

## **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 and cumulative period ended 31 July 2021.

### **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 2021.

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**A6. Debts and Equity Securities**

Save as disclosed below, there were no issuances, repurchases and repayments of debt and equity securities during the quarter and cumulative quarter ended 31 July 2021:

The Company bought back from the open market 551,800 ordinary shares of the Company ("Jaycorp Shares") at an average buy-back price of RM1.549 per share. The total consideration paid, including transaction costs, was RM854,612 and it was financed by internally generated funds. The Jaycorp Shares bought back were being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 July 2021, the number of treasury shares held was 2,883,300 ordinary shares.

**A7. Dividend Paid**

The Company paid a final single tier dividend of RM0.065 per ordinary share amounting to RM8,753,984 in respect of the financial year ended 31 July 2020 on 30 December 2020.

The Company paid a first single tier dividend of RM0.050 per ordinary share amounting to RM6,721,835 in respect of the financial year ended 31 July 2021 on 30 April 2021.

**A8. Segment Reporting**

The segmental information of the Group for the financial year to-date 31 July 2021 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Consolidation Adjustments	Total
RM'000									
<b>Revenue</b>									
External sales	-	253,778	54,856	20,573	8,478	14,610	738	-	353,033
Inter-Co sales	18,732	2,219	9,777	28,562	-	-	3,589	(62,879)	-
<b>Total revenue</b>	<b>18,732</b>	<b>255,997</b>	<b>64,633</b>	<b>49,135</b>	<b>8,478</b>	<b>14,610</b>	<b>4,327</b>	<b>(62,879)</b>	<b>353,033</b>
<b>Results</b>									
Segment result	15,758	30,321	8,877	(834)	696	904	797	(17,520)	38,999
Interest income	77	461	123	12	-	25	7	(73)	632
Finance costs	(161)	(468)	(209)	(191)	(210)	(40)	(9)	245	(1,043)
	15,674	30,314	8,791	(1,013)	486	889	795	(17,348)	38,588
Less: Share of loss of joint venture									(590)
<b>Profit before tax</b>									<b>37,998</b>
<b>Assets</b>									
	25,409	144,750	31,784	39,096	7,233	15,593	33,004	(40,183)	256,686
Add: Investment in joint venture									6,764
<b>Total Assets</b>									<b>263,450</b>
<b>Total Liabilities</b>	9,424	25,446	6,875	22,151	4,351	10,176	27,728	(40,286)	65,865

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**A8. Segment Reporting (cont'd)**

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	397,601	18,311	415,912
Internal	<u>(54,700)</u>	<u>(8,179)</u>	<u>(62,879)</u>
External	<u>342,901</u>	<u>10,132</u>	<u>353,033</u>
Profit before tax	<u>40,217</u>	<u>(2,219)</u>	<u>37,998</u>
Assets	<u>252,089</u>	<u>11,361</u>	<u>263,450</u>
Liabilities	<u>57,824</u>	<u>8,041</u>	<u>65,865</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 2021.

**A10. Subsequent Events**

There were no material events subsequent to the reporting period up to 22 September 2021 (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 and financial year to-date.

**A12. Capital Commitments**

Capital commitments at 31 July 2021 were as follows:-

	RM'000
Property, plant and equipment	<u>4,529</u>

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

a. Contingent Liabilities

Company  
At 31 July 2021  
RM'000

Unsecured

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

111,983

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
– Rental income – factory building	290	1,162
– Rental income – office building	5	20
– Sales of carton box	272	1,478
– Sales of kitchen cabinet and bathroom vanity cabinet	<u>4,979</u>	<u>38,126</u>
– Purchase of furniture part, board material and hardware	4,355	14,759
– Rental payment – office building	23	90
– Rental payment – staff hostel	<u>6</u>	<u>22</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 Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Jul 2021	31 Jul 2020		31 Jul 2021	31 Jul 2020	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	1,959	5,671	-65.46%	18,732	16,206	15.59%
Furniture	34,357	63,883	-46.22%	255,997	228,197	12.18%
Carton Boxes	7,245	15,872	-54.35%	64,633	51,970	24.37%
Kiln-Drying	5,081	12,065	-57.89%	49,135	40,953	19.98%
Renewable Energy	2,404	2,152	11.71%	8,478	8,872	-4.44%
Construction	6,577	2,863	129.72%	14,610	7,850	86.11%
Others	745	1,100	-32.27%	4,327	3,881	11.49%
Consolidation Adjustments	(8,112)	(16,044)		(62,879)	(48,581)	
<b>Total</b>	<b>50,256</b>	<b>87,562</b>	<b>-42.61%</b>	<b>353,033</b>	<b>309,348</b>	<b>14.12%</b>

