

## **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 2018. 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 2018.

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 2018 except for the changes in accounting policies and presentation resulting from the adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations that are effective for the financial periods beginning on 1 August 2018.

The adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations are not expected to have any significant financial impact on the financial statements of the Group, except as disclosed below:

#### MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 Financial Instruments: Recognition and Measurement and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

Furthermore, pursuant to MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Company is required to recognise and measure a lifetime expected credit loss ("ECL") on its debt instruments. This application will result in earlier recognition of credit losses. The impact from implementation of MFRS 9 and the determination of ECL is not expected to have material impact on the financial statements of the Group.

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**A1. Basis of Preparation (cont'd)**

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The adoption of MFRS 15 is not expected to have material impact on the financial statements of the Group.

**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 October 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 October 2018.

**A6. Debts and Equity Securities**

Save as disclosed below, there were no issuances, repurchases and repayments of debt and equity securities during the quarter ended 31 October 2018:

The Company bought back from the open market 553,600 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM0.888 per share. The total consideration paid, including transaction costs, was RM491,716.48 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 October 2018, the number of treasury shares held was 2,155,500 Jaycorp Shares.

**A7. Dividend Paid**

There were no dividends paid for the quarter ended 31 October 2018.

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**A8. Segment Reporting**

The segmental information of the Group for the financial year to-date 31 October 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	-	61,478	10,622	5,073	2,502	2,738	9,938	-	92,351
Inter-Co sales	330	425	2,017	4,728	-	-	792	(8,292)	-
<b>Total revenue</b>	<b>330</b>	<b>61,903</b>	<b>12,639</b>	<b>9,801</b>	<b>2,502</b>	<b>2,738</b>	<b>10,730</b>	<b>(8,292)</b>	<b>92,351</b>
<b>Results</b>									
Segment result	(489)	4,835	1,131	712	498	1,764	1,201	-	9,652
Interest income	36	131	44	4	-	8	2	(34)	191
Finance costs	(3)	(103)	-	(15)	(122)	(14)	(9)	34	(232)
<b>Profit/(Loss) before tax</b>	<b>(456)</b>	<b>4,863</b>	<b>1,175</b>	<b>701</b>	<b>376</b>	<b>1,758</b>	<b>1,194</b>	<b>-</b>	<b>9,611</b>
<b>Assets</b>	<b>29,817</b>	<b>136,387</b>	<b>22,218</b>	<b>40,266</b>	<b>10,002</b>	<b>6,377</b>	<b>44,540</b>	<b>(45,159)</b>	<b>244,448</b>
<b>Liabilities</b>	<b>1,923</b>	<b>32,316</b>	<b>4,757</b>	<b>17,740</b>	<b>9,284</b>	<b>2,307</b>	<b>40,134</b>	<b>(45,159)</b>	<b>63,302</b>

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
<b>Revenue</b>			
Total	97,233	3,410	100,643
Internal	(8,093)	(199)	(8,292)
External	<u>89,140</u>	<u>3,211</u>	<u>92,351</u>
<b>Profit before tax</b>	<u>9,416</u>	<u>195</u>	<u>9,611</u>
<b>Assets</b>	<u>229,438</u>	<u>15,010</u>	<u>244,448</u>
<b>Liabilities</b>	<u>59,673</u>	<u>3,629</u>	<u>63,302</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 ended 31 October 2018.

**A10. Subsequent Events**

There were no material events subsequent to the reporting period up to 5 December 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.

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**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 as at 31 October 2018 were as follows:-

	RM'000
Property, plant and equipment	<u>232</u>

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

a. Contingent Liabilities

	Company As of 31 October 2018 RM'000
Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>90,147</u>

b. Contingent Assets

There were no contingent assets since the last audited financial statements for the financial year ended 31 July 2018.

