

## **A. EXPLANATION NOTES**

### **A1. Basis of Preparation**

The interim financial statements of the Group are unaudited and have been prepared under the same accounting policies and methods of computation as those used in the preparation of the most recent audited financial statements and comply with MFRS 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ( "Bursa Securities" ).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 July 2015. The explanatory notes attached to the interim financial statements 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 year ended 31 July 2015.

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 July 2015.

### **A2. Qualified Audit Report**

The auditors' report of the preceding annual financial statements was not qualified.

### **A3. Seasonal or Cyclical Factors**

The principal business of the Group was not significantly affected by any significant seasonal or cyclical factors in the current quarter.

### **A4. Unusual Items**

There were no unusual items affecting the Group for the financial period ended 30 April 2016.

### **A5. Change in Estimates**

There are no changes in the estimates of amounts reported in prior interim periods that have a material effect on the results for the current quarter under review.

### **A6. Debts and Equity Securities**

No purchases were made during the current period under review. Total number of ordinary shares purchased and held as treasury shares as at 30 April 2016 was 487,900.

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**A7. Dividend Paid**

The Company paid a first and final single tier dividend of 4.0 sen per ordinary share totaling RM5,470,684 in respect of the financial year ended 31 July 2015 on 28 December 2015.

During the current period under review, no dividend has been declared.

**A8. Segment Reporting**

Segment reporting for the current year to date 30 April 2016

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
RM'000									
<b>Revenue</b>									
External sales	-	180,839	16,849	17,833	5,563	-	204	-	221,288
Inter-Co sales	7,680	1,690	5,542	10,566	-	-	1,730	(27,208)	-
<b>Total revenue</b>	<b>7,680</b>	<b>182,529</b>	<b>22,391</b>	<b>28,399</b>	<b>5,563</b>	<b>-</b>	<b>1,934</b>	<b>(27,208)</b>	<b>221,288</b>
<b>Results</b>									
Segment result	6,260	23,158	1,800	(59)	(433)	(24)	(305)	(8,690)	21,707
Interest income	68	345	83	29	-	-	9	(62)	472
Finance costs	(2)	(518)	(0)	(363)	(331)	-	(8)	62	(1,160)
<b>Profit/(Loss) before tax</b>	<b>6,326</b>	<b>22,985</b>	<b>1,883</b>	<b>(393)</b>	<b>(764)</b>	<b>(24)</b>	<b>(304)</b>	<b>(8,690)</b>	<b>21,019</b>

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	233,544	14,952	248,496
Internal	(25,667)	(1,541)	(27,208)
External	<u>207,877</u>	<u>13,411</u>	<u>221,288</u>
Profit before tax	<u>21,199</u>	<u>(180)</u>	<u>21,019</u>

The Group operates primarily in Malaysia, except for one subsidiary whose principal activities includes pressure treatment and kiln drying of rubberwood, and manufacturing of furniture parts which operates in Medan, Indonesia.

**A9. Property, Plant and Equipment**

There were no significant acquisitions or disposals of property, plant and equipment for the period ended 30 April 2016.

There were no commitments for the purchase of property, plant and equipment for the period ended 30 April 2016.

**A10. Subsequent Events**

The Group does not have any material events subsequent to the end of the period.

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**A11. Changes in the Composition of the Group**

On 1 April 2016, the Company acquired two (2) ordinary shares of RM1.00 each, representing 100% of the issued and paid-up share capital of Jaycorp Engineering & Construction Sdn Bhd ("JECSB") from Tan Sri Abdul Majid Khan and Encik Muaz Bin Jema Anton Khan, for a total cash consideration of Ringgit Malaysia Two only (RM2.00). By way of this acquisition, JECSB became a wholly-owned subsidiary of the Company.

On 13 April 2016, the Company subscribed for an additional 599,998 new ordinary shares of RM1.00 each, representing 60% of the enlarged issued and paid-up share capital of JECSB, for a total cash consideration of Ringgit Malaysia Five Hundred Ninety-Nine Thousand Nine Hundred and Ninety-Eight only (RM599,998.00).

**A12. Changes in Contingent Liabilities or Contingent Assets**

a. Contingent Liabilities

Unsecured

Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries

Company  
As of 30 April 2016  
RM'000

100,374

b. Contingent Assets

There were no contingent assets since the last annual balance sheet date.

**A13 Significant Related Party Transactions**

The related party transactions are taken under normal course of business and on terms that are not more favourable than those available to other third parties.

Companies in which certain directors have interests:-	Current Quarter RM'000	Financial year-to-date RM'000
- Commission payment	-	-
- Purchases of biomass feeds stocks	18	59
- Rental payment	22	68
- Sales of carton box	-	-
- Purchases of machinery and machinery parts	2	38
	<u>42</u>	<u>165</u>

**SELECTED EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES:**

**B1. Review of Performance**

The Group registered a turnover of RM69.1 million for the quarter ended 30 April 2016 ("current quarter") as compared to the turnover of RM59.6 million in the previous year corresponding period. Profit before tax for the current quarter was at RM6.0 million as compared to profit before tax of RM6.5 million for the previous year corresponding period.

