods.

The Group recorded a net loss of RM22.6 million and RM40.3 million for the reporting quarter and cumulative period respectively, compared to net profit of RM4.4 million and RM8.3 million recorded in the previous year's corresponding periods. The deterioration of the net results for the reporting periods were due mainly to the reduction in revenues as explained above, lower production yields for the recently launched products and additional costs incurred in relation to the Global Pandemic of COVID-19.

As our segmental report is based on geographical performance with similar business activities, the factors affecting the earnings and revenue for Malaysia and Thailand segments are similar to those affecting the Group as discussed above.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a revenue of approximately RM247.1 million for the reporting quarter or 10.8% lower compared to RM276.9 million of revenue recorded in the immediate preceding quarter ended 31 December 2020. The lower revenue was due mainly to the weakening of US Dollar against Ringgit Malaysia and lower quantity shipped in the reporting period.

The Group recorded a loss before tax of RM21.8 million for the reporting quarter, compared to loss before tax of RM18.8 million reported in the immediate preceding quarter ended 31 December 2020. The deterioration of the result before tax was due mainly to lower revenue as explained above.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B3. FUTURE PROSPECT

The demand for storage remains strong, with quarterly HDD demand expected to average about 65 million per quarter up to end December 2021. Although SSDs continue to cannibalize HDD demand in mobile and desktop applications, this is counterbalanced by the increase in the demand for enterprise HDDs, and price increases in SSDs due to Integrated Circuits (I.C.) shortages globally. The recent global demand in the cryptocurrencies has also resulted in increased demand for HDDs.

JCY Group's recent change in customer base and product mix has posed a challenging operating environment in our operations both in Malaysia and Thailand. Thus far, the transition is proceeding smoothly and with the strong commitment of our senior management, we believe we should be able to reap the benefits of these new enhanced products and deliver improved results in due course.

B4. VARIANCE FROM PROFIT FORECAST

Not applicable as the Group has not issued any profit forecast for the period under review.

B5. TAXATION

Domestic current income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	6 Months Ended 31 Mar 21 RM'000	6 Months Ended 31 Mar 20 RM'000
Current year tax	76	341
Relating to temporary tax differences	<u>(360)</u>	<u>-</u>
	<u><u>(284)</u></u>	<u><u>341</u></u>

B6. PROFIT ON SALES OF UNQUOTED INVESTMENT OR PROPERTIES

There were no sales of unquoted investment or property by the Group for the current quarter under review.

B7. STATUS OF CORPORATE PROPOSALS

On 13 January 2020, the Company announced that it had entered into a Business Sale Agreement ("BSA") with SDM Precision Casting Sdn. Bhd. ("SDM") to purchase the Business of SDM for a total purchase consideration of RM5,385,900. With the fulfilment of all the conditions precedent, the BSA has become unconditional on 19 February 2021.

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B8. BORROWING AND DEBT SECURITIES

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2021.

	As At 31 Mar 21	As At 30 Sep 20
	RM'000	RM'000
Long Term Borrowings		
Lease liabilities	4,429	4,394
Total long term borrowings and lease liabilities	<u>4,429</u>	<u>4,394</u>
Short Term Borrowings	RM'000	RM'000
Bank borrowings	99,632	62,740
Lease liabilities	1,121	961
Total short term borrowings and lease liabilities	<u>100,753</u>	<u>63,701</u>
Total borrowings and lease liabilities	<u>105,182</u>	<u>68,095</u>

B9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments.

B10. MATERIAL LITIGATION

There is no material litigation which has not yet been resolved as at 31 March 2021.

B11. DIVIDENDS

The Group has not declared or proposed for dividend for current and preceding financial year.

B12. EARNINGS PER SHARE

The basic and diluted earnings per share were derived as below:-

	3 months Ended		Cumulative 6 months Ended	
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
Net profit / (loss) (RM '000)	(22,550)	4,374	(40,277)	8,344
Weighted average number of ordinary shares (excluding Treasury Shares) ('000)	2,105,695	2,069,070	2,103,124	2,064,969
Basic earnings / (loss) per share (Sen)	(1.07)	0.21	(1.92)	0.40
Diluted weighted average no. of ordinary shares (excluding Treasury Shares) ('000)	2,115,712	2,125,792	2,115,712	2,125,797
Diluted earnings / (loss) per share (Sen)	(1.07)	0.21	(1.90)	0.39

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ADDITIONAL NOTES REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B13. (LOSS) / PROFIT BEFORE TAX

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

	3 months Ended		Cumulative 6 months Ended	
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
After charging:-	RM'000	RM'000	RM'000	RM'000
Interest Expense	173	444	525	963
Depreciation and Amortization	10,577	8,039	21,515	18,567
Foreign Exchange Loss (net)	-	2,675	-	6,421
Loss on disposal of property, plant and equipment / land use rights (net)	11	-	1,821	-
Property, plant and equipment written-off	-	-	7	6
Inventory written down to NRV and obsolete inventory written-off	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
After crediting:-				
Interest Income	1,048	646	2,004	2,506
Investment Income	165	390	398	796
Other Income	140	403	179	589
Foreign Exchange Gain (Net)	10	-	51	-
Gain on disposal of property, plant and equipment (Net)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no gain or loss on disposal of quoted or unquoted investments and other exceptional items for the current quarter under review and cumulative period ended 31 March 2021.

By Order of the Board

Company Secretary
20 May 2021