**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	22
– Rental payment – staff hostel	5	5
– Supplies of cement	<u>26</u>	<u>26</u>
– Rental income	<u>5</u>	<u>5</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 Oct 2018	31 Oct 2017		31 Oct 2018	31 Oct 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	330	330	-	330	330	-
Furniture	61,903	60,526	2.28%	61,903	60,526	2.28%
Carton Boxes	12,639	11,379	11.07%	12,639	11,379	11.07%
Kiln-Drying	9,801	11,955	-18.02%	9,801	11,955	-18.02%
Renewable Energy	2,502	2,243	11.55%	2,502	2,243	11.55%
Construction	2,738	1,260	117.30%	2,738	1,260	117.30%
Others	10,730	786	1,265.14%	10,730	786	1,265.14%
Inter-Co Elimination	(8,292)	(6,765)		(8,292)	(6,765)	
<b>Total</b>	<b>92,351</b>	<b>81,714</b>	<b>13.02%</b>	<b>92,351</b>	<b>81,714</b>	<b>13.02%</b>

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Oct 2018	31 Oct 2017		31 Oct 2018	31 Oct 2017	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	(456)	(396)	-15.15%	(456)	(396)	-15.15%
Furniture	4,863	5,521	-11.92%	4,863	5,521	-11.92%
Carton Boxes	1,175	1,335	-11.99%	1,175	1,335	-11.99%
Kiln-Drying	701	2,123	-66.98%	701	2,123	-66.98%
Renewable Energy	376	201	87.06%	376	201	87.06%
Construction	1,758	(55)	3,296.36%	1,758	(55)	3,296.36%
Others	1,194	28	4,164.29%	1,194	28	4,164.29%
Inter-Co Elimination	-	-		-	-	
<b>Total</b>	<b>9,611</b>	<b>8,757</b>	<b>9.75%</b>	<b>9,611</b>	<b>8,757</b>	<b>9.75%</b>

The Group registered turnover of RM92.4 million for the quarter ended 31 October 2018 ("current quarter") compared to turnover of RM81.7 million in the previous year corresponding period. Profit before tax for the current quarter was RM9.6 million compared to profit before tax of RM8.8 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 furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM61.9 million and RM4.9 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 RM60.5 million and RM5.5 million respectively. Achievement of higher turnover in the current quarter compared with the previous year corresponding period was mainly due to increased demand from the Asian market. The lower profit before tax for the current quarter compared with the previous year corresponding period was mainly due to the introduction of the foreign workers levy (borne by the employer).

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**B1. Review of Performance (cont'd)**

The carton boxes segment contributed RM12.6 million in turnover and profit before tax of RM1.2 million for the current quarter compared with turnover of RM11.4 million and profit before tax of RM1.3 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 upkeep expenses and additional depreciation of plant and machinery.

The kiln-drying segment registered RM9.8 million in turnover and profit before tax of RM0.7 million for the current quarter compared with turnover of RM12.0 million and profit before tax of RM2.1 million in the previous year corresponding period. The lower turnover and profit before tax for the current quarter were mainly due to a decrease in demand from overseas markets of the Indonesian subsidiary.

The renewable energy segment contributed RM2.5 million in turnover and profit before tax of RM0.4 million for the current quarter compared with turnover of RM2.2 million and profit before tax of RM0.2 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 improved operational efficiency of the biomass plant after a major upgrade.

The engineering and construction segment registered RM2.8 million in turnover and profit before tax of RM1.8 million for the current quarter compared with turnover of RM1.3 million and loss 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 higher progress billings for the existing projects and management consultancy fees in respect of a new project.

The "others" segment contributed RM10.7 million in turnover and profit before tax of RM1.2 million for the current quarter compared with turnover of RM0.8 million and profit before tax of RM0.03 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 increased activity in respect of the trading of building materials.

**B2. Quarterly Analysis**

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2018	31 July 2018	
	RM'000	RM'000	
Investment Holding	330	2,432	-86.43%
Furniture	61,903	57,937	6.85%
Carton Boxes	12,639	12,412	1.83%
Kiln-Drying	9,801	8,164	20.05%
Renewable Energy	2,502	1,945	28.64%
Construction	2,738	2,849	-3.90%
Others	10,730	965	1,011.92%
Inter-Co Elimination	(8,292)	(10,017)	
<b>Total</b>	<b>92,351</b>	<b>76,687</b>	<b>20.43%</b>

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

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2018	31 July 2018	
	RM'000	RM'000	
Investment Holding	(456)	1,286	-135.46%
Furniture	4,863	5,128	-5.17%
Carton Boxes	1,175	982	19.65%
Kiln-Drying	701	242	189.67%
Renewable Energy	376	63	496.83%
Construction	1,758	1,467	19.84%
Others	1,194	168	610.71%
Inter-Co Elimination	-	(2,102)	
<b>Total</b>	<b>9,611</b>	<b>7,234</b>	<b>32.86%</b>

The Group recorded turnover of RM92.4 million and profit before tax of RM9.6 million for the current quarter compared to last quarter's turnover and profit before tax of RM76.7 million and RM7.2 million respectively.

