

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 30 April 2019.

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 2019.

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 30 April 2019:

The Company bought back from the open market 729,600 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM0.885 per share. The total consideration paid, including transaction costs, was RM645,653.25 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 2019, the number of treasury shares held was 2,331,500 Jaycorp Shares.

A7. Dividend Paid

The Company paid a first and final single tier dividend of 5.0 sen per ordinary share amounting to RM6,750,725 in respect of the financial year ended 31 July 2018 on 28 December 2018.

The Company paid a first single tier interim dividend of 3.0 sen per ordinary share amounting to RM4,047,922 in respect of the financial year ending 31 July 2019 on 30 April 2019.

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A8. Segment Reporting

The segmental information of the Group for the financial year to-date 30 April 2019 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
RM'000									
Revenue									
External sales	-	169,690	31,184	12,820	7,614	6,680	13,423	-	241,411
Inter-Co sales	13,650	1,113	6,092	15,132	-	-	2,321	(38,308)	-
Total revenue	13,650	170,803	37,276	27,952	7,614	6,680	15,744	(38,308)	241,411
Results									
Segment result	10,750	13,606	4,069	1,355	1,522	3,872	1,771	(12,660)	24,285
Interest income	105	433	143	22	-	8	8	(97)	622
Finance costs	(10)	(323)	-	(49)	(340)	(35)	(23)	97	(683)
Profit/(Loss) before tax	10,845	13,716	4,212	1,328	1,182	3,845	1,756	(12,660)	24,224
Assets	28,889	130,577	21,659	41,189	9,500	7,599	35,894	(42,270)	233,037
Liabilities	791	30,704	4,190	18,084	7,977	1,943	32,069	(42,270)	53,488

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	270,432	9,287	279,719
Internal	(36,911)	(1,397)	(38,308)
External	<u>233,521</u>	<u>7,890</u>	<u>241,411</u>
Profit/(Loss) before tax	<u>24,712</u>	<u>(488)</u>	<u>24,224</u>
Assets	<u>218,094</u>	<u>14,943</u>	<u>233,037</u>
Liabilities	<u>48,931</u>	<u>4,557</u>	<u>53,488</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 2019.

A10. Subsequent Events

On 8 May 2019, the Company acquired an additional 230,000 ordinary shares in Instyle Sofa Sdn. Bhd. ("ISSB") from Chew Weh Lit for a total cash consideration of Ringgit Malaysia two hundred and thirty thousand only (RM230,000) (the Acquisition).

Subsequent to this Acquisition, ISSB became a 87% owned subsidiary of Jaycorp (previously a 83% subsidiary).

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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 and financial year to-date.

A12. Capital Commitments

Capital commitments as at 30 April 2019 were as follows:-

	RM'000
Property, plant and equipment	<u>1,899</u>

A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

	Company As of 30 April 2019 RM'000
Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries	<u>88,224</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	67
– Rental payment – staff hostel	5	15
– Supplies of cement	<u>-</u>	<u>26</u>
– Rental income	<u>4</u>	<u>14</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
	30 Apr 2019 RM'000	30 Apr 2018 RM'000		30 Apr 2019 RM'000	30 Apr 2018 RM'000	
Investment Holding	4,869	630	672.86%	13,650	9,780	39.57%
Furniture	49,315	46,831	5.30%	170,803	163,881	4.22%
Carton Boxes	11,193	10,130	10.49%	37,276	33,760	10.41%
Kiln-Drying	8,959	10,202	-12.18%	27,952	32,000	-12.65%
Renewable Energy	2,650	1,529	73.32%	7,614	4,111	85.21%
Construction	737	2,380	-69.03%	6,680	6,629	0.77%
Others	1,366	871	56.83%	15,744	2,596	506.47%
Inter-Co Elimination	(13,163)	(6,773)		(38,308)	(29,506)	
Total	65,926	65,800	0.19%	241,411	223,251	8.13%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	30 Apr 2019 RM'000	30 Apr 2018 RM'000		30 Apr 2019 RM'000	30 Apr 2018 RM'000	
Investment Holding	3,978	(291)	1,467.01%	10,845	6,533	66.00%
Furniture	3,145	(255)	1,333.33%	13,716	7,497	82.95%
Carton Boxes	1,343	715	87.83%	4,212	3,287	28.14%
Kiln-Drying	350	277	26.35%	1,328	2,211	-39.94%
Renewable Energy	545	(16)	3,506.25%	1,182	(459)	357.52%
Construction	209	(85)	345.88%	3,845	(52)	7,494.23%
Others	131	142	-7.75%	1,756	164	970.73%
Inter-Co Elimination	(4,539)	(300)		(12,660)	(8,790)	
Total	5,162	187	2,660.43%	24,224	10,391	133.12%

The Group registered turnover of RM65.9 million for the quarter ended 30 April 2019 ("current quarter") compared to turnover of RM65.8 million in the previous year corresponding period. Profit before tax for the current quarter was RM5.2 million compared to profit before tax of RM0.2 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 higher compared with the previous year corresponding period as there were higher dividends declared by the subsidiaries in the current quarter.

The furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM49.3 million and RM3.1 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and loss before tax for the previous year corresponding period were RM46.8 million and RM0.3 million respectively. The turnover for the current quarter was higher than the previous year corresponding period mainly due to increased demand from overseas markets and the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR). The higher profit before tax for the current quarter compared with the previous year corresponding period was due to higher turnover and improved operational efficiency.

