

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 2020. 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 2020.

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 2020 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 2020.

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.

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 ended 31 October 2020.

A5. Changes in Estimates

There were no material changes in estimates that have had any material effect in the current quarter ended 31 October 2020.

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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 ended 31 October 2020:

The Company bought back from the open market 101,400 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM1.186 per share. The total consideration paid, including transaction costs, was RM121,000 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 2020, the number of treasury shares held was 2,432,900 ordinary shares.

A7. Dividend Paid

There were no dividends paid for the quarter ended 31 October 2020.

A8. Segment Reporting

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

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Consolidation Adjustments	Total
RM'000									
Revenue									
External sales	-	80,184	16,749	6,418	2,095	1,648	117	-	107,211
Inter-Co sales	330	63	3,048	8,971	-	-	1,031	(13,443)	-
Total revenue	330	80,247	19,797	15,389	2,095	1,648	1,148	(13,443)	107,211
Results									
Segment result	(445)	11,945	3,583	1,648	229	(871)	160	(22)	16,227
Interest income	30	107	38	3	-	3	2	(28)	155
Finance costs	(18)	(145)	(32)	(50)	(59)	(19)	(3)	64	(262)
	(433)	11,907	3,589	1,601	170	(887)	159	14	16,120
Less: Share of loss of joint venture									(81)
Profit before tax									16,039
Assets									
	27,249	164,209	34,587	42,298	7,849	11,260	35,121	(47,778)	274,795
Add: Investment in joint venture									7,272
Total Assets									282,067
Total Liabilities	10,926	45,870	11,122	21,327	5,434	7,260	29,860	(47,830)	83,969

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A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	115,127	5,527	120,654
Internal	(11,212)	(2,231)	(13,443)
External	<u>103,915</u>	<u>3,296</u>	<u>107,211</u>
Profit before tax	<u>15,720</u>	<u>319</u>	<u>16,039</u>
Assets	<u>265,968</u>	<u>16,099</u>	<u>282,067</u>
Liabilities	<u>75,152</u>	<u>8,817</u>	<u>83,969</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 2020.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 4 December 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

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 at 31 October 2020 were as follows:-

	RM'000
Property, plant and equipment	<u>15,934</u>

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A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
At 31 October 2020
RM'000

Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries and joint venture company	<u>102,165</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 2020.

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
– Printing of assembly instruction	3	3
– Rental income – factory building	291	291
– Rental income – office building	5	5
– Sales of carton box	355	355
– Sales of kitchen cabinet and bathroom vanity cabinet	<u>10,232</u>	<u>10,232</u>
– Purchase of furniture part, board material and hardware	3,782	3,782
– Rental payment – office building	23	23
– Rental payment – staff hostel	<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 2020	31 Oct 2019		31 Oct 2020	31 Oct 2019	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	330	330	-	330	330	-
Furniture	80,247	56,865	41.12%	80,247	56,865	41.12%
Carton Boxes	19,797	13,309	48.75%	19,797	13,309	48.75%
Kiln-Drying	15,389	8,848	73.93%	15,389	8,848	73.93%
Renewable Energy	2,095	2,013	4.07%	2,095	2,013	4.07%
Construction	1,648	1,265	30.28%	1,648	1,265	30.28%
Others	1,148	974	17.86%	1,148	974	17.86%
Consolidation Adjustments	(13,443)	(7,274)		(13,443)	(7,274)	
Total	107,211	76,330	40.46%	107,211	76,330	40.46%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Oct 2020	31 Oct 2019		31 Oct 2020	31 Oct 2019	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	(433)	(308)	-40.58%	(433)	(308)	-40.58%
Furniture	11,907	5,826	104.38%	11,907	5,826	104.38%
Carton Boxes	3,589	1,999	79.54%	3,589	1,999	79.54%
Kiln-Drying	1,601	(310)	616.45%	1,601	(310)	616.45%
Renewable Energy	170	209	-18.66%	170	209	-18.66%
Construction	(887)	(177)	-401.13%	(887)	(177)	-401.13%
Others	159	173	-8.09%	159	173	-8.09%
Consolidation Adjustments	14	-		14	-	
Share of loss of joint venture	(81)	(305)	73.44%	(81)	(305)	73.44%
Total	16,039	7,107	125.68%	16,039	7,107	125.68%

