

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2016

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 31 July 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

During the current year under review, the Company repurchased 5,000 ordinary shares of RM0.50 each at an average price of RM1.13 per ordinary share. Total number of ordinary shares purchased and held as treasury shares as at 31 July 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 31 July 2016

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
RM'000									
Revenue									
External sales	-	234,672	22,731	24,127	7,628	-	269	-	289,426
Inter-Co sales	8,628	2,444	7,239	14,644	-	-	2,309	(35,265)	-
Total revenue	8,628	237,116	29,970	38,700	7,628	-	2,579	(35,265)	289,426
Results									
Segment result	6,685	28,803	2,160	(977)	(389)	(206)	(425)	(8,901)	26,750
Interest income	92	617	118	39	-	-	12	(86)	794
Finance costs	(3)	(667)	(0)	(430)	(443)	-	(8)	86	(1,466)
Profit/(Loss) before tax	6,775	28,753	2,278	(1,368)	(833)	(206)	(420)	(8,901)	26,077

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	304,312	20,379	324,691
Internal	(33,208)	(2,057)	(35,265)
External	<u>271,104</u>	<u>18,322</u>	<u>289,426</u>
Profit/loss before tax	<u>26,106</u>	<u>(29)</u>	<u>26,077</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 31 July 2016.

There were no commitments for the purchase of property, plant and equipment for the period ended 31 July 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) (Acquisition). Subsequent to the 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) (Subscription). Following the Subscription, JECSB became a 60% owned subsidiary of the company.

A12. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

	Company As of 31 July 2016 RM'000
Unsecured	
Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>100,064</u>

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	26	85
– Rental payment	22	90
– Sales of carton box	-	-
– Purchases of machinery and machinery parts	32	70
	80	245

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 RM68.1 million for the quarter ended 31 July 2016 ("current quarter") as compared to the turnover of RM69.3 million in the previous year corresponding period. Profit before tax for the current quarter was at RM5.1 million as compared to profit before tax of RM3.0 million for the previous year corresponding period.

The furniture segment continued to contribute the majority of the Group's revenue. The furniture segment contributed RM54.6 million and RM5.8 million in turnover and profit before tax respectively for the current quarter. Comparatively, the turnover and profit before tax for the previous year corresponding period were RM57.1 million and RM6.2 million respectively. Turnover and profit before tax for the current quarter were in line with the previous year corresponding quarter due to steady order book.

The kiln-drying segment registered RM10.3 million in turnover and loss before tax of RM1.0 million for the current quarter compared with turnover of RM8.4 million and loss before tax of RM0.4 million in the previous year corresponding period. The turnover for the current quarter is higher than that for the previous year corresponding period. However, the loss before tax for the current quarter is also higher than that for the previous year corresponding period. This was due to very competitive conditions in the rubberwood market and also higher production cost.

The carton boxes segment contributed RM7.6 million in turnover and profit before tax of RM0.4 million for the current quarter compared with turnover of RM7.7 million and profit before tax of RM0.5 million in the previous year corresponding period. Turnover and profitability in this segment were in line with the previous year corresponding quarter.

The renewable energy segment contributed RM2.0 million in turnover but incurred a loss before tax of RM0.07 million for the current quarter compared with turnover of RM2.1 million and loss before tax of RM0.2 million in the previous year corresponding period. The improvement was attributable to improved market conditions for renewable energy.

The engineering and construction segment is actively prospecting for tenders of construction projects.

B2. Quarterly Analysis

The Group recorded turnover of RM68.1 million and profit before tax of RM5.1 million for the current quarter as compared to last quarter's turnover and profit before tax of RM69.1 million and RM6.0 million respectively. The turnover and profitability for the current quarter had decreased compared to the last quarter due to lower revenue from furniture segment.

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
• Company and Subsidiary Companies		
– Income Tax	15	4,981
– Deferred Tax	8	(17)
	23	4,964

The Group's effective tax rate in the current quarter is lower than the statutory tax rate due to an adjustment of prior periods overprovision 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 31 July 2016 are shown as below:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings	16,118	-	16,118
Long Term Borrowings	6,487	-	6,487
	# 22,605	-	# 22,605

Out of RM22.5 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	323	794
- Other income including investment income	572	3,654
- Interest expense	(306)	(1,466)
- Depreciation on property, plant and equipment and investment properties	(2,340)	(8,256)
- Loss on disposal on property, plant and equipment	13	87
- Foreign exchange gain/(loss)	437	(108)
- Gain/(Loss) on derivatives	69	(916)
- Reversal of write down of inventories	-	662

Save as disclosed above, the following items are not applicable to the Group for the final financial quarter ended 31 July 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 31 July 2016 into realised and unrealised profits or losses are as follows:-

Total Retained Earnings / (Accumulated Losses) of the Group	Current Quarter 31 July 2016 RM'000	Preceding Quarter 30 April 2016 RM'000
- Realised	77,210	69,993
- Unrealised	(1,910)	459
Total	75,300	70,452

B11. Dividend

Subject to the shareholders' approval at the forthcoming Annual General Meeting, the Board of Directors proposed a first and final single tier dividend of 10.0 sen per ordinary share for the financial year ended 31 July 2016 at an entitlement date to be determined later.

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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)	5,177	1,821	21,144	7,993
Weighted average number of ordinary shares in issue ('000)	136,759	136,779	136,759	136,779
Basic EPS (sen)	3.79	1.33	15.46	5.84

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.