

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 2019. 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 financial year ended 31 July 2019.

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 Malaysian Financial Reporting Standards ("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 2019 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 2019.

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 16 Leases

MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss. The Group has adopted MFRS 16 using the modified retrospective approach which measured the right-of-use assets equals to the lease liabilities at 1 August 2019 with no restatement of comparative information.

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.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

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 2020.

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 2020.

A6. Debts and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the quarter and cumulative quarter ended 31 July 2020.

As at 31 July 2020, the number of treasury shares held was 2,331,500 ordinary shares.

A7. Dividend Paid

The Company paid a final single tier dividend of RM0.07 per ordinary share amounting to RM9,444,295 in respect of the financial year ended 31 July 2019 on 31 December 2019.

The Company paid a first single tier interim dividend of RM0.035 per ordinary share amounting to RM4,722,146 in respect of the financial year ended 31 July 2020 on 30 July 2020.

A8. Segment Reporting

The segmental information of the Group for the financial year to-date 31 July 2020 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Inter-Co Elimination	Total
RM'000									
Revenue									
External sales	-	228,017	43,835	20,049	8,872	7,850	725	-	309,348
Inter-Co sales	16,206	180	8,135	20,904	-	-	3,156	(48,581)	-
Total revenue	16,206	228,197	51,970	40,953	8,872	7,850	3,881	(48,581)	309,348
Results									
Segment result	13,226	23,937	7,690	(3,200)	1,198	(360)	425	(14,938)	27,978
Interest income	110	545	208	43	-	3	20	(106)	823
Finance costs	(155)	(419)	(103)	(231)	(327)	(86)	(9)	197	(1,133)
	13,181	24,063	7,795	(3,388)	871	(443)	436	(14,847)	27,668
Less: Share of loss of joint venture									(2,741)
Profit before tax									24,927
Assets									
Assets	27,819	153,881	30,690	39,797	8,173	8,231	34,849	(50,786)	252,654
Add: Investment in joint venture									7,353
Total assets									260,007
Total Liabilities									
Total Liabilities	10,878	43,209	9,937	20,240	5,928	3,344	31,662	(50,825)	74,373

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	341,982	15,947	357,929
Internal	<u>(46,046)</u>	<u>(2,535)</u>	<u>(48,581)</u>
External	<u>295,936</u>	<u>13,412</u>	<u>309,348</u>
Profit/(Loss) before tax	<u>28,664</u>	<u>(3,737)</u>	<u>24,927</u>
Assets	<u>244,550</u>	<u>15,457</u>	<u>260,007</u>
Liabilities	<u>66,027</u>	<u>8,346</u>	<u>74,373</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 2020.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 22 September 2020 (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.

A11. Changes in the Composition of the Group

The Group entered into a joint venture agreement with Honsoar International Limited ("HIL") to set up a joint venture company ("JV company") to further diversify our products to include kitchen and bathroom vanity cabinets. On 23 August 2019, the Company subscribed for 5,100,000 new ordinary shares in Honsoar Jaycorp Cabinetry Sdn. Bhd. ("HJCSB") for a total cash consideration of Ringgit Malaysia five million and one hundred thousand only (RM5,100,000) (the Subscription).

Subsequent to the Subscription, HJCSB became a jointly controlled entity of Jaycorp.

A12. Capital Commitments

Capital commitments as at 31 July 2020 were as follows:-

	RM'000
Property, plant and equipment	<u>5,355</u>

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
As of 31 July 2020
RM'000

Unsecured

Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries and joint venture company

99,048

b. Contingent Assets

There were no contingent assets since the last audited financial statements for the financial year ended 31 July 2019.