The Group registered turnover of RM107.2 million for the quarter ended 31 October 2020 ("current quarter") compared to turnover of RM76.3 million in the previous year corresponding period. Profit before tax for the current quarter was RM16.0 million compared to profit before tax of RM7.1 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. This segment result will be offset by the consolidation adjustments.

The furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM80.2 million and RM11.9 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 RM56.9 million and RM5.8 million respectively. The turnover and profit before tax for the current quarter were higher than the previous year corresponding period due to increased demand from Asian and North American markets.

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B1. Review of Performance (cont'd)

The carton boxes segment contributed RM19.8 million in turnover and profit before tax of RM3.6 million for the current quarter compared with turnover of RM13.3 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 internal and external customers.

The kiln-drying segment registered RM15.4 million in turnover and profit before tax of RM1.6 million for the current quarter compared with turnover of RM8.8 million and loss before tax of RM0.3 million in the previous year corresponding period. The higher turnover and profit before tax for the current quarter were 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.

The renewable energy segment contributed RM2.1 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM2.0 million and profit before tax of RM0.2 million in the previous year corresponding period. The higher turnover in the current quarter was due to temporary reduction in supply as the main customer underwent a plant reconfiguration in the previous year corresponding quarter. Despite higher turnover, the profit before tax was lower due to higher raw material cost incurred in the current quarter.

The engineering and construction segment registered RM1.6 million in turnover and loss before tax of RM0.9 million for the current quarter compared with turnover of RM1.3 million and loss before tax of RM0.2 million in the previous year corresponding period. The higher turnover in the current quarter compared to the previous year corresponding period was due to higher progress billings from the existing projects in the current quarter. Despite higher turnover, the loss before tax was higher due to higher subcontractor costs. Jaycorp Engineering & Construction Sdn Bhd mainly operates in Sabah and the Company is currently subject to Conditional Movement Control Order ("CMCO"), therefore operations continue at a slower pace.

The "others" segment contributed RM1.1 million in turnover and profit before tax of RM0.2 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 share of loss from joint venture company reduced from RM0.3 million in the previous year corresponding quarter to RM0.1 million in the current quarter as there were no shipments from the joint venture company in the previous year corresponding quarter, as the joint venture company was formed on 23 August 2019.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2020	31 Jul 2020	
	RM'000	RM'000	
Investment Holding	330	5,671	-94.18%
Furniture	80,247	63,883	25.62%
Carton Boxes	19,797	15,872	24.73%
Kiln-Drying	15,389	12,065	27.55%
Renewable Energy	2,095	2,152	-2.65%
Construction	1,648	2,863	-42.44%
Others	1,148	1,100	4.36%
Consolidation Adjustments	(13,443)	(16,044)	
Total	107,211	87,562	22.44%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2020	31 Jul 2020	
	RM'000	RM'000	
Investment Holding	(433)	4,912	-108.82%
Furniture	11,907	8,521	39.74%
Carton Boxes	3,589	2,755	30.27%
Kiln-Drying	1,601	(3,383)	147.32%
Renewable Energy	170	106	60.38%
Construction	(887)	(66)	-1,243.94%
Others	159	38	318.42%
Consolidation Adjustments	14	(5,302)	
Share of loss of joint venture	(81)	(624)	87.02%
Total	16,039	6,957	130.54%

The Group recorded turnover of RM107.2 million and profit before tax of RM16.0 million for the current quarter compared to last quarter's turnover and profit before tax of RM87.6 million and RM7.0 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 subsidiaries in the current quarter. This segment result will be offset by the consolidation adjustments.

