

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, issued by the Malaysian Accounting Standards Board ("MASB") 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 seasonal or cyclical factors that affecting the performance of the Group.

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter and cumulative period ended 30 April 2017.

A5. Changes in Estimates

There were no material changes in estimates that have had any material effect in the current quarter and cumulative period ended 30 April 2017.

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A6. Debts and Equity Securities

Save as disclosed below, there were no issuances, repurchases and repayments of debt and equity securities during the quarter and cumulative period ended 30 April 2017:

The Company bought back from the open market 10,000 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM1.38 per share. The total consideration paid, including transaction costs, was RM13,906.16 and its was financed by internally generated funds. The Jaycorp Shares bought back were being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 30 April 2017, the number of treasury shares held was 497,900 Jaycorp Shares.

A7. Dividend Paid

During the last quarter, the Company paid a first and final single tier dividend of RM0.10 per ordinary share amounting to RM13,676,210 in respect of the financial year ended 31 July 2016 on 29 December 2016.

The directors declare a first single tier interim dividend of 5.0 sen per ordinary share in respect of the financial year ending 31 July 2017 and shall be payable on 31 July 2017. The entitlement date for the said dividend shall be 17 July 2017.

A8. Segment Reporting

The segmental information of the Group for the financial year to-date 30 April 2017 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
	RM'000								
Revenue									
External sales	-	182,484	19,667	19,935	6,963	3,036	195	-	232,280
Inter-Co sales	20,160	3,188	6,242	13,541	-	-	1,879	(45,010)	-
Total revenue	20,160	185,672	25,909	33,476	6,963	3,036	2,074	(45,010)	232,280
Results									
Segment result	18,185	19,926	2,248	2,954	1,057	(290)	(55)	(19,170)	24,855
Interest income	80	508	101	16	-	-	9	(76)	638
Finance costs	-	(397)	-	(74)	(294)	(14)	-	76	(703)
Profit/(Loss) before tax	18,265	20,037	2,349	2,896	763	(304)	(46)	(19,170)	24,790

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	260,396	16,894	277,290
Internal	(43,118)	(1,892)	(45,010)
External	<u>217,278</u>	<u>15,002</u>	<u>232,280</u>
Profit before tax	<u>22,830</u>	<u>1,960</u>	<u>24,790</u>

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

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A9. Property, Plant and Equipment

There were no significant acquisitions or disposals of property, plant and equipment for the quarter ended 30 April 2017.

There were no commitments for the purchase of property, plant and equipment for the quarter ended 30 April 2017.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 15 June 2017 (latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), which have not been reflected, in the financial statements for the current quarter under review and financial year to-date.

A11. Changes in the Composition of the Group

Save as disclosed below, there were no changes in the composition of the Company / Group including business combination, acquisition or disposal of subsidiaries and long-term investment, restructuring & discontinuing operations during the current quarter under review and financial year to-date.

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

Unsecured

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

Company
As of 30 April 2017
RM'000

93,296

b. Contingent Assets

There were no contingent assets since the last audited financial statements for the financial year ended 31 July 2016.

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A13 Significant Related Party Transactions

The related party transactions are taken under the normal course of business and the terms offered are no difference from those to third parties are summarised as below:

Type of transactions: -	Current Quarter RM'000	Financial year-to-date RM'000
- Purchases of biomass feeds stocks	4	38
- Rental payment	23	68
- Purchases of machinery and machinery parts	53	97
	<u>80</u>	<u>203</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 RM78.6 million for the quarter ended 30 April 2017 ("current quarter") as compared to the turnover of RM69.1 million in the previous year corresponding period. Profit before tax for the current quarter was at RM10.0 million as compared to profit before tax of RM6.0 million for the previous year corresponding period.

The furniture segment continued to be the main contributor of the Group's revenue. The furniture segment recorded RM64.0 million and RM8.3 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the previous year corresponding period were RM56.6 million and RM6.3 million respectively. The turnover and profit before tax for the current quarter were higher than the previous year corresponding period mainly due to increased demand from overseas markets and the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR).

The kiln-drying segment registered RM10.6 million in turnover and profit before tax of RM1.0 million for the current quarter compared with turnover of RM9.2 million and profit before tax of RM0.3 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 improved market conditions.

The carton boxes segment contributed RM8.9 million in turnover and profit before tax of RM1.0 million for the current quarter compared with turnover of RM6.7 million and profit before tax of RM0.5 million in the previous year corresponding period. The turnover and profitability in this segment were higher than the previous year corresponding period due to higher demand from internal and external customers.

The renewable energy segment contributed RM2.2 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM1.5 million and loss before tax of RM0.6 million in the previous year corresponding period. The improvement was attributed to better operational efficiency, cost controls measures and higher selling price.

The engineering and construction segment registered RM1.0 million in turnover and loss before tax of RM0.1 million for the current quarter.

B2. Quarterly Analysis

The Group recorded turnover of RM78.6 million and profit before tax of RM10.0 million for the current quarter compared to last quarter's turnover and profit before tax of RM79.6 million and RM6.9 million respectively. Although there was a marginal decrease in turnover, the profit before tax increased due to improvements in market conditions in the furniture segment and renewable energy segment.

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 its products in order to achieve better profits and business growth.

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B4. Profit Forecast

There were no profit forecasts 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	2,697	6,027
– Deferred Tax	(11)	(11)
	2,686	6,016

The Group's effective tax rate in the current quarter is higher than the statutory tax rate due to certain non-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 30 April 2017 are summarised as below:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings	10,606	-	10,606
Long Term Borrowings	6,623	-	6,623
	# 17,229	-	# 17,229

Out of RM17.2 million, RM1.7 million borrowings were denominated in USD currency.

B8. Material Litigation

Neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the Group's financial position or business, and the Directors are not aware of any proceedings, pending or threatened, against the Company and/or any of its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the Group's financial position or business.

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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	168	638
- Other income including investment income	1,243	3,176
- Interest expense	(203)	(703)
- Depreciation on property, plant and equipment and investment properties	(2,167)	(6,355)
- Gain on disposal on property, plant and equipment	57	59
- Foreign exchange (loss)/gain	(651)	1,139
- Gain/(Loss) on derivatives	924	(1,388)
- Provision for and write off of receivables	(10)	(10)
- Reversal of write down of inventories	339	339

Save as disclosed above, the following items are not applicable to the Group for the third financial quarter ended 30 April 2017:-

- impairment of assets
- exceptional items

B10. Retained Profits

The breakdown of the retained earnings by quarters for the Group into realised and unrealised profits or (losses) are as follows:-

Total Retained Earnings / (Accumulated Losses) of the Group	30 April 2017 RM'000	31 January 2017 RM'000
- Realised	82,923	75,893
- Unrealised	(1,128)	(1,415)
Total	81,795	74,478

B11. Dividend

The directors declare a first single tier interim dividend of 5.0 sen per ordinary share in respect of the financial year ending 31 July 2017 and shall be payable on 31 July 2017. The entitlement date for the said dividend shall be 17 July 2017.

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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)	7,316	4,405	17,405	15,967
Weighted average number of ordinary shares in issue ('000)	136,756	136,764	136,756	136,764
Basic EPS (sen)	5.35	3.22	12.73	11.67

B13. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 June 2017.