

## **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 30 April 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 30 April 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 690,000 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM0.915 per share. The total consideration paid, including transaction costs, was RM631,564.61 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 30 April 2018, the number of treasury shares held was 1,192,900 Jaycorp Shares.

**A7. Dividend Paid**

During the last quarter, the Company paid a final single tier dividend of 6.0 sen 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 30 April 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	-	162,281	28,358	21,429	4,111	6,629	443	-	223,251
Inter-Co sales	9,780	1,600	5,402	10,571	-	-	2,153	(29,506)	-
<b>Total revenue</b>	<b>9,780</b>	<b>163,881</b>	<b>33,760</b>	<b>32,000</b>	<b>4,111</b>	<b>6,629</b>	<b>2,596</b>	<b>(29,506)</b>	<b>223,251</b>
<b>Results</b>									
Segment result	6,450	7,409	3,180	2,261	(218)	(22)	154	(8,790)	10,424
Interest income	83	429	107	15	-	1	11	(78)	568
Finance costs	-	(341)	-	(65)	(241)	(31)	(1)	78	(601)
<b>Profit/(Loss) before tax</b>	<b>6,533</b>	<b>7,497</b>	<b>3,287</b>	<b>2,211</b>	<b>(459)</b>	<b>(52)</b>	<b>164</b>	<b>(8,790)</b>	<b>10,391</b>
<b>Assets</b>	<b>30,486</b>	<b>129,414</b>	<b>19,884</b>	<b>43,408</b>	<b>9,706</b>	<b>6,459</b>	<b>36,048</b>	<b>(46,616)</b>	<b>228,789</b>
<b>Liabilities</b>	<b>2,489</b>	<b>31,732</b>	<b>3,769</b>	<b>21,627</b>	<b>9,426</b>	<b>4,922</b>	<b>32,153</b>	<b>(46,616)</b>	<b>59,502</b>

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

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	235,902	16,855	252,757
Internal	(29,093)	(413)	(29,506)
External	<u>206,809</u>	<u>16,442</u>	<u>223,251</u>
Profit before tax	<u>7,627</u>	<u>2,764</u>	<u>10,391</u>
Assets	<u>212,123</u>	<u>16,666</u>	<u>228,789</u>
Liabilities	<u>54,728</u>	<u>4,774</u>	<u>59,502</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 30 April 2018.

**A10. Subsequent Events**

There were no material events subsequent to the reporting period up to 21 June 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 30 April 2018 were as follows:-

	RM'000
Contracted but not provided for	<u>780</u>

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

a. Contingent Liabilities

Company  
 As of 30 April 2018  
 RM'000

Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>89,489</u>
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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	67
– Supplies of cement	13	40
– Purchases of machinery and machinery parts	<u>-</u>	<u>46</u>
– Rental income	<u>4</u>	<u>6</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
	30 Apr 2018	30 Apr 2017		30 Apr 2018	30 Apr 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	630	1,320	-52.27%	9,780	20,160	-51.49%
Furniture	46,831	63,998	-26.82%	163,881	185,672	-11.74%
Carton Boxes	10,130	8,902	13.79%	33,760	25,909	30.30%
Kiln-Drying	10,202	10,589	-3.65%	32,000	33,476	-4.41%
Renewable Energy	1,529	2,202	-30.56%	4,111	6,963	-40.96%
Construction	2,380	946	151.59%	6,629	3,036	118.35%
Others	871	700	24.43%	2,596	2,074	25.17%
Inter-Co Elimination	(6,773)	(10,019)		(29,506)	(45,010)	
<b>Total</b>	<b>65,800</b>	<b>78,638</b>	<b>-16.33%</b>	<b>223,251</b>	<b>232,280</b>	<b>-3.89%</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
	30 Apr 2018	30 Apr 2017		30 Apr 2018	30 Apr 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	(291)	727	-140.03%	6,533	18,265	-64.23%
Furniture	(255)	8,266	-103.08%	7,497	20,037	-62.58%
Carton Boxes	715	960	-25.52%	3,287	2,349	39.93%
Kiln-Drying	277	983	-71.82%	2,211	2,896	-23.65%
Renewable Energy	(16)	109	-114.68%	(459)	763	-160.16%
Construction	(85)	(88)	3.41%	(52)	(304)	82.89%
Others	142	18	688.89%	164	(46)	456.52%
Inter-Co Elimination	(300)	(990)		(8,790)	(19,170)	
<b>Total</b>	<b>187</b>	<b>9,985</b>	<b>-98.13%</b>	<b>10,391</b>	<b>24,790</b>	<b>-58.08%</b>

The Group registered turnover of RM65.8 million for the quarter ended 30 April 2018 ("current quarter") compared to turnover of RM78.6 million in the previous year corresponding period. Profit before tax for the current quarter was RM0.2 million compared to profit before tax of RM10.0 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 RM46.8 million and RM0.3 million in turnover and loss before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the previous year corresponding period were RM64.0 million and RM8.3 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 RM10.1 million in turnover and profit before tax of RM0.7 million for the current quarter compared with turnover of RM8.9 million and profit before tax of RM1.0 million in the previous year corresponding period. The turnover in this segment was higher than the previous year corresponding period as the Group was able to secure new customers. The profit before tax was lower than the previous year corresponding period due to an increase in the price of the corrugated boards by approximately 24%.