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Jul 2021	31 Jul 2020		31 Jul 2021	31 Jul 2020	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	1,309	4,912	-73.35%	15,674	13,182	18.90%
Furniture	1,264	8,521	-85.17%	30,314	24,063	25.98%
Carton Boxes	5	2,755	-99.82%	8,791	7,795	12.78%
Kiln-Drying	(3,357)	(3,383)	0.77%	(1,013)	(3,388)	70.10%
Renewable Energy	311	106	193.40%	486	871	-44.20%
Construction	927	(66)	1,504.55%	889	(443)	300.68%
Others	98	38	157.89%	795	436	82.34%
Consolidation Adjustments	(1,597)	(5,302)		(17,348)	(14,847)	
Share of loss of joint venture	(1,017)	(624)	-62.98%	(590)	(2,741)	78.48%
<b>Total</b>	<b>(2,057)</b>	<b>6,957</b>	<b>-129.57%</b>	<b>37,998</b>	<b>24,928</b>	<b>52.43%</b>

The Group registered turnover of RM50.3 million for the quarter ended 31 July 2021 ("current quarter") compared to turnover of RM87.6 million in the previous year's corresponding period. Loss before tax for the current quarter was RM2.1 million compared to profit before tax of RM7.0 million for the previous year's corresponding period. Overall, the performance of the Group in the current quarter was lower than the previous year's corresponding quarter due to the COVID-19 pandemic and the Full Movement Control Order ("FMCO") announced by the Government on 1 June 2021.

The investment holding segment consists of the holding company's results which include dividend income and management fees received from subsidiaries. The turnover and profit before tax for the current quarter were lower compared with the previous year's corresponding period as there were lower dividends declared by the subsidiaries in the current quarter. This segment result will be offset by the consolidation adjustments.

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

The furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM34.4 million and RM1.3 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the previous year's corresponding period were RM63.9 million and RM8.5 million respectively. The turnover and profit before tax for the current quarter were lower than the previous year's corresponding period mainly due to the FMCO announced by the Government which resulted in reduced shipments overseas and locally. All entities within the furniture segment temporarily ceased operations on 1 June 2021 and were only allowed to ship finished products during the FMCO. The entities within this segment resumed operations at the end of August 2021 after obtaining approval from the authorities.

The carton boxes segment contributed RM7.2 million in turnover and profit before tax of RM0.01 million for the current quarter compared with turnover of RM15.9 million and profit before tax of RM2.8 million in the previous year's corresponding period. The turnover and profit before tax in this segment were lower than the previous year's corresponding period due to customers not being allowed to operate during the FMCO.

The kiln-drying segment registered RM5.1 million in turnover and loss before tax of RM3.4 million for the current quarter compared with turnover of RM12.1 million and loss before tax of RM3.4 million in the previous year's corresponding period. The lower turnover in the current quarter was mainly due to the Malaysian subsidiary not being allowed to operate during the FMCO and lower export sales by the Indonesian subsidiary. The loss before tax in this segment was lower than the previous year's corresponding period due to lower write down of inventories of the Malaysian subsidiary. The Malaysian subsidiary has resumed operations since the end of August 2021.

The renewable energy segment contributed RM2.4 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM2.2 million and profit before tax of RM0.1 million in the previous year's corresponding period. The higher turnover and profit before tax in the current quarter were due to higher offtake by the customers.

The engineering and construction segment registered RM6.6 million in turnover and profit before tax of RM0.9 million for the current quarter compared with turnover of RM2.9 million and loss before tax of RM0.07 million in the previous year's corresponding period. The turnover and profit before tax in this segment were higher than the previous year's corresponding period due to higher progress billings from existing and new projects.

The share of loss from joint venture company increased from RM0.6 million in the previous year's corresponding quarter to RM1.0 million in the current quarter as the entity was not allowed to operate during the FMCO and only allowed to ship finished products, resulting in a decrease in shipments in the current quarter. The joint venture company has resumed operations since the end of August 2021.

**B2. Quarterly Analysis**

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 July 2021	30 April 2021	
	RM'000	RM'000	
Investment Holding	1,959	7,050	-72.21%
Furniture	34,357	69,628	-50.66%
Carton Boxes	7,245	18,227	-60.25%
Kiln-Drying	5,081	13,128	-61.30%
Renewable Energy	2,404	2,052	17.15%
Construction	6,577	4,187	57.08%
Others	745	1,200	-37.92%
Consolidation Adjustments	(8,112)	(19,559)	
<b>Total</b>	<b>50,256</b>	<b>95,913</b>	<b>-47.60%</b>

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

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 July 2021	30 April 2021	
	RM'000	RM'000	
Investment Holding	1,309	6,308	-79.25%
Furniture	1,264	7,533	-83.22%
Carton Boxes	5	2,207	-99.77%
Kiln-Drying	(3,357)	(20)	-16,685.00%
Renewable Energy	311	(31)	1,103.23%
Construction	927	710	30.56%
Others	98	325	-69.85%
Consolidation Adjustments	(1,597)	(6,711)	
Share of loss of joint venture	(1,017)	738	-237.80%
<b>Total</b>	<b>(2,057)</b>	<b>11,059</b>	<b>-118.60%</b>

The Group recorded turnover of RM50.3 million and loss before tax of RM2.1 million for the current quarter compared to last quarter's turnover and profit before tax of RM95.9 million and RM11.1 million respectively. The under performance of the Group in the current quarter compared to the last quarter was due to the COVID-19 pandemic and FMCO announced by the Government on 1 June 2021.

