

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 2017. 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 2017.

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 2016 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 2017.

A2. Qualified Audit Report

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

A3. Seasonal or Cyclical Factors

The principal business and performance of the Group were not significantly affected by any seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 October 2017.

A5. Changes in Estimates

There were no material changes in estimates that have had any material effect in the current quarter ended 31 October 2017.

A6. Debts and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the quarter ended 31 October 2017.

As at 31 October 2017, there was a total number of 502,900 ordinary shares held as treasury shares.

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A7. Dividend Paid

There were no dividends paid for the quarter ended 31 October 2017.

A8. Segment Reporting

The segmental information of the Group for the financial year to-date 31 October 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	-	59,852	9,391	8,903	2,243	1,260	65	-	81,714
Inter-Co sales	330	674	1,988	3,052	-	-	721	(6,765)	-
Total revenue	330	60,526	11,379	11,955	2,243	1,260	786	(6,765)	81,714
Results									
Segment result	(421)	5,452	1,305	2,119	285	(51)	25		8,714
Interest income	25	178	30	6	-	-	3	(22)	220
Finance costs	-	(109)	-	(2)	(84)	(4)	-	22	(177)
Profit/(Loss) before tax	(396)	5,521	1,335	2,123	201	(55)	28		8,757
Assets	30,520	140,897	18,844	42,848	8,439	3,919	35,813	(44,946)	236,334
Liabilities	466	35,510	4,329	19,799	7,496	2,385	32,032	(44,946)	57,071

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	81,517	6,962	88,479
Internal	(6,765)	-	(6,765)
External	<u>74,752</u>	<u>6,962</u>	<u>81,714</u>
Profit before tax	<u>6,654</u>	<u>2,103</u>	<u>8,757</u>
Assets	<u>217,482</u>	<u>18,852</u>	<u>236,334</u>
Liabilities	<u>51,843</u>	<u>5,228</u>	<u>57,071</u>

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

A9. Valuation of Property, Plant and Equipment

There was no revaluation of properties of the Group for the quarter ended 31 October 2017.

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A10. Subsequent Events

There were no material events subsequent to the reporting period up to 7 December 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.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group including business combination, acquisition or disposal of subsidiaries and long-term investment, restructuring & discontinuing operations during the current quarter under review.

A12. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 31 October 2017 were as follows:-

	RM'000
Authorised but not contracted for	621
Contracted but not provided for	<u>1,944</u>
	<u>2,565</u>

A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

	Company As of 31 October 2017 RM'000
Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>89,566</u>

b. Contingent Assets

There were no contingent assets since the last audited financial statements for the financial year ended 31 July 2017.

A14 Significant Related Party Transactions

Related party transactions occur within the normal course of business and the terms offered are no different to those offered to third parties. Significant related party transactions during the current quarter and financial year-to-date are summarised below:

Type of transactions: -	Current Quarter RM'000	Financial year-to-date RM'000
- Rental payment	22	22
- Supplies of cement	20	20
- Purchases of machinery and machinery parts	46	46
	<u>88</u>	<u>88</u>

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

B1. Review of Performance

Revenue	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year Quarter	Preceding Year Corresponding Quarter	Changes
	31 Oct 2017	31 Oct 2016		31 Oct 2017	31 Oct 2016	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	330	630	-47.62%	330	630	-47.62%
Furniture	60,526	57,610	5.06%	60,526	57,610	5.06%
Carton Boxes	11,379	8,245	38.01%	11,379	8,245	38.01%
Kiln-Drying	11,955	11,371	5.14%	11,955	11,371	5.14%
Renewable Energy	2,243	2,353	-4.67%	2,243	2,353	-4.67%
Construction	1,260	1,449	-13.04%	1,260	1,449	-13.04%
Others	786	664	18.37%	786	664	18.37%
Inter-Co Elimination	(6,765)	(8,235)		(6,765)	(8,235)	
Total	81,714	74,087	10.29%	81,714	74,087	10.29%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year Quarter	Preceding Year Corresponding Quarter	Changes
	31 Oct 2017	31 Oct 2016		31 Oct 2017	31 Oct 2016	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	(396)	180	-320.00%	(396)	180	-320.00%
Furniture	5,521	6,405	-13.80%	5,521	6,405	-13.80%
Carton Boxes	1,335	779	71.37%	1,335	779	71.37%
Kiln-Drying	2,123	624	240.22%	2,123	624	240.22%
Renewable Energy	201	330	-39.09%	201	330	-39.09%
Construction	(55)	(71)	22.54%	(55)	(71)	22.54%
Others	28	(70)	140.00%	28	(70)	140.00%
Inter-Co Elimination	-	(300)		-	(300)	
Total	8,757	7,877	11.17%	8,757	7,877	11.17%

