

**JAYCORP BERHAD (459789-X)**  
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2018

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**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 and cumulative period ended 31 January 2018.

**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 31 January 2018.

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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 31 January 2018:

The Company bought back from the open market 5,000 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM1.43 per share. The total consideration paid, including transaction costs, was RM7,203.05 and it 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 31 January 2018, the number of treasury shares held was 507,900 Jaycorp Shares.

**A7. Dividend Paid**

During the quarter, the Company paid a final single tier dividend of RM0.06 per ordinary share amounting to RM8,204,826 in respect of the financial year ended 31 July 2017 on 29 December 2017.

**A8. Segment Reporting**

The segmental information of the Group for the financial year to-date 31 January 2018 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
	RM'000								
<b>Revenue</b>									
External sales	-	115,968	19,723	14,682	2,582	4,249	251	-	157,455
Inter-Co sales	9,150	1,082	3,907	7,116	-	-	1,475	(22,730)	-
<b>Total revenue</b>	<b>9,150</b>	<b>117,050</b>	<b>23,630</b>	<b>21,798</b>	<b>2,582</b>	<b>4,249</b>	<b>1,726</b>	<b>(22,730)</b>	<b>157,455</b>
<b>Results</b>									
Segment result	6,773	7,658	2,505	1,947	(282)	43	15	(8,490)	10,169
Interest income	51	333	67	11	-	1	7	(47)	423
Finance costs	-	(238)	-	(25)	(161)	(11)	-	47	(388)
<b>Profit/(Loss) before tax</b>	<b>6,824</b>	<b>7,753</b>	<b>2,572</b>	<b>1,933</b>	<b>(443)</b>	<b>33</b>	<b>22</b>	<b>(8,490)</b>	<b>10,204</b>
<b>Assets</b>	<b>29,876</b>	<b>135,559</b>	<b>19,917</b>	<b>41,980</b>	<b>7,519</b>	<b>5,631</b>	<b>35,894</b>	<b>(44,528)</b>	<b>231,848</b>
<b>Liabilities</b>	<b>889</b>	<b>37,151</b>	<b>4,353</b>	<b>20,038</b>	<b>7,220</b>	<b>4,009</b>	<b>32,135</b>	<b>(44,528)</b>	<b>61,267</b>

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**A8. Segment Reporting (cont'd)**

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	169,135	11,050	180,185
Internal	(22,590)	(140)	(22,730)
External	<u>146,545</u>	<u>10,910</u>	<u>157,455</u>
Profit before tax	<u>8,280</u>	<u>1,924</u>	<u>10,204</u>
Assets	<u>215,666</u>	<u>16,182</u>	<u>231,848</u>
Liabilities	<u>55,624</u>	<u>5,643</u>	<u>61,267</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 were no revaluation of properties of the Group in the current quarter and cumulative period ended 31 January 2018.

**A10. Subsequent Events**

There were no material events subsequent to the reporting period up to 15 March 2018 (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**

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 and financial year to-date.

**A12. Capital Commitments**

Capital commitments for property, plant and equipment not provided for as at 31 January 2018 were as follows:-

	RM'000
Authorised but not contracted for	589
Contracted but not provided for	<u>1,735</u>
	<u>2,324</u>

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**A13. Changes in Contingent Liabilities or Contingent Assets**

a. Contingent Liabilities

Company  
 As of 31 January 2018  
 RM'000

Unsecured

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

89,323

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	23	45
- Supplies of cement	6	26
- Purchases of machinery and machinery parts	<u>-</u>	<u>46</u>
- Rental income	<u>2</u>	<u>2</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 Jan 2018	31 Jan 2017		31 Jan 2018	31 Jan 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	8,820	18,210	-51.57%	9,150	18,840	-51.43%
Furniture	56,524	64,064	-11.77%	117,050	121,673	-3.80%
Carton Boxes	12,251	8,762	39.82%	23,630	17,008	38.93%
Kiln-Drying	9,843	11,516	-14.53%	21,798	22,887	-4.76%
Renewable Energy	339	2,407	-85.92%	2,582	4,760	-45.76%
Construction	2,989	641	366.30%	4,249	2,090	103.30%
Others	940	710	32.39%	1,726	1,374	25.62%
Inter-Co Elimination	(15,965)	(26,755)		(22,730)	(34,990)	
<b>Total</b>	<b>75,741</b>	<b>79,555</b>	<b>-4.79%</b>	<b>157,455</b>	<b>153,642</b>	<b>2.48%</b>