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
- Sales of carton box	364	537
- Sales of kitchen cabinet and bathroom vanity cabinet	7,619	10,165
- Rental income – factory building	291	1,017
- Rental income – office building	<u>5</u>	<u>19</u>
- Purchase of furniture part, board material and hardware	2,001	6,823
- Rental payment – office building	23	90
- Rental payment – staff hostel	<u>5</u>	<u>20</u>

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

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 Jul 2020	31 Jul 2019		31 Jul 2020	31 Jul 2019	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	5,671	986	475.15%	16,206	14,637	10.72%
Furniture	63,883	62,539	2.15%	228,197	233,343	-2.21%
Carton Boxes	15,872	13,798	15.03%	51,970	51,074	1.75%
Kiln-Drying	12,065	9,345	29.11%	40,953	37,296	9.81%
Renewable Energy	2,152	1,858	15.82%	8,872	9,472	-6.33%
Construction	2,863	1,364	109.90%	7,850	8,044	-2.41%
Others	1,100	1,009	9.02%	3,881	16,753	-76.83%
Inter-Co Elimination	(16,044)	(10,360)		(48,581)	(48,669)	
Total	87,562	80,539	8.72%	309,348	321,950	-3.91%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Jul 2020	31 Jul 2019		31 Jul 2020	31 Jul 2019	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	4,912	336	1,361.90%	13,181	11,181	17.89%
Furniture	8,521	6,461	31.88%	24,063	20,177	19.26%
Carton Boxes	2,755	2,006	37.34%	7,795	6,217	25.38%
Kiln-Drying	(3,383)	(990)	-241.72%	(3,388)	339	-1,099.41%
Renewable Energy	106	(148)	171.62%	871	1,035	-15.85%
Construction	(66)	(309)	78.64%	(443)	3,536	-112.53%
Others	38	241	-84.23%	436	1,996	-78.16%
Inter-Co Elimination	(5,302)	(656)		(14,847)	(13,316)	
Share of loss of joint venture	(624)	-		(2,741)	-	
Total	6,957	6,941	0.23%	24,927	31,165	-20.02%

The Group registered turnover of RM87.6 million for the quarter ended 31 July 2020 ("current quarter") compared to turnover of RM80.5 million in the previous year corresponding period. Profit before tax for the current quarter was RM7.0 million 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 higher compared with the previous year corresponding period as there were higher dividends declared by the subsidiaries in the current quarter. This segment result will be offset by the inter-co elimination.

The furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM63.8 million and RM8.5 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 RM62.5 million and RM6.5 million respectively. The turnover for the current quarter was higher than the previous year corresponding period due to increased demand from Oceania and local markets. The profit before tax was higher than the previous year corresponding period due to higher turnover and the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR).

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

B1. Review of Performance (cont'd)

The carton boxes segment contributed RM15.9 million in turnover and profit before tax of RM2.8 million for the current quarter compared with turnover of RM13.8 million and profit before tax of RM2.0 million in the previous year corresponding period. The turnover and profit before tax in this segment were higher than the previous year corresponding period due to higher demand from existing external customers.

The kiln-drying segment registered RM12.1 million in turnover and loss before tax of RM3.4 million for the current quarter compared with turnover of RM9.3 million and loss before tax of RM1.0 million in the previous year corresponding period. The higher turnover for the current quarter was due to higher intercompany sales of the Malaysian subsidiary to the furniture segment and an increase in demand from overseas customers of the Indonesian subsidiary. Despite higher turnover, the loss before tax for the current quarter was due to a write down of inventories in the Malaysian subsidiary and a provision for employee benefits and tax penalty expenses in the Indonesian subsidiary.

The renewable energy segment contributed RM2.2 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM1.9 million and loss before tax of RM0.1 million in the previous year corresponding period. The higher turnover and profit before tax were mainly due to the biomass plant having a scheduled annual shutdown of 21 days for inspection in the previous year corresponding quarter.

The engineering and construction segment registered RM2.9 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM1.4 million and loss before tax of RM0.3 million in the previous year corresponding period. The higher turnover and lower loss before tax in the current quarter compared to the previous year corresponding period were due to higher progress billings from existing and new projects.

