

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 July 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 July 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 July 2018:

The Company bought back from the open market 1,099,000 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM0.883 per share. The total consideration paid, including transaction costs, was RM962,898.68 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 July 2018, the number of treasury shares held was 1,601,900 Jaycorp Shares.

A7. Dividend Paid

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 31 July 2018 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
	RM'000								
Revenue									
External sales	-	219,469	38,776	25,514	6,056	9,478	642	-	299,935
Inter-Co sales	12,213	2,349	7,396	14,649	-	-	2,920	(39,527)	-
Total revenue	12,213	221,818	46,172	40,163	6,056	9,478	3,562	(39,527)	299,935
Results									
Segment result	7,703	12,556	4,124	2,531	(36)	1,466	319	(10,893)	17,770
Interest income	119	530	145	21	-	1	15	(112)	719
Finance costs	(3)	(461)	-	(99)	(360)	(52)	(1)	112	(864)
Profit/(Loss) before tax	7,819	12,625	4,269	2,453	(396)	1,415	333	(10,893)	17,625
Assets	29,809	134,698	21,502	41,383	9,855	6,567	35,791	(44,426)	235,179
Liabilities	893	34,284	5,054	19,225	9,512	3,833	32,280	(44,426)	60,655

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A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	320,271	19,191	339,462
Internal	(39,046)	(481)	(39,527)
External	<u>281,225</u>	<u>18,710</u>	<u>299,935</u>
Profit before tax	<u>14,593</u>	<u>3,032</u>	<u>17,625</u>
Assets	<u>219,731</u>	<u>15,448</u>	<u>235,179</u>
Liabilities	<u>56,368</u>	<u>4,287</u>	<u>60,655</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 July 2018.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 20 September 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 July 2018 were as follows:-

	RM'000
Contracted but not provided for	<u>526</u>

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A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
 As of 31 July 2018
 RM'000

Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>89,841</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 – office building	22	90
– Rental payment – staff hostel	2	2
– Supplies of cement	7	46
– Purchases of machinery and machinery parts	<u>-</u>	<u>46</u>
– Rental income	<u>5</u>	<u>11</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	Preceding Year	Changes
	31 July 2018	31 July 2017		31 July 2018	31 July 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	2,432	7,770	-68.70%	12,213	27,930	-56.27%
Furniture	57,937	63,123	-8.22%	221,818	249,140	-10.97%
Carton Boxes	12,412	10,596	17.14%	46,172	36,505	26.48%
Kiln-Drying	8,164	10,378	-21.33%	40,163	43,854	-8.42%
Renewable Energy	1,945	2,200	-11.59%	6,056	9,163	-33.91%
Construction	2,849	1,105	157.83%	9,478	4,141	128.88%
Others	965	748	29.01%	3,562	2,822	26.22%
Inter-Co Elimination	(10,017)	(15,376)		(39,527)	(60,386)	
Total	76,687	80,544	-4.79%	299,935	313,169	-4.23%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 July 2018	31 July 2017		31 July 2018	31 July 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	1,286	7,025	-81.69%	7,819	25,290	-69.08%
Furniture	5,128	6,947	-26.18%	12,625	26,984	53.21%
Carton Boxes	982	1,177	-16.57%	4,269	3,525	21.11%
Kiln-Drying	242	238	1.68%	2,453	3,134	-21.73%
Renewable Energy	63	48	31.25%	(396)	811	-148.83%
Construction	1,467	98	1,396.94%	1,415	(205)	790.24%
Others	168	61	175.41%	333	15	2,120.00%
Inter-Co Elimination	(2,102)	(7,440)		(10,893)	(26,610)	
Total	7,234	8,154	-11.28%	17,625	32,944	-46.50%

The Group registered turnover of RM76.7 million for the quarter ended 31 July 2018 ("current quarter") compared to turnover of RM80.5 million in the previous year corresponding period. Profit before tax for the current quarter was RM7.2 million compared to profit before tax of RM8.2 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 RM57.9 million and RM5.1 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 RM63.1 million and RM6.9 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 RM12.4 million in turnover and profit before tax of RM1.0 million for the current quarter compared with turnover of RM10.6 million and profit before tax of RM1.2 million in the previous year corresponding period. The turnover in this segment was higher than the previous year corresponding period due to higher demand from external customers. The profit before tax was lower than the previous year corresponding period due to an increase in the price of corrugated boards.

The kiln-drying segment registered RM8.2 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM10.4 million and profit before tax of RM0.2 million in the previous year corresponding period. The lower turnover for the current quarter was due to a decrease in demand from overseas markets of the Indonesian subsidiary.

The renewable energy segment contributed RM1.9 million in turnover and profit before tax of RM0.1 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 for the current quarter was slightly lower than the previous year corresponding period due to repair work on the biomass plant.