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 Jan 2018	31 Jan 2017		31 Jan 2018	31 Jan 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	7,220	17,358	-58.41%	6,824	17,538	-61.09%
Furniture	2,232	5,366	-58.40%	7,753	11,771	-34.13%
Carton Boxes	1,237	609	103.12%	2,572	1,388	85.30%
Kiln-Drying	(190)	1,290	-114.73%	1,933	1,913	1.05%
Renewable Energy	(644)	324	-298.77%	(443)	654	-167.74%
Construction	88	(145)	160.69%	33	(215)	115.35%
Others	(6)	6	-200.00%	22	(64)	134.38%
Inter-Co Elimination	(8,490)	(17,880)		(8,490)	(18,180)	
<b>Total</b>	<b>1,447</b>	<b>6,928</b>	<b>-79.11%</b>	<b>10,204</b>	<b>14,805</b>	<b>-31.08%</b>

The Group registered turnover of RM75.7 million for the quarter ended 31 January 2018 ("current quarter") as compared to turnover of RM79.6 million in the previous year corresponding period. Profit before tax for the current quarter was RM1.4 million as compared to profit before tax of RM6.9 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 lower dividends were declared by the 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 RM56.5 million and RM2.2 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 RM64.1 million and RM5.4 million respectively. The turnover and profit before tax for the current quarter were lower than the previous year corresponding period mainly due to a decrease in demand from overseas markets and the strengthening of the Malaysian Ringgit (MYR) against the United States Dollar (USD).

The carton boxes segment contributed RM12.3 million in turnover and profit before tax of RM1.2 million for the current quarter compared with turnover of RM8.8 million and profit before tax of RM0.6 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 external customers.

The kiln-drying segment registered RM9.8 million in turnover and loss before tax of RM0.2 million for the current quarter compared with turnover of RM11.5 million and profit before tax of RM1.3 million in the previous year corresponding period. The turnover and profit before tax for the current quarter were lower than the previous year corresponding period due to a decrease in demand from overseas markets and higher production costs.

The renewable energy segment contributed RM0.3 million in turnover and loss before tax of RM0.6 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 turnover and profit before tax for the current quarter were lower than the previous year corresponding period due to a 2.5 month shut-down of the plant for a major upgrade in the current quarter. The plant was only operational for 14 days in the current quarter.

The engineering and construction segment registered RM3.0 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM0.6 million and loss before tax of RM0.1 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 due to a new project (UMS Project) in the current quarter which resulted in higher progress billings.

**B2. Quarterly Analysis**

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Jan 2018	31 Oct 2017	
	RM'000	RM'000	
Investment Holding	8,820	330	2,572.73%
Furniture	56,524	60,526	-6.61%
Carton Boxes	12,251	11,379	7.66%
Kiln-Drying	9,843	11,955	-17.67%
Renewable Energy	339	2,243	-84.89%
Construction	2,989	1,260	137.22%
Others	940	786	19.59%
Inter-Co Elimination	(15,965)	(6,765)	
<b>Total</b>	<b>75,741</b>	<b>81,714</b>	<b>-7.31%</b>

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**B2. Quarterly Analysis (cont'd)**

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Jan 2018	31 Oct 2017	
	RM'000	RM'000	
Investment Holding	7,220	(396)	1,923.23%
Furniture	2,232	5,521	-59.57%
Carton Boxes	1,237	1,335	-7.34%
Kiln-Drying	(190)	2,123	-108.95%
Renewable Energy	(644)	201	-420.40%
Construction	88	(55)	260.00%
Others	(6)	28	-121.43%
Inter-Co Elimination	(8,490)	-	
<b>Total</b>	<b>1,447</b>	<b>8,757</b>	<b>-83.48%</b>

The Group recorded turnover of RM75.7 million and profit before tax of RM1.4 million for the current quarter compared to last quarter's turnover and profit before tax of RM81.7 million and RM8.8 million respectively.

For the investment holding segment, the turnover and profit before tax for the current quarter were higher than the last quarter as there were dividends declared by the subsidiaries in the current quarter.

