

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2017

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 January 2017.

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 repurchased 10,000 ordinary shares of RM0.50 each at an average price of RM1.38 per ordinary share. Total number of ordinary shares purchased and held as treasury shares as at 31 January 2017 was 497,900.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2017

A7. Dividend Paid

During the current period under review, the Company paid a first and final single tier dividend of 10.0 sen per ordinary share totaling RM13,676,210 in respect of the financial year ended 31 July 2016 on 29 December 2016.

A8. Segment Reporting

Segment reporting for the current year to date 31 January 2017

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
RM'000									
Revenue									
External sales	-	119,745	13,129	13,784	4,760	2,090	135	-	153,642
Inter-Co sales	18,840	1,929	3,879	9,103	-	-	1,239	(34,990)	-
Total revenue	18,840	121,674	17,008	22,887	4,760	2,090	1,374	(34,990)	153,642
Results									
Segment result	17,481	14,158	1,316	1,977	861	(206)	(70)	(20,680)	14,837
Interest income	57	379	73	9	-	-	6	(54)	470
Finance costs	-	(266)	-	(73)	(207)	(9)	-	54	(501)
Profit/(Loss) before tax	17,538	14,271	1,389	1,913	654	(215)	(64)	(20,680)	14,806

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	176,272	12,360	188,632
Internal	(33,098)	(1,892)	(34,990)
External	<u>143,174</u>	<u>10,468</u>	<u>153,642</u>
Profit before tax	<u>13,169</u>	<u>1,637</u>	<u>14,806</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 January 2017.

There were no commitments for the purchase of property, plant and equipment for the period ended 31 January 2017.

A10. Subsequent Events

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

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2017

A11. Changes in the Composition of the Group

Instyle Sofa Sdn Bhd

On 11 November 2016, the Company subscribed for 4,000,000 new shares in Instyle Sofa Sdn. Bhd. ("ISSB") for a total cash consideration of Ringgit Malaysia four million only (RM4,000,000). Subsequent to this subscription, ISSB became a 83% owned subsidiary of Jaycorp.

A12. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
As of 31 January 2017
RM'000

Unsecured

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

87,492

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	6	34
– Rental payment	23	45
– Purchases of machinery and machinery parts	2	44
	<u>31</u>	<u>123</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 RM79.6 million for the quarter ended 31 January 2017 ("current quarter") as compared to the turnover of RM75.5 million in the previous year corresponding period. Profit before tax for the current quarter was at RM6.9 million as compared to profit before tax of RM8.8 million for the previous year corresponding period.

The furniture segment continued to contribute majority of the Group's revenue. The furniture segment contributed RM64.1 million and RM7.9 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 RM62.4 million and RM10.0 million respectively. The turnover is higher but profit before tax for the current quarter is lower than the previous year corresponding period. This is mainly due to the determination in January 2017 of additional bonus payments for the financial year ended 31 July 2016.

The kiln-drying segment registered RM11.5 million in turnover and profit before tax of RM1.3 million for the current quarter compared with turnover of RM9.4 million and loss before tax of RM0.04 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 RM8.8 million in turnover and profit before tax of RM0.6 million for the current quarter compared with turnover of RM8.0 million and profit before tax of RM0.7 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 RM0.3 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 better operational efficiency and cost controls.

The engineering and construction segment registered RM0.6 million in turnover and loss before tax of RM0.1 million for the current quarter.

B2. Quarterly Analysis

The Group recorded turnover of RM79.6 million and profit before tax of RM6.9 million for the current quarter compared to last quarter's turnover and profit before tax of RM74.1 million and RM7.9 million respectively. The turnover for the current quarter increased compared to the last quarter due to higher revenue from the kiln-drying, engineering, construction and green energy segments. The profit before tax for the current quarter is lower than the last quarter due to the determination of additional bonus in January 2017 in respect of the financial year ended 31 July 2016.

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.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2017

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"> • Company and Subsidiary Companies – Income Tax – Deferred Tax 	1,631 - <hr/> 1,631	3,330 - <hr/> 3,330

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 January 2017 are shown as below:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings	8,660	-	8,660
Long Term Borrowings	7,132	-	7,132
	<hr/> # 15,792	<hr/> -	<hr/> # 15,792

Out of RM15.8 million, RM1.6million borrowings were denominated in USD currency.

B8. Material Litigation

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

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2017

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	215	470
- Other income including investment income	1,128	1,932
- Interest expense	(221)	(500)
- Depreciation on property, plant and equipment and investment properties	(2,145)	(4,187)
- Gain on disposal on property, plant and equipment	0	2
- Foreign exchange gain	1,036	1,790
- Loss on derivatives	(1,973)	(2,313)

Save as disclosed above, the following items are not applicable to the Group for the second financial quarter ended 31 January 2017:-

- 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 January 2017 into realised and unrealised profits or (losses) are as follows:-

Total Retained Earnings / (Accumulated Losses) of the Group	31 January 2017 RM'000	31 October 2016 RM'000
- Realised	73,140	81,372
- Unrealised	(1,428)	(609)
Total	71,712	80,763

B11. Dividend

The directors do not recommend the payment of any dividend for the current financial period ended 31 January 2017.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2017

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)	4,625	6,107	10,088	11,562
Weighted average number of ordinary shares in issue ('000)	136,756	136,764	136,756	136,764
Basic EPS (sen)	3.38	4.47	7.38	8.45

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.