The "others" segment contributed RM1.1 million in turnover and profit before tax of RM0.04 million for the current quarter compared with turnover of RM1.0 million and profit before tax of RM0.2 million in the previous year corresponding period. Despite higher turnover, the lower profit before tax was mainly due to an impairment on receivables.

The joint venture with Honsoar was formed on 23 August 2019 and the Group's share of the loss from the joint venture has been accounted for in this quarter.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Jul 2020	30 Apr 2020	
	RM'000	RM'000	
Investment Holding	5,671	330	1,618.48%
Furniture	63,883	41,818	52.76%
Carton Boxes	15,872	8,058	96.97%
Kiln-Drying	12,065	8,458	42.65%
Renewable Energy	2,152	2,253	-4.48%
Construction	2,863	1,425	100.91%
Others	1,100	768	43.23%
Inter-Co Elimination	(16,044)	(6,338)	
Total	87,562	56,772	54.23%

JAYCORP BERHAD (459789-X)
 NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Jul 2020	30 Apr 2020	
	RM'000	RM'000	
Investment Holding	4,912	(358)	1,472.07%
Furniture	8,521	3,471	145.49%
Carton Boxes	2,755	704	291.34%
Kiln-Drying	(3,383)	146	-2,417.12%
Renewable Energy	106	415	-74.46%
Construction	(66)	(129)	48.84%
Others	38	88	-56.82%
Inter-Co Elimination	(5,302)	-	
Share of loss of joint venture	(624)	(1,017)	38.64%
Total	6,957	3,320	109.55%

The Group recorded turnover of RM87.6 million and profit before tax of RM7.0 million for the current quarter compared to last quarter's turnover and profit before tax of RM56.8 million and RM3.3 million respectively. The improved performance of the Group in the current quarter compared to the last quarter was due to the Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") implemented by the Government between 4th May 2020 and 10th June 2020. Under the CMCO and RMCO, the national economy was slowly reopened in a controlled manner.

For the investment holding segment, the turnover and profit before tax for the current quarter were higher than the last quarter as dividends were declared by subsidiaries in the current quarter. This segment result will be offset by the inter-co elimination.

The furniture segment recorded RM63.9 million and RM8.5 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM41.8 million and RM3.5 million respectively. The higher turnover and profit before tax for the current quarter compared to the last quarter were mainly due to the CMCO and RMCO which resulted in increased shipments to overseas and local markets.

The carton boxes segment contributed RM15.9 million in turnover and profit before tax of RM2.8 million for the current quarter compared to turnover of RM8.1 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 mainly due to the CMCO and RMCO causing increased demand from internal and external customers.

The kiln-drying segment registered RM12.1 million in turnover and loss before tax of RM3.4 million for the current quarter compared with turnover of RM8.5 million and profit before tax of RM0.1 million in the last quarter. The higher turnover for the current quarter was due to higher intercompany sales by the Malaysian subsidiary to the furniture segment. Despite higher turnover, the loss before tax for the current quarter was due to a write down of inventories in the Malaysian subsidiary and a provision for employee benefits and tax penalty expenses in the Indonesian subsidiary.

The renewable energy segment contributed RM2.2 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM2.3 million and profit before tax of RM0.4 million in the last quarter. The lower turnover and profit before tax were due to a temporary reduction in supply as the main customer underwent a plant reconfiguration resulting in higher raw material cost in the current quarter.

B2. Quarterly Analysis (cont'd)

The engineering and construction segment registered RM2.9 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM1.4 million and loss before tax of RM0.1 million in the last quarter. The higher turnover for the current quarter was due to higher progress billing from existing and new projects. Despite higher turnover, the company remains in a loss position in the current quarter due to an impairment on receivables.