The furniture segment recorded RM56.5 million and RM2.2 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM60.5 million and RM5.5 million respectively. The lower turnover for the current quarter compared to the last quarter was mainly due to a decrease in demand from overseas markets and the strengthening of the MYR against the USD. The lower profit before tax for the current quarter compared to the last quarter was due to a reduction in turnover and an increase in direct labour costs.

The carton boxes segment contributed RM12.2 million in turnover and profit before tax of RM1.2 million for the current quarter compared to turnover of RM11.4 million and profit before tax of RM1.3 million in the last quarter. Despite an increase in turnover, the profit before tax for this segment was lower due to an increase in the price of corrugated boards.

The kiln-drying segment registered RM9.8 million in turnover and loss before tax of RM0.2 million for the current quarter compared with turnover of RM12.0 million and profit before tax of RM2.1 million in the last quarter. The lower turnover for the current quarter was due to a decrease in demand from overseas markets within the Indonesian subsidiary. The profit before tax for the current quarter was lower than the last quarter due to a reduction in turnover and higher rubber wood prices.

The renewable energy segment contributed RM0.3 million in turnover and loss before tax of RM0.6 million for the current quarter compared with turnover of RM2.2 million and profit before tax of RM0.2 million in the last quarter. The turnover and profit before tax for the current quarter were lower than the last quarter due to a 2.5 month shut-down of the plant for a major upgrade in the current quarter. The plant was only operational for 14 days in the current quarter.

The engineering and construction segment registered RM3.0 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM1.3 million and loss before tax of RM0.1 million in the last quarter. The turnover and profit before tax for the current quarter were higher than the last quarter as operations in respect of the Likas Project were temporarily impeded last quarter due to continuous heavy downpour in the area.

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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.

A major plant upgrade has been completed in Jaycorp Green Energy Sdn Bhd ("JGE") and the company recommenced operations on 25 February 2018. The plant upgrade is expected to significantly improve the operational efficiency of JGE in the long-term.

The Likas Project and the UMS Project which are currently being carried out by the Group's 60%-owned subsidiary, Jaycorp Engineering and Construction Sdn Bhd ("JECSB") are expected to be profitable and should contribute positively to the Group's results. The Group intends to actively bid for more construction projects going forward.

**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	1,158	3,016
– Deferred Tax	-	-
	1,158	3,016

The Group's effective tax rate in the current quarter is higher than the statutory tax rate due to a prior period adjustment relating to the understatement of the tax provision in the Indonesian subsidiary. Furthermore, a deferred tax asset has not been recognised in respect of losses in certain loss making subsidiaries in Malaysia.

**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 had proposed to diversify the existing principal activities of the Jaycorp Group to include construction and property development ("Proposed Diversification")

The Proposed Diversification was 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 January 2018 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Secured term loan – RM	1,844	5,467	7,311
Secured hire purchase – RM	753	1,509	2,262
Secured banker acceptance – RM	5,149	-	5,149
Secured banker acceptance – USD	1,723	-	1,723
Secured overdraft – RM	491	-	491
Total	9,960	6,976	16,936

# Out of RM16.9 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.

**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	203	423
- Other income including investment income	1,056	1,938
- Interest expense	(211)	(388)
- Depreciation on property, plant and equipment and investment properties	(2,172)	(4,308)
- Loss on disposal on property, plant and equipment	(100)	(65)
- Foreign exchange loss	(2,034)	(2,275)
- Gain on derivatives	1,883	2,188
- Reversal of impairment loss on receivables	1	6
- Reversal of write down of inventories	118	288
- Impairment loss on assets	(9)	(9)

Save as disclosed above, the following items are not applicable to the Group for the second financial quarter ended 31 January 2018:-

- 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 January 2018 RM'000	31 October 2017 RM'000
- Realised	83,334	90,209
- Unrealised	(3,284)	(2,172)
Total	<u>80,050</u>	<u>88,037</u>

**B11. Dividend**

The directors do not recommend the payment of any dividend for the current financial period ended 31 January 2018.

**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)	218	4,625	6,033	10,088
Weighted average number of ordinary shares in issue ('000)	136,744	136,756	136,744	136,756
Basic EPS (sen)	0.16	3.38	4.41	7.38

**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 March 2018.