

QUARTERLY REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016 - unaudited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Revenue	246,335	247,624	246,335	247,624
Cost of sales	(175,454)	(175,048)	(175,454)	(175,048)
Gross profit	70,881	72,576	70,881	72,576
Other income	4,046	5,709	4,046	5,709
Selling and distribution costs	(14,866)	(17,481)	(14,866)	(17,481)
Administrative expenses	(15,733)	(16,051)	(15,733)	(16,051)
Finance costs	(14,977)	(12,151)	(14,977)	(12,151)
Profit before taxation	29,351	32,602	29,351	32,602
Income tax expense	(9,227)	(7,934)	(9,227)	(7,934)
Profit net of tax	20,124	24,668	20,124	24,668
Other comprehensive income:				
Net changes on available-for-sale financial assets				
- Loss on fair value changes	(2,100)	-	(2,100)	-
Other comprehensive income, net of tax	(2,100)	-	(2,100)	-
Total comprehensive income for the year	<u>18,024</u>	<u>24,668</u>	<u>18,024</u>	<u>24,668</u>
Profit attributable to:				
Owner of the parent	19,800	24,134	19,800	24,134
Non-controlling interests	324	534	324	534
	<u>20,124</u>	<u>24,668</u>	<u>20,124</u>	<u>24,668</u>
Total comprehensive income attributable to:				
Owner of the parent	17,700	24,134	17,700	24,134
Non-controlling interests	324	534	324	534
	<u>18,024</u>	<u>24,668</u>	<u>18,024</u>	<u>24,668</u>
Basic earnings per share attributable to owners of the parent (Sen)	2.05	2.49	2.05	2.49

The unaudited condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this quarterly report.

QUARTERLY REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016 - unaudited

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	AS AT	AS AT
	30/09/2016	30/06/2016
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,185,441	1,182,202
Biological assets	1,602,591	1,594,721
Land use rights	43	45
Goodwill on consolidation	62,337	62,337
Other intangible assets	528	553
Investment securities	73,600	75,700
Deferred tax assets	25,340	21,192
	<u>2,949,880</u>	<u>2,936,750</u>
Current Assets		
Inventories	138,346	137,311
Trade and other receivables	61,194	66,932
Other current assets	14,133	7,963
Income tax receivable	9,595	4,433
Derivative assets	554	2,705
Cash and bank balances	66,080	58,914
	<u>289,902</u>	<u>278,258</u>
TOTAL ASSETS	<u><u>3,239,782</u></u>	<u><u>3,215,008</u></u>
EQUITY AND LIABILITIES		
Current Liabilities		
Interest bearing loans and borrowings	430,895	507,958
Trade and other payables	164,767	184,634
Income tax payable	16,072	13,873
	<u>611,734</u>	<u>706,465</u>
EQUITY AND LIABILITIES		
Non-current Liabilities		
Interest bearing loans and borrowings	657,850	564,818
Deferred tax liabilities	129,038	120,592
	<u>786,888</u>	<u>685,410</u>
Total Liabilities	<u>1,398,622</u>	<u>1,391,875</u>
Net assets	<u>1,841,160</u>	<u>1,823,133</u>
Equity Attributable to owners of the parent		
Share capital	973,718	973,718
Treasury shares	(13,686)	(13,684)
Reserves	871,930	854,225
	<u>1,831,962</u>	<u>1,814,259</u>
Non-controlling interests	9,198	8,874
Total Equity	<u>1,841,160</u>	<u>1,823,133</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,239,782</u></u>	<u><u>3,215,008</u></u>
Net assets per share attributable to equity holders (RM)	1.89	1.87
Number of ordinary shares net of treasury shares	967,992	967,993

The unaudited condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent						Non-controlling interest RM'000	Equity, Total RM'000
	Non-Distributable			Distributable				
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserves RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000		
Opening balance at 01 July 2016	973,718	(13,684)	(6,449)	4,384	856,290	1,814,259	8,874	1,823,133
Profit for the year	-	-	-	-	19,800	19,800	324	20,124
Other comprehensive income	-	-	5	(2,100)	-	(2,095)	-	(2,095)
Total comprehensive income	-	-	5	(2,100)	19,800	17,705	324	18,029
Transactions with owners								
Purchase of treasury shares	-	(2)	-	-	-	(2)	-	(2)
Total Transactions with owners	-	(2)	-	-	-	(2)	-	(2)
At 30 September 2016	<u>973,718</u>	<u>(13,686)</u>	<u>(6,444)</u>	<u>2,284</u>	<u>876,090</u>	<u>1,831,962</u>	<u>9,198</u>	<u>1,841,160</u>
Opening balance at 01 July 2015	973,718	(13,683)	(6,458)	3,684	811,808	1,769,069	6,041	1,775,110
Total comprehensive income	-	-	-	-	24,134	24,134	534	24,668
At 30 September 2015	<u>973,718</u>	<u>(13,683)</u>	<u>(6,458)</u>	<u>3,684</u>	<u>835,942</u>	<u>1,793,203</u>	<u>6,575</u>	<u>1,799,778</u>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this quarterly report.