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

The furniture segment recorded RM61.9 million and RM4.9 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM57.9 million and RM5.1 million respectively. The higher turnover for the current quarter compared to the last quarter was mainly due to an increase in demand from the North American market. The lower profit before tax for the current quarter compared with last quarter was due to higher raw material costs and a fair value derivative loss.

The carton boxes segment contributed RM12.6 million in turnover and profit before tax of RM1.2 million for the current quarter compared to turnover of RM12.4 million and profit before tax of RM1.0 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 external customers.

The kiln-drying segment registered RM9.8 million in turnover and profit before tax of RM0.7 million for the current quarter compared with turnover of RM8.2 million and profit before tax of RM0.2 million in the last quarter. The higher turnover for the current quarter was due to an increase in demand from overseas customers of the Indonesian subsidiary and higher intercompany sales in the Malaysian subsidiary. The higher profit before tax for the current quarter was due to higher turnover and a reduction in the write down of inventories in the Malaysian subsidiary in the current quarter compared to the last quarter.

The renewable energy segment contributed RM2.5 million in turnover and profit before tax of RM0.4 million for the current quarter compared with turnover of RM1.9 million and profit before tax of RM0.1 million in the last quarter. The increase in turnover and profit before tax were due to improved operational efficiency and cost control measures.

The engineering and construction segment registered RM2.7 million in turnover and profit before tax of RM1.8 million for the current quarter compared with turnover of RM2.8 million and profit before tax of RM1.5 million in the last quarter. Despite a slightly lower turnover, the profit before tax for the current quarter was higher than the last quarter due to lower operational costs.

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

The "others" segment contributed RM10.7 million in turnover and profit before tax of RM1.2 million for the current quarter compared with turnover of RM1.0 million and profit before tax of RM0.2 million in the last quarter. The turnover and profit before tax for the current quarter were higher than the last quarter due to increased activity in respect of the trading of building materials.

**B3. Current Year Prospects**

The furniture industry remains the Group's core business. Locally, the increasing production costs and shortages of workforce will continue to affect the financial performance of this segment. The international furniture market remains challenging and the Group will continue to focus on controlling costs, exploring new markets and developing new products in order to achieve better profits and growth of the business. The tension in the trade relationship between the United States ("US") and China may provide an opportunity for the Group to increase its exports to the US.

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 completed in the current financial year and should contribute positively to the Group's results. The growth of the construction and property development sector in Sabah should enable the Group to diversify its revenue and earnings streams. 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	2,229	2,229
– Deferred Tax	-	-
	2,229	2,229

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 incentives enjoyed by some of the Malaysian subsidiary companies.

**B6. Corporate Proposals**

There were no corporate proposals as at the date of this announcement.



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**B7. Group Borrowings and Debt Securities**

The Group borrowings as at 31 October 2018 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Secured term loan – RM	1,394	1,538	2,932
Secured hire purchase – RM	903	5,917	6,820
Secured banker acceptance – RM	4,602	-	4,602
Secured banker acceptance – USD	784	-	784
Secured overdraft – RM	1,399	-	1,399
<b>Total</b>	<b>9,082</b>	<b>7,455</b>	<b>16,537</b>

# Out of RM16.5 million, RM0.8 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	191	191
- Other income including investment income	2,112	2,112
- Interest expense	(232)	(232)
- Depreciation on property, plant and equipment and investment properties	(2,303)	(2,303)
- Gain on disposal on property, plant and equipment	32	32
- Foreign exchange gain	800	800
- Loss on derivatives	(673)	(673)
- Reversal of write down of inventories	336	336

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

- impairment loss on receivables
- impairment loss on assets
- exceptional items

**B10. Dividend**

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

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

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
Profit after tax and minority interest (RM'000)	6,346	5,815	6,346	5,815
Weighted average number of ordinary shares in issue ('000)	135,190	136,747	135,190	136,747
Basic EPS (sen)	4.69	4.25	4.69	4.25

**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 12 December 2018.