The Group registered a turnover of RM81.7 million for the quarter ended 31 October 2017 ("current quarter") as compared to a turnover of RM74.1 million in the previous year corresponding period. Profit before tax for the current quarter was at RM8.8 million as compared to profit before tax of RM7.9 million for the previous year corresponding period.

The investment holding segment consists of the holding company's results which include dividend income and management fees received from subsidiaries. The turnover and profit before tax for the current quarter were lower compared with the previous year corresponding period as no dividends were declared by any subsidiaries in the current quarter.

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B1. Review of Performance (cont'd)

The furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM60.5 million and RM5.5 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 RM57.6 million and RM6.4 million respectively. Achievement of higher turnover in the current quarter compared with the previous year corresponding period was mainly due to increased demand from overseas and local markets coupled with the strengthening of the United States Dollar (USD) against the Malaysian Ringgit (MYR). The lower profit before tax for the current quarter compared with the previous year corresponding period was due to higher raw material cost.

The carton boxes segment contributed RM11.4 million in turnover and profit before tax of RM1.3 million for the current quarter compared with turnover of RM8.2 million and profit before tax of RM0.8 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 kiln-drying segment registered RM12.0 million in turnover and profit before tax of RM2.1 million for the current quarter compared with turnover of RM11.4 million and profit before tax of RM0.6 million in the previous year corresponding period. The profit before tax for the current quarter was higher than the previous year corresponding period primarily due to a successful effort by the Indonesian subsidiary to sell down lower grade old stock in this quarter.

The renewable energy segment contributed RM2.2 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM2.4 million and profit before tax of RM0.3 million in the previous year corresponding period. The lower turnover and profit before tax were due to a decrease in production hours. This was because the plant underwent certain repairs and maintenance.

The engineering and construction segment registered RM1.3 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM1.4 million and loss before tax of RM0.1 million in the previous year corresponding period. A new project, UMS, came on stream and contributed to revenue during the current quarter. However, this contribution was offset by a lower than expected revenue contribution from the Likas Project which was temporarily impeded by continuous heavy downpour in the area.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2017	31 July 2017	
	RM'000	RM'000	
Investment Holding	330	7,770	-95.75%
Furniture	60,526	63,123	-4.11%
Carton Boxes	11,379	10,596	7.39%
Kiln-Drying	11,955	10,378	15.20%
Renewable Energy	2,243	2,200	1.95%
Construction	1,260	1,105	14.03%
Others	786	748	5.08%
Inter-Co Elimination	(6,765)	(15,376)	
Total	81,714	80,544	1.45%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2017	31 July 2017	
	RM'000	RM'000	
Investment Holding	(396)	7,025	-105.64%
Furniture	5,521	6,947	-20.53%
Carton Boxes	1,335	1,177	13.42%
Kiln-Drying	2,123	238	792.06%
Renewable Energy	201	48	318.75%
Construction	(55)	98	-156.12%
Others	28	61	-54.10%
Inter-Co Elimination	-	(7,440)	
Total	8,757	8,154	7.40%

The Group recorded turnover of RM81.7 million and profit before tax of RM8.8 million for the current quarter as compared to last quarter's turnover and profit before tax of RM80.5 million and RM8.2 million respectively.

For the investment holding segment, the turnover and profit before tax for the current quarter were lower compared with the last quarter as no dividends were declared by any subsidiaries in the current quarters.

The furniture segment recorded RM60.5 million and RM5.5 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM63.1 million and RM6.9 million respectively. The lower turnover for the current quarter compared with the last quarter was mainly due to decreased demand from overseas markets. The lower profit before tax for the current quarter compared with last quarter were due to lower turnover and higher raw material costs.