QUARTERLY REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016 - unaudited

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Current	Corresponding
	3 months ended	3 months ended
	30/09/2016	30/09/2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	29,351	32,602
Adjustments for:		
Depreciation and amortisation	25,568	23,276
Fair value loss on derivative assets	2,151	-
Impairment of trade and other receivables	3,000	3,000
Interest expenses	14,118	11,282
Interest income	(102)	(1)
Net (gain) / loss on disposal of property, plant and equipment	(590)	92
Net unrealised foreign exchange loss	2,245	3,290
Operating cash flows before working capital changes	75,741	73,541
Net change in current assets	(5,829)	(31,385)
Net change in current liabilities	(19,862)	(24,688)
Cash flows from operations	50,050	17,468
Interest received	102	1
Interest paid	(16,679)	(11,286)
Income taxes paid, net of refund	(6,119)	(5,446)
Net cash flows from operating activities	27,354	737
Purchase of property, plant and equipment	(26,217)	(23,391)
Plantation development expenditure incurred	(7,800)	(6,533)
Proceeds from disposal of property, plant and equipment	5,436	151
Net cash flows used in investing activities	(28,581)	(29,773)
Cash flows from financing activities		
Purchase of treasury shares	(1)	-
Net proceeds of revolving credit and bankers' acceptances	13,176	13,103
Repayments of hire purchase creditors	(7,972)	(5,418)
Repayments of term loans	(12,192)	(27,925)
Proceeds from term loans	63,300	63,708
Net cash flows from financing activities	56,311	43,468
Net change in cash and cash equivalent	55,084	14,432
Effects of exchange rate changes	69	-
Cash and cash equivalents at the beginning of the year	(79,151)	(103,310)
Cash and cash equivalents at the end of the year	(23,998)	(88,878)
Cash and bank balances	66,080	26,386
Bank overdrafts	(90,078)	(115,264)
	(23,998)	(88,878)

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this quarterly report.

Part A – Explanatory Notes Pursuant to FRS 134

1 Basis of Preparation

The quarterly report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The quarterly report should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2016. These explanatory notes attached to the quarterly report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

The significant accounting policies adopted in the quarterly report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 30 June 2016. At the date of authorization of these interim financial statements, the Group has not adopted the following accounting standards that have been issued by the Malaysian Accounting Standards Board (“MASB”). The Group intend to adopt these amendments/standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 9 Financial Instruments	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution Assets between an Investor and Its Associate or Joint Venture	Deferred

2 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 30 June 2016 was not qualified.

3 Seasonal and Cyclical Factors

Save for the weather conditions which may affect our operations, our principal business operations have not been significantly affected by any seasonal and cyclical factors.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date.

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Part A – Explanatory Notes Pursuant to FRS 134

5 Changes in Estimates

There were no changes in estimates of amounts reported in prior quarters which have a material impact on the current quarterly report.

6 Debt and Equity Securities

During the financial period, 1,000 shares of RM 1.00 each were purchased and retained as treasury shares. The monthly breakdown of shares bought back is as follows:

Month	No. of shares purchased	Purchase price per share		Average price per share paid	Total consideration paid
		Lowest	Highest		
Feb 2016	1,000	RM 1.27	RM 1.27	RM 1.3148	RM 1,314.81

On 30 September 2016, the number of shares retained as treasury shares amounted to 5,726,000.

Apart from the above there were no other issuances and repayments of debt and equity securities for the period.

7 Dividends Paid

There were no dividends paid during the current quarter and financial period-to-date.

8 Segmental Information

The segment information in respect of the Group's business segments for the period-to-date ended 30 September 2016 is as follows:

	Period ended 30 September 2016		Period ended 30 September 2015	
	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation
	RM'000	RM'000	RM'000	RM'000
Logs	41,281	3,287	62,802	25,089
Wood processing	50,712	(10,944)	95,693	12,665
Oil palm	154,326	42,653	89,114	2,360
Others	16	779	15	875
Group admin and overhead	-	(6,424)	-	(8,387)
Consolidated total	<u>246,335</u>	<u>29,351</u>	<u>247,624</u>	<u>32,602</u>

Part A – Explanatory Notes Pursuant to FRS 134

9 Carrying Amount of Revalued Assets

The Group did not carry out any valuations on its property, plant and equipment during the current quarter and financial period-to-date. The carrying value of property, plant and equipment is based on the valuation incorporated in the annual financial statements for the year ended 30 June 2016.

10 Subsequent Events

No material events have arisen during the interval between the end of the current quarter and the date of this announcement that have not been reflected in the current quarterly report.

11 Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter, which were previously not announced.

12 Contingent Liabilities and Contingent Assets

There are no significant changes in contingent liabilities or assets as at the end of the current quarter.

13 Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the quarterly report is as follows:

	As at 30 September 2016 RM'000	As at 30 June 2016 RM'000
Authorised and contracted for	<u>43,760</u>	<u>39,415</u>

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

14 Review of Performance

(a) Comparison of Results with Previous Corresponding Quarter

For the quarter ended 30 September 2016, the Group's revenue of RM246.3 million was marginally lower than RM247.6 million reported in the previous corresponding quarter. Pre-tax profit of RM29.4 million attained in the current period was 10% lower than RM32.6 million reported in the same period last year.