The kiln-drying segment registered RM10.2 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM10.6 million and profit before tax of RM1.0 million in the previous year corresponding period. The lower turnover for the current quarter was due to lower intercompany sales to internal customers. This is a knock-on effect of lower demand from external customers in the furniture segment. The profit before tax for the current quarter was lower than the previous year corresponding period due to higher production costs.

The renewable energy segment contributed RM1.5 million in turnover and loss before tax of RM0.02 million for the current quarter compared with turnover of RM2.2 million and profit before tax of RM0.1 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 the shut-down of the biomass plant for approximately 2 months during this quarter for a major upgrade. The plant recommenced operations on 25 February 2018.

The engineering and construction segment registered RM2.4 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM0.9 million and loss before tax of RM0.1 million in the previous year corresponding period. The higher turnover was due to the contribution of an additional project (UMS Project) which had not started in the previous year corresponding period. In addition, there were also higher progress billings for the existing project (Likas Project).

**B2. Quarterly Analysis**

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	30 Apr 2018	31 Jan 2018	
	RM'000	RM'000	
Investment Holding	630	8,820	-92.86%
Furniture	46,831	56,524	-17.15%
Carton Boxes	10,130	12,251	-17.31%
Kiln-Drying	10,202	9,843	3.65%
Renewable Energy	1,529	339	351.03%
Construction	2,380	2,989	-20.37%
Others	871	940	-7.34%
Inter-Co Elimination	(6,773)	(15,965)	
<b>Total</b>	<b>65,800</b>	<b>75,741</b>	<b>-13.12%</b>

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

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	30 Apr 2018	31 Jan 2018	
	RM'000	RM'000	
Investment Holding	(291)	7,220	-104.03%
Furniture	(255)	2,232	-111.42%
Carton Boxes	715	1,237	-42.20%
Kiln-Drying	277	(190)	245.79%
Renewable Energy	(16)	(644)	97.52%
Construction	(85)	88	196.59%
Others	142	(6)	2,466.67%
Inter-Co Elimination	(300)	(8,490)	
<b>Total</b>	<b>187</b>	<b>1,447</b>	<b>-87.08%</b>

The Group recorded turnover of RM65.8 million and profit before tax of RM0.2 million for the current quarter compared to last quarter's turnover and profit before tax of RM75.7 million and RM1.4 million respectively.

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

The furniture segment recorded RM46.8 million and RM0.3 million in turnover and loss before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM56.5 million and RM2.2 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 the reduction in turnover.

The carton boxes segment contributed RM10.1 million in turnover and profit before tax of RM0.7 million for the current quarter compared to turnover of RM12.3 million and profit before tax of RM1.2 million in the last quarter. The turnover and profit before tax for this segment were lower in this quarter compared to the last quarter due to lower demand from internal and external customers.

The kiln-drying segment registered RM10.1 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM9.8 million and loss before tax of RM0.2 million in the last quarter. The higher turnover and profit before tax for the current quarter were due to better performance by the Indonesian subsidiary.

The renewable energy segment contributed RM1.5 million in turnover and loss before tax of RM0.02 million for the current quarter compared with turnover of RM0.3 million and loss before tax of RM0.6 million in the last quarter. The increase in turnover and decrease in loss before tax was due to the biomass plant being operational for approximately 2 months in the current quarter compared to only 14 days in the last quarter due to the plant upgrade.

The engineering and construction segment registered RM2.3 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM3.0 million and profit before tax of RM0.1 million in the last quarter. The turnover and profit before tax for the current quarter were lower than the last quarter due to lower progress billings and a shortage of building materials.

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**B3. Current Year Prospects**

The furniture industry remains the Group's core business. The international furniture market remains challenging and 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	560	3,576
– Deferred Tax	(355)	(355)
	205	3,221

The Group's effective tax rate in the current quarter is higher than the statutory tax rate due to certain non-tax deductible items and deferred tax assets which have not been recognised in respect of losses in certain subsidiaries in Malaysia.

**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 2018 are summarised as below:-

	Current RM'000	Non-current RM'000	Total RM'000
Secured term loan – RM	1,768	5,289	7,057
Secured hire purchase – RM	900	1,993	2,893
Secured banker acceptance – RM	5,263	-	5,263
Secured banker acceptance – USD	1,228	-	1,228
Secured overdraft – RM	1,303	-	1,303
Total	10,462	7,282	17,744

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



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**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 RM'000	Financial year-to-date RM'000
- Interest income	145	568
- Other income including investment income	801	2,739
- Interest expense	(213)	(601)
- Depreciation on property, plant and equipment and investment properties	(2,326)	(6,634)
- Gain/(Loss) on disposal on property, plant and equipment	18	(47)
- Foreign exchange gain/(loss)	294	(1,981)
- (Loss)/Gain on derivatives	(99)	2,089
- Reversal of impairment loss on receivables	-	6
- Reversal of write down of inventories	166	454
- Impairment loss on assets	-	(8)

Save as disclosed above, the following items are not applicable to the Group for the third financial quarter ended 30 April 2018:-

- exceptional items

**B10. Dividend**

The directors do not recommend the payment of any dividend for the current financial period ended 30 April 2018.

**B11. Basic Earnings Per Share (EPS)**

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Year To Date
(Loss)/Profit after tax and minority interest (RM'000)	(392)	7,316	5,641	17,405
Weighted average number of ordinary shares in issue ('000)	136,531	136,756	136,531	136,756
Basic EPS (sen)	(0.29)	5.35	4.13	12.73

**B12. 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 28 June 2018.