The "others" segment contributed RM1.1 million in turnover and profit before tax of RM0.04 million for the current quarter compared with turnover of RM0.8 million and profit before tax of RM0.1 million in the last quarter. The turnover for the current quarter is higher than the last quarter due to higher intercompany sales. However, the profit before tax for the current quarter was lower than the last quarter mainly due to an impairment on receivables.

The joint venture with Honsoar was formed on 23 August 2019 and the Group's share of the loss from the joint venture was lower than the last quarter as the joint venture was able to increase its productivity during the CMCO and RMCO period. However, the joint venture is still experiencing a learning curve as it seeks to achieve production consistency.

B3. Current Year Prospects

The furniture segment remains the Group's core business. Locally, increasing production costs and shortages of workers may 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 COVID-19 pandemic presents a significant challenge to the global economy. The Group has significant sales exposure in international markets and thus, we will not be exempt from the uncertainty caused to economic prospects. Domestically, the Movement Control Order ("MCO"), Conditional MCO ("CMCO") and Recovery MCO ("RMCO") recently announced by the Government will help stabilise the situation from a national health standpoint but will disrupt business operations. We fully support the Government's order and believe that the virus can be contained. While the implementation of a combination of monetary and fiscal measures by the Malaysian government and Bank Negara Malaysia could help to lessen the impact of this crisis to households and businesses; the scale and duration of the economic effects arising from the COVID-19 pandemic remain uncertain. We are confident that the profit potential of our businesses is intact and we are positioned to benefit from any recovery in the market as and when it comes.

The Group entered into a joint venture agreement with Honsoar International Limited ("HIL") to set up a joint venture company ("JV company") to further diversify our products to include kitchen and bathroom vanity cabinets. We hope to benefit from the technical expertise of our joint venture partner, HIL, in this area. The JV company began production in the second quarter of FY20 and we expect this venture to contribute positively to the Group in the future.

The packaging segment continues to be very competitive and challenging. However, we will continue to strengthen our market position and expand our customer base. Besides that, the Group will continue to control the production cost and upgrade machinery to improve operational efficiency.

The Group's construction segment is currently concentrated in Sabah. 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 to actively bid for more construction projects going forward.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

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	2,532	8,980
– Deferred Tax	(328)	(882)
	2,204	8,098

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 no deferred tax asset has 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.

B7. Group Borrowings and Debt Securities

The Group borrowings as at 31 July 2020 are summarised as below:-

	Current RM'000	Non-current RM'000	Total RM'000
Lease liability – RM	1,449	2,362	3,811
Secured banker acceptance – RM	3,889	-	3,889
Secured banker acceptance – USD	56	-	56
Secured overdraft – IDR	1,988	-	1,988
Secured overdraft – RM	1,865	-	1,865
Secured term loan – RM	2,886	9,545	12,431
Total	12,133	11,907	24,040

Out of RM24.0 million, RM2.0 million and RM0.1 million borrowings were denominated in IDR and 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.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 JULY 2020

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	181	823
- Other income including investment income	1,964	5,389
- Interest expense	(389)	(1,133)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,944)	(9,851)
- Gain on disposal on property, plant and equipment	11	216
- Foreign exchange loss	(2,051)	(963)
- Gain on derivatives	1,853	172
- Impairment loss on receivables	(874)	(829)
- Write down of inventories	(2,580)	(2,039)

Save as disclosed above, the following items are not applicable to the Group for the fourth financial quarter ended 31 July 2020:-

- impairment of assets
- exceptional items

B10. Dividend

Subject to the shareholders' approval at the forthcoming Annual General Meeting, the Board of Directors proposed a final single tier dividend of RM0.065 per ordinary share for the financial year ended 31 July 2020 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
Profit after tax and minority interest (RM'000)	5,058	4,669	17,401	19,816
Weighted average number of ordinary shares in issue ('000)	134,919	135,080	134,919	135,080
Basic EPS (sen)	3.75	3.46	12.90	14.67

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 29 September 2020.