The furniture segment continued to contribute majority of the Group's revenue. The furniture segment contributed RM56.6 million and RM6.3 million in turnover and profit before tax respectively for the current quarter. Comparatively, the turnover and profit before tax for previous year corresponding period were RM47.1 million and RM5.0 million respectively. Turnover and profit before tax for the current quarter were higher than the previous year corresponding period mainly due to improved operational efficiency, improved market sentiment in the North American and Asian markets and consistently stronger United States Dollar (USD) exchange rates.

The kiln-drying segment registered RM9.2 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM10.0 million and loss before tax of RM2.1 million in the previous year corresponding period. Turnover and profit before tax for the current quarter is lower as compared to the previous year corresponding period due to very competitive pricing of rubberwood and higher production cost.

The carton boxes segment contributed RM6.7 million in turnover and profit before tax of RM0.5 million for the current quarter compared with turnover of RM6.0 million and profit before tax of RM0.3 million in the previous year corresponding period. Turnover and profitability in this segment were higher than the previous year corresponding period due to better demand from the furniture industry.

The renewable energy segment contributed RM1.4 million in turnover but incurred a loss before tax of RM0.6 million for the current quarter compared with turnover of RM1.7 million and loss before tax of RM0.2 million in the previous year corresponding period. Higher operating costs were incurred as part of an extended shutdown of the biomass plant for upgrades and maintenance to improve production efficiency and reduce future maintenance costs.

The engineering and construction segment acquired in the current quarter is in the process of actively prospecting for tenders of construction projects.

**B2. Quarterly Analysis**

The Group recorded turnover of RM69.1 million and profit before tax of RM6.0 million for the current quarter as compared to last quarter's turnover and profit before tax of RM75.5 million and RM8.8 million respectively. The turnover and profitability for the current quarter had decreased compared to the last quarter due to lower revenue from non-furniture segments.

**B3. Current Year Prospects**

The furniture industry remains the Group's core business. The Group will continue to focus on controlling its cost structure and exploring new markets for its products in order to achieve better profits and business growth.

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**B4. Profit Forecast**

There is no profit forecast issued for the current financial period under review.

**B5. Taxation**

The tax charges comprise: -

	Current Quarter RM'000	Financial year-to-date RM'000
<ul style="list-style-type: none"> <li>• Company and Subsidiary Companies</li> <li>– Income Tax</li> <li>– Deferred Tax</li> </ul>	1,773 (26) <hr/> 1,747	4,967 (26) <hr/> 4,941

The Group's effective tax rate in the current quarter is higher than the statutory tax rate is due to an adjustment of prior periods understatement of tax provision.

**B6. Corporate Proposals**

There were no corporate proposals as at the date of this announcement.

**B7. Group Borrowings and Debt Securities**

The Group borrowings as at 30 April 2016 are shown as below:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings	16,295	-	16,295
Long Term Borrowings	6,994	-	6,994
	<u># 23,290</u>	<u>-</u>	<u># 23,290</u>

# Out of RM23.3 million, RM6.9million borrowings were denominated in USD currency.

**B8. Material Litigation**

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

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**B9. Other Disclosures Items to the Statement of Comprehensive Income**

Profit for the period is arrived at after crediting/(charging):-

	Current Quarter RM'000	Financial year-to-date RM'000
- Interest income	174	471
- Other income including investment income	882	3,082
- Interest expense	(160)	(1,160)
- Depreciation on property, plant and equipment and investment properties	(1,992)	(5,916)
- Loss on disposal on property, plant and equipment	41	74
- Foreign exchange gain	(1,406)	(545)
- Loss on derivatives	1,004	(985)
- Reversal of write down of inventories	-	662

Save as disclosed above, the following items are not applicable to the Group for the first financial quarter ended 30 April 2016:-

- provision for and write off of receivables
- impairment of assets
- exceptional items

**B10. Retained Profits**

The breakdown of the retained earnings of the Group as of 30 April 2016 into realised and unrealised profits or losses are as follows:-

Total Retained Earnings / (Accumulated Losses) of the Group	Current Quarter 30 April 2016 RM'000	Preceding Quarter 31 January 2016 RM'000
- Realised	69,993	68,440
- Unrealised	459	(2,393)
<b>Total</b>	<b>70,452</b>	<b>66,047</b>

**B11. Dividend**

The directors do not recommend the payment of any dividend for the current financial period ended 30 April 2016.

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**B12. Basic Earnings Per Share (EPS)**

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Year To Date
Profit after tax and minority interest (RM'000)	4,405	3,992	15,967	6,171
Weighted average number of ordinary shares in issue ('000)	136,759	136,779	136,759	136,779
Basic EPS (sen)	3.22	2.92	11.67	4.51

**B13. Authorisation for Issue**

The interim financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Board of Directors.