The furniture segment recorded RM80.2 million and RM11.9 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM63.9 million and RM8.5 million respectively. The higher turnover and profit before tax for the current quarter compared to the last quarter were mainly due to increased demand from North American markets.

The carton boxes segment contributed RM19.8 million in turnover and profit before tax of RM3.6 million for the current quarter compared to turnover of RM15.9 million and profit before tax of RM2.8 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 increased demand from existing internal and external customers.

The kiln-drying segment registered RM15.4 million in turnover and profit before tax of RM1.6 million for the current quarter compared with turnover of RM12.1 million and loss before tax of RM3.4 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 and an increase in demand from overseas customers of the Indonesian subsidiary. The higher profit before tax for the current quarter was due to higher turnover. In the last quarter there was also 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 RM2.1 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM2.2 million and profit before tax of RM0.1 million in the last quarter. The lower turnover was due to lower offtake by the customers. Despite a slightly lower turnover, the profit before tax for the current quarter was higher than the last quarter due to a decrease in the upkeep expenses.

The engineering and construction segment registered RM1.6 million in turnover and loss before tax of RM0.9 million for the current quarter compared with turnover of RM2.9 million and loss before tax of RM0.1 million in the last quarter. The lower turnover for the current quarter was due to CMCO in Sabah resulting in operations continuing at a slower pace. The higher loss before tax in the current quarter compared to last quarter was due to lower turnover and higher subcontractor costs.

B2. Quarterly Analysis (cont'd)

The "others" segment contributed RM1.1 million in turnover and profit before tax of RM0.2 million for the current quarter compared with turnover of RM1.1 million and profit before tax of RM0.04 million in the last quarter. The turnover for the current quarter was higher than the last quarter due to higher intercompany sales. The profit before tax for the current quarter was higher than the last quarter due to higher turnover and lower impairment on receivables.

The share of loss from joint venture company for the current quarter was RM0.1 million compared to RM0.6 million in the last quarter. This was due to higher turnover in the current quarter compared to last quarter.

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 public 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 and we expect the JV company 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. Although Sabah currently is subject to CMCO and many projects in Sabah have been delayed or postponed as a result of the COVID-19 pandemic, we believe that this segment will regain its momentum once normality returns to society and the economy after COVID-19 pandemic.

B4. Profit Forecast

There were no profit forecasts issued for the current financial period under review.

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B5. Taxation

The tax charges comprise: -

	Current Quarter RM'000	Financial year-to-date RM'000
• Company and Subsidiary Companies		
– Income Tax	3,666	3,666
– Deferred Tax	(360)	(360)
	3,306	3,306

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.

B7. Group Borrowings and Debt Securities

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

	Current RM'000	Non-current RM'000	Total RM'000
Lease liability – RM	1,448	2,235	3,683
Secured banker acceptance – RM	5,570	-	5,570
Secured banker acceptance – USD	463	-	463
Secured overdraft – IDR	1,909	-	1,909
Secured term loan – RM	2,905	9,094	11,999
Total	12,295	11,329	23,624

Out of RM23.6 million, RM1.9 million and RM0.5 million borrowings were denominated in IDR and USD currency respectively.

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.

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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	155	155
- Other income including investment income	1,236	1,236
- Interest expense	(262)	(262)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,461)	(2,461)
- Gain on disposal on property, plant and equipment	38	38
- Foreign exchange loss	(85)	(85)
- Loss on derivatives	(217)	(217)
- Impairment loss on receivables	(51)	(51)
- Reversal of write down of inventories	436	436

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

- impairment of assets
- exceptional items

B10. Dividend

The directors do not recommend the payment of any dividend for the current financial period ended 31 October 2020.

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)	12,338	5,065	12,338	5,065
Weighted average number of ordinary shares in issue ('000)	134,840	134,919	134,840	134,919
Basic EPS (sen)	9.15	3.75	9.15	3.75

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 11 December 2020.