

## **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 2016. 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 2016.

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 2016.

### **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 October 2016.

### **A5. Changes 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 period under review, the Company did not buy-back any shares of the Company. Total number of ordinary shares purchased and held as treasury shares as at 31 October 2016 was 487,900.

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**A7. Dividend Paid**

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

**A8. Segment Reporting**

Segment reporting for the current year to date 31 October 2016

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
	RM'000								
<b>Revenue</b>									
External sales	-	56,888	6,377	6,956	2,353	1,449	64	-	74,087
Inter-Co sales	630	722	1,868	4,415	-	-	600	(8,235)	-
<b>Total revenue</b>	<b>630</b>	<b>57,610</b>	<b>8,245</b>	<b>11,371</b>	<b>2,353</b>	<b>1,449</b>	<b>664</b>	<b>(8,235)</b>	<b>74,087</b>
<b>Results</b>									
Segment result	154	6,330	743	679	437	(69)	(73)	(300)	7,901
Interest income	26	211	36	6	-	-	3	(27)	255
Finance costs	-	(136)	-	(61)	(107)	(2)	-	27	(279)
<b>Profit/(Loss) before tax</b>	<b>180</b>	<b>6,405</b>	<b>779</b>	<b>624</b>	<b>330</b>	<b>(71)</b>	<b>(70)</b>	<b>(300)</b>	<b>7,877</b>

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
<b>Revenue</b>			
Total	75,554	6,768	82,322
Internal	(7,064)	(1,171)	(8,235)
External	<u>68,490</u>	<u>5,597</u>	<u>74,087</u>
<b>Profit before tax</b>	<u>7,063</u>	<u>814</u>	<u>7,877</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 October 2016.

There were no commitments for the purchase of property, plant and equipment for the period ended 31 October 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**

There were no changes in the composition of the Group for the period ended 31 October 2016.

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

a. Contingent Liabilities

	Company As of 31 October 2016 RM'000
Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>94,963</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
– Purchases of biomass feeds stocks	28	28
– Rental payment	22	22
– Purchases of machinery and machinery parts	42	42
	92	92

**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 RM74.1 million for the quarter ended 31 October 2016 ("current quarter") as compared to the turnover of RM76.7 million in the previous year corresponding period. Profit before tax for the current quarter was at RM7.9 million as compared to profit before tax of RM6.3 million for the previous year corresponding period.

The furniture segment continued to contribute majority of the Group's revenue. The furniture segment contributed RM57.6 million and RM6.4 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 RM63.5 million and RM6.7 million respectively. The turnover and profit before tax for the current quarter were lower than the previous year corresponding period mainly due to shortage of workers.

The kiln-drying segment registered RM11.4 million in turnover and profit before tax of RM0.62 million for the current quarter compared with turnover of RM9.8 million and loss before tax of RM0.8 million in the previous year corresponding period. The turnover and profit before tax for the current quarter were higher than the previous year corresponding period mainly due to higher turnover and improved market conditions.

The carton boxes segment contributed RM8.2 million in turnover and profit before tax of RM0.78 million for the current quarter compared with turnover of RM7.7 million and profit before tax of RM0.6 million in the previous year corresponding period. Turnover and profitability in this segment were in line with the previous year corresponding period.

The renewable energy segment contributed RM2.4 million in turnover and profit before tax of RM0.33 million for the current quarter compared with turnover of RM2.0 million and loss before tax of RM0.009 million in the previous year corresponding period. The improvement was attributable to reduction in cost of raw materials and further rationalization of the gas subsidy.

The engineering and construction segment contributed RM1.4 million in turnover and loss before tax of RM0.07 million for the current quarter due to completed progress claims from construction works.

**B2. Quarterly Analysis**

The Group recorded turnover of RM74.1 million and profit before tax of RM7.9 million for the current quarter as compared to last quarter's turnover and profit before tax of RM68.1 million and RM5.1 million respectively. The turnover for the current quarter had increased compared to the last quarter due to higher revenue from the furniture, kiln-drying and engineering and construction segments. The profit before tax for the current quarter is higher than the last quarter due to improved segmental results from carton boxes, kiln-drying, renewable energy and engineering and construction.

**B3. Current Year Prospects**

The furniture industry remains the Group's core business. The Group will continue to focus on controlling cost structure and exploring new markets for 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>	1,699 - <hr/> 1,699	1,699 - <hr/> 1,699

The Group's effective tax rate in the current quarter is lower than the statutory tax rate due to certain tax deductible items.

**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 October 2016 are shown as below:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings	11,636	-	11,636
Long Term Borrowings	7,384	-	7,384
	<hr/> # 19,020	<hr/> -	<hr/> # 19,020

# Out of RM19 million, RM4.1million 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	255	255
- Other income including investment income	804	804
- Interest expense	(279)	(279)
- Depreciation on property, plant and equipment and investment properties	(2,042)	(2,042)
- Gain on disposal on property, plant and equipment	2	2
- Foreign exchange gain	754	754
- Fair value loss on derivatives	(340)	(340)
- Reversal of provision for obsolete inventories	476	476
- Proceeds from sale of property, plant and equipment	9	9
- Bad debts written off	(1)	(1)

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

Total Retained Earnings / (Accumulated Losses) of the Group	Current Quarter 31 October 2016 RM'000	Preceding Quarter 31 July 2016 RM'000
- Realised	81,372	77,210
- Unrealised	(609)	(1,910)
<b>Total</b>	<b>80,763</b>	<b>75,300</b>

**B11. Dividend**

The directors do not recommend the payment of any dividend for the current financial period ended 31 October 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)	5,463	5,455	5,463	5,455
Weighted average number of ordinary shares in issue ('000)	136,763	136,767	136,763	136,767
Basic EPS (sen)	3.99	3.99	3.99	3.99

**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.