Lower pre-tax profit was resulted from:-

- 13% and 31% drop in log and plywood sales volume with 24% and 15% decline in average selling price respectively; and
- 10% and 16% increase in unit production cost as a result of 37% and 33% decrease in production volume of log and veneer respectively.

(b) Comparison of Results with Previous Period-to-date

Comparison of cumulative results is not presented as this is the first quarter for the financial year ended 30 June 2017.

15 Comparison of Profit Before Tax with Immediate Preceding Quarter

The Group's pre-tax profit for the current quarter had improved by 8% to RM29.4 million from RM27.1 million reported in the preceding quarter. The better result was mainly contributed by oil palm division arising from:-

- 33% and 19% increase in FFB and CPO sales volume respectively; and
- 20% reduction in FFB unit production cost as a result of 17% increase in production volume.

16 Commentary on Prospects

Demand for timber products is expected to slow down due to the uncertainties of current global economic conditions. However, favourable exchange rate and limited log supplies due to the monsoon season will mitigate the impact on the performance of the timber segment.

For the oil palm division, the price of CPO is expected to remain stable due to anticipated lower production of FFB in the current low production season coupled with weaker Ringgit which makes palm oil relatively cheaper to foreign buyers.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

17 Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes on the variation of actual profit after tax and non-controlling interest, and shortfall in profit guarantee are not applicable.

18 Profit for the Period

Included in the profit before tax are the following items:

	Current quarter		Cumulative quarter	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Amortisation	82	498	82	498
Depreciation	25,486	22,778	25,486	22,778
Fair value loss on derivative assets	2,151	-	2,151	-
Interest expenses	14,118	11,282	14,118	11,282
Impairment of financial assets	3,000	3,000	3,000	3,000
Net (gain)/loss on disposal of property, plant and equipment	(590)	92	(590)	92
Net unrealised foreign exchange loss	2,245	3,290	2,245	3,290
Interest income	(102)	(1)	(102)	(1)

19 Taxation

Taxation comprise:-

	Current quarter		Cumulative quarter	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Current taxation	4,927	8,330	4,927	8,330
Deferred taxation	4,300	(396)	4,300	(396)
	<u>9,227</u>	<u>7,934</u>	<u>9,227</u>	<u>7,934</u>

The effective tax rate for the Group is higher than the statutory tax rate of 24%. This is mainly due to certain expenses not allowable for tax deduction.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

20 Quoted Securities

There was no purchase or disposal of quoted securities during the current quarter and financial period-to-date.

21 Unquoted Securities

There was no purchase or disposal of unquoted securities during the current quarter and financial period-to-date.

22 Borrowings and Debt Securities

	As at 30 September 2016 RM'000	As at 30 June 2016 RM'000
Secured borrowings:		
Short term	25,388	24,922
Long term	<u>17,305</u>	<u>20,706</u>
	<u>42,693</u>	<u>45,628</u>
Unsecured borrowings:		
Short term	405,507	483,036
Long term	<u>640,545</u>	<u>544,112</u>
	<u>1,046,052</u>	<u>1,027,148</u>
	<u>1,088,745</u>	<u>1,072,776</u>
Borrowings denominated in foreign currency:		
	USD'000	RM'000 Equivalent
United States Dollars	<u>5,000</u>	<u>20,715</u>

23 Material litigation

There is no pending material litigation as at the date of this announcement.

24 Dividend Payable

A first and final single-tier dividend of 1.3% in respect of the financial year ended 30 June 2016 amounting to RM12,584,000 will be paid on 16 December 2016 to Depositors whose names appear in the Record of Depositors on 30 November 2016.

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Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

25 Disclosure of Realised and Unrealised Profits or Losses

	As at 30 September 2016 RM'000	As at 30 June 2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,144,598	1,114,301
- Unrealised	(96,676)	(100,432)
	<u>1,047,922</u>	<u>1,013,869</u>
Less: Consolidation adjustments	(171,832)	(157,579)
	<u>876,090</u>	<u>856,290</u>
Total group retained profits as per consolidated accounts	<u>876,090</u>	<u>856,290</u>

26 Earnings per share (EPS)

i) Basic EPS

Basic earnings per share is calculated by dividing the net profit of the period over the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

	Current Quarter 30 September 2016	30 September 2015	Cumulative Quarter 30 September 2016	30 September 2015
Net profit attributable to the equity holders of the Company (RM'000)	19,800	24,134	19,800	24,134
Weighted average number of ordinary shares in issue ('000)	967,992	967,994	967,992	967,994
Basic EPS (sen)	2.05	2.49	2.05	2.49

ii) Diluted EPS

There are no dilutive potential ordinary shares. As such, the dilutive earnings per share of the Group is equivalent to basic earnings per share.

27 Authorization for issue

The Board of Directors in accordance with a resolution of the directors has authorized the quarterly report for issue on 24th of November 2016.