The carton boxes segment contributed RM11.4 million in turnover and profit before tax of RM1.3 million for the current quarter compared with turnover of RM10.6 million and profit before tax of RM1.2 million in the last quarter. The turnover and profitability in this segment in the current quarter were higher than the last quarter due to higher demand from external customers.

The kiln-drying segment registered RM12.0 million in turnover and profit before tax of RM2.1 million for the current quarter compared with turnover of RM10.4 million and profit before tax of RM0.2 million in the last quarter. The higher turnover for the current quarter was due to higher export sales by the Indonesian subsidiary. The profit before tax for the current quarter was higher than the last quarter primarily due to a successful effort by the Indonesian subsidiary to sell down lower grade old stock in this quarter. Furthermore, there was a reduction in the write down of inventories in one of the Malaysian subsidiaries in the current quarter compared to the last quarter.

The renewable energy segment contributed RM2.2 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM2.2 million and profit before tax of RM0.1 million in the last quarter. The improvement was attributed to improved operational efficiency and cost control measures.

The engineering and construction segment registered RM1.3 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM1.1 million and profit before tax of RM0.1 million in the last quarter. The higher turnover was due to the contribution of the new project. However, the lower profit before tax was due to higher operational costs.

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B3. Current Year Prospects

The furniture industry remains the Group's core business. The Group will continue to focus on controlling costs and exploring new markets for its products in order to achieve better profits and growth of the business. The Group's furniture segment is expected to benefit from China's high demand for imported wooden furniture and reconstruction efforts following recent natural disasters in the USA.

A major plant upgrade is due to take place in Jaycorp Green Energy Sdn Bhd ("JGE") towards the end of 2017. Whilst this will result in the shut-down of operations for 2-3 months, the upgrade should significantly improve the operational efficiency of JGE in the long-term.

The Likas project commenced in October 2016 and on 18 September 2017, the Group announced that it had, via its 60%-owned subsidiary, Jaycorp Engineering and Construction Sdn Bhd ("JECSB"), accepted a letter of award for the UMS Project. Both the UMS Project and the Likas Project are expected to be profitable and should contribute positively to the Group's results. The Group intends to bid actively for more construction projects in the future.

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	1,858	1,858
– Deferred Tax	-	-
	<u>1,858</u>	<u>1,858</u>

The Group's effective tax rate in the current quarter is lower than the statutory tax rate due to utilisation of tax losses brought forward and tax allowance enjoyed by the Malaysian subsidiary company.

B6. Corporate Proposals

CIMB Investment Bank Berhad had, on behalf of the Board of Directors of Jaycorp, made an announcement on 3 November 2017 that Jaycorp proposes to diversify the existing principal activities of the Jaycorp Group to include construction and property development ("Proposed Diversification")

The Proposed Diversification has been approved by shareholders of the Company at the Extraordinary General Meeting held on 14 December 2017.

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B7. Group Borrowings and Debt Securities

The Group borrowings as at 31 October 2017 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Secured term loan – RM	1,719	4,876	6,595
Secured hire purchase – RM	601	991	1,592
Secured banker acceptance – RM	4,651	-	4,651
Secured banker acceptance – USD	1,207	-	1,207
Secured overdraft – RM	1,205	-	1,205
Total	9,383	5,867	15,250

Out of RM15.3 million, RM1.2 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.

B9. Other Disclosures Items to the Statement of Comprehensive Income

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

	Current Quarter	Financial
	RM'000	year-to-date
		RM'000
- Interest income	220	220
- Other income including investment income	887	887
- Interest expense	(177)	(177)
- Depreciation on property, plant and equipment and investment properties	(2,136)	(2,136)
- Gain on disposal on property, plant and equipment	35	35
- Foreign exchange loss	(241)	(241)
- Gain on derivatives	305	305
- Reversal of write down of inventories	170	170

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

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

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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	31 October 2017 RM'000	31 July 2017 RM'000
- Realised	90,209	83,602
- Unrealised	(2,172)	(1,380)
Total	88,037	82,222

B11. Dividend

The directors do not recommend the payment of any dividend for the current financial period ended 31 October 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)	5,815	5,463	5,815	5,463
Weighted average number of ordinary shares in issue ('000)	136,747	136,763	136,747	136,763
Basic EPS (sen)	4.25	3.99	4.25	3.99

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 14 December 2017.