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. This segment result will be offset by the consolidation adjustments.

The furniture segment recorded RM34.4 million and RM1.3 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM69.6 million and RM7.5 million respectively. The lower turnover and profit before tax for the current quarter compared to the last quarter were due to the FMCO resulting in reduced shipments overseas and locally.

The carton boxes segment contributed RM7.2 million in turnover and profit before tax of RM0.01 million for the current quarter compared to turnover of RM18.2 million and profit before tax of RM2.2 million in the last quarter. The lower turnover and profit before tax for the current quarter compared to the last quarter can be attributed to the majority of customers not being allowed to operate during the FMCO.

The kiln-drying segment registered RM5.1 million in turnover and loss before tax of RM3.4 million for the current quarter compared with turnover of RM13.1 million and loss before tax of RM0.02 million in the last quarter. The lower turnover for the current quarter was due to the Malaysian subsidiary not being allowed to operate during the FMCO and lower export sales by the Indonesian subsidiary. The higher loss before tax in the current quarter was due to lower turnover, write down of inventories in the Malaysian subsidiary and selling of lower margin products by the Indonesian subsidiary.

The renewable energy segment contributed RM2.4 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM2.1 million and loss before tax of RM0.03 million in the last quarter. The higher turnover and profit before tax for the current quarter was due to higher offtake by the customers.

The engineering and construction segment registered RM6.6 million in turnover and profit before tax of RM0.9 million for the current quarter compared with turnover of RM4.2 million and profit before tax of RM0.7 million in the last quarter. The higher turnover and profit before tax in the current quarter compared to the last quarter were due to higher progress billings from existing projects.

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

The share of loss from joint venture company for the current quarter was RM1.0 million compared to profit of RM0.7 million in the last quarter. The entity suffered a loss because it was not allowed to operate during the FMCO and only allowed to ship finished products, resulting in a decrease in shipments during the current quarter.

**B3. Current Year Prospects**

The global economy continues to recover, supported by progress in vaccination programmes and sizeable fiscal and monetary stimulus in several major economies. The strength of the recovery varies across countries and mainly corresponds to vaccination coverage, relaxation of containment measures and economic policies.

The rising number of COVID-19 cases in Malaysia has curbed economic growth. However, the recent gradual relaxation of restrictions to operations in more economic sectors and the accelerated vaccination programs have enabled the economy to resume its path to recovery. The continued expansion of global demand will support the future growth momentum domestically.

The COVID-19 pandemic has caused a global shortage of containers and a hike in ocean freight charges. This issue has disrupted the operations of the Group when importing raw materials as well as exporting finished goods. As the global supply chain recovers from the pandemic, we expect this issue to ease in the near future.

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.

**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	522	9,224
– Deferred Tax	356	280
	878	9,504

The Group's effective tax rate in the current quarter is higher than the statutory tax rate due to reversal of deferred tax assets of the Indonesian subsidiary.



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**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 2021 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Lease liability – RM	1,355	2,546	3,901
Secured banker acceptance – RM	4,914	-	4,914
Secured banker acceptance – USD	248	-	248
Secured overdraft – IDR	1,892	-	1,892
Secured overdraft – RM	148	-	148
Secured term loan – RM	3,403	10,445	13,848
<b>Total</b>	<b>11,960</b>	<b>12,991</b>	<b>24,951</b>

# Out of RM25.0 million, RM1.9 million and RM0.2 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.

**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	150	632
- Other income including investment income	878	4,162
- Interest expense	(266)	(1,043)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,766)	(10,339)
- Gain on disposal on property, plant and equipment	1	81
- Foreign exchange gain/(loss)	194	(50)
- Loss on derivatives	(516)	(695)
- Impairment loss on receivables	(408)	(554)
- Write down of inventories	(1,431)	(125)

Save as disclosed above, the following items are not applicable to the Group for the fourth financial quarter ended 31 July 2021:-

- impairment of assets
- exceptional items

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**B10. Dividend**

Subject to the shareholders' approval at the forthcoming Annual General Meeting, the Board of Directors proposed a final single tier dividend of RM0.055 per ordinary share for the financial year ended 31 July 2021 at an entitlement date to be determined later.

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

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
(Loss)/Profit after tax and minority interest (RM'000)	(2,301)	5,058	28,743	17,404
Weighted average number of ordinary shares in issue ('000)	134,614	134,919	134,614	134,919
Basic EPS (sen)	(1.71)	3.75	21.35	12.90

**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 2021.