The engineering and construction segment registered RM2.8 million in turnover and profit before tax of RM1.5 million for the current quarter compared with turnover of RM1.1 million and profit before tax of RM0.1 million in the previous year corresponding period. The higher turnover and profit before tax in the current quarter compared to the previous year corresponding period were due to contribution of an additional project (UMS Project) which had not started in the previous year corresponding period, higher progress billings for an existing project (Likas Project) and management consultancy fees in respect of a new project.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 July 2018	30 Apr 2018	
	RM'000	RM'000	
Investment Holding	2,432	630	286.03%
Furniture	57,937	46,831	23.72%
Carton Boxes	12,412	10,130	22.53%
Kiln-Drying	8,164	10,202	-19.98%
Renewable Energy	1,945	1,529	27.21%
Construction	2,849	2,380	19.71%
Others	965	871	10.79%
Inter-Co Elimination	(10,017)	(6,773)	
Total	76,687	65,800	16.55%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 July 2018	30 Apr 2018	
	RM'000	RM'000	
Investment Holding	1,286	(291)	541.92%
Furniture	5,128	(255)	2,110.98%
Carton Boxes	982	715	37.34%
Kiln-Drying	242	277	-12.64%
Renewable Energy	63	(16)	493.75%
Construction	1,467	(85)	1,825.88%
Others	168	142	18.31%
Inter-Co Elimination	(2,102)	(300)	
Total	7,234	187	3,768.45%

The Group recorded turnover of RM76.7 million and profit before tax of RM7.2 million for the current quarter compared to last quarter's turnover and profit before tax of RM65.8 million and RM0.2 million respectively.

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

The furniture segment recorded RM57.9 million and RM5.1 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and loss before tax for the last quarter were RM46.8 million and RM0.3 million respectively. The higher turnover and profit before tax for the current quarter compared to the last quarter were mainly due to an increase in demand from overseas markets and the strengthening of the USD against the MYR.

The carton boxes segment contributed RM12.4 million in turnover and profit before tax of RM1.0 million for the current quarter compared to turnover of RM10.1 million and profit before tax of RM0.7 million in the last quarter. The turnover and profit before tax for this segment were higher in this quarter compared to the last quarter due to higher demand from internal and external customers.

The kiln-drying segment registered RM8.2 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM10.2 million and profit before tax of RM0.3 million in the last quarter. The lower turnover and profit before tax for the current quarter were due to a decrease in demand from overseas markets of the Indonesian subsidiary.

The renewable energy segment contributed RM1.9 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 RM0.02 million in the last quarter. The increase in turnover and profit before tax were due to the biomass plant being operational for 3 months in the current quarter compared to approximately 2 months in the last quarter due to the plant upgrade.

The engineering and construction segment registered RM2.8 million in turnover and profit before tax of RM1.5 million for the current quarter compared with turnover of RM2.4 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 due to additional variation order revenue and management consultancy fees recognised on a new project.

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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. The escalating tensions between United States ("US") and China may provide an opportunity for the Group to increase its exports to the US.

A major plant upgrade was 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 continue actively bidding 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	1,171	4,790
– Deferred Tax	195	(203)
	1,366	4,587

The Group's effective tax rate in the current quarter is lower than the statutory tax rate due to tax incentives enjoyed by some of the Malaysian subsidiary companies.

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 July 2018 are summarised as below:-

	Current RM'000	Non-current RM'000	Total RM'000
Secured term loan – RM	1,597	6,248	7,845
Secured hire purchase – RM	902	1,766	2,668
Secured banker acceptance – RM	5,381	-	5,381
Secured banker acceptance – USD	916	-	916
Secured overdraft – RM	1,850	-	1,850
Total	10,646	8,014	18,660

Out of RM18.7 million, RM0.9 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	152	719
- Other income including investment income	2,225	4,964
- Interest expense	(263)	(864)
- Depreciation on property, plant and equipment and investment properties	(2,285)	(8,919)
- Gain on disposal on property, plant and equipment	73	26
- Foreign exchange gain/(loss)	610	(1,371)
- (Loss)/Gain on derivatives	(435)	1,654
- Impairment loss on receivables	(10)	(4)
- Write down of inventories	(466)	(12)
- Reversal of impairment loss on assets	8	-

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

- exceptional items

B10. Dividend

Subject to the shareholders' approval at the forthcoming Annual General Meeting, the Board of Directors proposed a first and final single tier dividend of 5.0 sen per ordinary share for the financial year ended 31 July 2018 at an entitlement date to be determined later.

B11. Basic Earnings Per Share (EPS)

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
(Loss)/Profit after tax and minority interest (RM'000)	4,646	7,285	10,286	24,690
Weighted average number of ordinary shares in issue ('000)	136,506	136,756	136,506	136,756
Basic EPS (sen)	3.40	5.33	7.54	18.05

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 27 September 2018.