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B1. Review of Performance (cont'd)

The carton boxes segment contributed RM11.2 million in turnover and profit before tax of RM1.3 million for the current quarter compared with turnover of RM10.1 million and profit before tax of RM0.7 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 internal and external customers. The profit before tax was higher than the previous year corresponding period due to higher turnover and decrease in the price of the corrugated boards.

The kiln-drying segment registered RM9.0 million in turnover and profit before tax of RM0.4 million for the current quarter compared with turnover of RM10.2 million and profit before tax of RM0.3 million in the previous year corresponding period. The lower turnover for the current quarter was mainly due to a decrease in demand from overseas markets of the Indonesian subsidiary. The higher profit before tax for the current quarter was due to a lower average raw materials price in the Malaysian subsidiary.

The renewable energy segment contributed RM2.7 million in turnover and profit before tax of RM0.5 million for the current quarter compared with turnover of RM1.5 million and loss before tax of RM0.02 million in the previous year corresponding period. The higher turnover and profit before tax for the current quarter were mainly due to the biomass plant only being operational for approximately 2 months in the previous year corresponding period due to the plant upgrade.

The engineering and construction segment registered RM0.7 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM2.4 million and loss before tax of RM0.1 million in the previous year corresponding period. The lower turnover in the current quarter compared to the previous year corresponding period was due to lower progress billings from the existing projects. The higher profit before tax for the current quarter was due to the management consultancy fees in respect of a newer project.

The "others" segment contributed RM1.4 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM0.9 million and profit before tax of RM0.1 million in the previous year corresponding period. The higher turnover for the current quarter as compared with 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
	30 Apr 2019	31 Jan 2019	
	RM'000	RM'000	
Investment Holding	4,869	8,451	-42.39%
Furniture	49,315	59,586	-17.24%
Carton Boxes	11,193	13,444	-16.74%
Kiln-Drying	8,959	9,191	-2.52%
Renewable Energy	2,650	2,461	7.68%
Construction	737	3,204	-77.00%
Others	1,366	3,649	-62.57%
Inter-Co Elimination	(13,163)	(16,853)	
Total	65,926	83,133	-20.70%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate	Changes
	30 Apr 2019	Preceding Quarter	
	RM'000	31 Jan 2019	
	RM'000	RM'000	
Investment Holding	3,978	7,323	-45.68%
Furniture	3,145	5,708	-44.90%
Carton Boxes	1,343	1,694	-20.72%
Kiln-Drying	350	278	25.90%
Renewable Energy	545	262	108.02%
Construction	209	1,878	-88.87%
Others	131	431	-69.61%
Inter-Co Elimination	(4,539)	(8,122)	
Total	5,162	9,452	-45.39%

The Group recorded turnover of RM65.9 million and profit before tax of RM5.2 million for the current quarter compared to last quarter's turnover and profit before tax of RM83.1 million and RM9.5 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 subsidiaries in the current quarter.

The furniture segment recorded RM49.3 million and RM3.1 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM59.6 million and RM5.7 million respectively. The lower turnover and profit before tax for the current quarter compared to the last quarter were mainly due to a decrease in demand from the local and overseas markets.

The carton boxes segment contributed RM11.2 million in turnover and profit before tax of RM1.3 million for the current quarter compared to turnover of RM13.4 million and profit before tax of RM1.7 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 RM9.0 million in turnover and profit before tax of RM0.4 million for the current quarter compared with turnover of RM9.2 million and profit before tax of RM0.3 million in the last quarter. Despite lower turnover, the profitability for the current quarter was higher due to a decrease in operational cost in this segment.

The renewable energy segment contributed RM2.7 million in turnover and profit before tax of RM0.5 million for the current quarter compared with turnover of RM2.5 million and profit before tax of RM0.3 million in the last quarter. The higher turnover and profit before tax were due to an increase in the steam offtake from customers and improvements in production efficiency.

The engineering and construction segment registered RM0.7 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM3.2 million and profit before tax of RM1.9 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 management consultancy fees.

The "others" segment contributed RM1.4 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM3.6 million and profit before tax of RM0.4 million in the last quarter. The turnover and profit before tax for the current quarter were lower than the last quarter due to a decrease in the trading of building materials.

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B3. Current Year Prospects

The furniture industry remains the Group's core business. Locally, increasing production costs and shortage of workers 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 tensions 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 coming months. 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 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	1,343	6,011
– Deferred Tax	(10)	1,210
	1,333	7,221

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 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

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 30 April 2019 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Secured term loan – RM	1,369	4,965	6,334
Secured hire purchase – RM	805	1,190	1,995
Secured banker acceptance – RM	4,575	-	4,575
Secured banker acceptance – USD	435	-	435
Secured overdraft – RM	824	-	824
Total	8,008	6,155	14,163

Out of RM14.2 million, RM0.4 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	209	622
- Other income including investment income	1,994	7,649
- Interest expense	(195)	(683)
- Depreciation on property, plant and equipment and investment properties	(2,307)	(6,929)
- Gain on disposal on property, plant and equipment	5	134
- Foreign exchange gain	149	327
- Loss on derivatives	(247)	(420)
- Impairment loss on receivables	(54)	(106)
- Reversal of write down of inventories	77	614

Save as disclosed above, the following items are not applicable to the Group for the third financial quarter ended 30 April 2019:-

- impairment loss on assets
- exceptional items

B10. Dividend

The directors do not recommend the payment of any dividend for the current financial period ended 30 April 2019.

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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)	3,851	(392)	15,148	5,641
Weighted average number of ordinary shares in issue ('000)	135,080	136,531	135,080	136,531
Basic EPS (sen)	2.85	(0.29)	11.21	4.13

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 20 June 2019.