

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 2021. 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 2021.

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 2021 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 2021.

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 2021.

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A5. Changes in Estimates

There were no material changes in estimates that have had any material effect in the current quarter ended 31 October 2021.

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 2021.

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

A7. Dividend Paid

There were no dividends paid for the quarter ended 31 October 2021.

A8. Segment Reporting

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

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Consolidation Adjustments	Total
RM'000									
Revenue									
External sales	-	42,442	11,034	4,499	2,015	2,865	176	-	63,031
Inter-Co sales	330	361	2,056	6,736	-	-	809	(10,292)	-
Total revenue	330	42,803	13,090	11,235	2,015	2,865	985	(10,292)	63,031
Results									
Segment result	(490)	2,267	1,403	(49)	290	122	104	(34)	3,613
Interest income	11	118	24	3	-	33	2	(23)	168
Finance costs	(32)	(92)	(56)	(75)	(39)	(17)	(2)	77	(236)
	(511)	2,293	1,371	(121)	251	138	104	20	3,545
Less: Share of loss of joint venture									262
Profit before tax									3,807
Assets									
	25,160	157,701	36,917	39,548	7,159	19,391	32,448	(43,073)	275,251
Add: Investment in joint venture									7,026
Total Assets									282,277
Total Liabilities	9,753	35,835	10,966	22,804	4,027	13,868	27,896	(43,196)	81,953

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A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	69,698	3,625	73,323
Internal	<u>(8,831)</u>	<u>(1,461)</u>	<u>(10,292)</u>
External	<u>60,867</u>	<u>2,164</u>	<u>63,031</u>
Profit before tax	<u>4,245</u>	<u>(438)</u>	<u>3,807</u>
Assets	<u>271,291</u>	<u>10,986</u>	<u>282,277</u>
Liabilities	<u>73,847</u>	<u>8,106</u>	<u>81,953</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 was no revaluation of properties of the Group in the current quarter ended 31 October 2021.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 2 December 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 October 2021 were as follows:-

	RM'000
Property, plant and equipment	<u>4,259</u>

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A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
 At 31 October 2021
 RM'000

Unsecured

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

112,254

b. Contingent Assets

There were no contingent assets since the last audited financial statements for the financial year ended 31 July 2021.

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	-	-
- Rental income – factory building	291	291
- Rental income – office building	5	5
- Sales of carton box	432	432
- Sales of kitchen cabinet and bathroom vanity cabinet	<u>9,632</u>	<u>9,632</u>
- Purchase of furniture part, board material and hardware	2,617	2,617
- Rental payment – office building	22	22
- 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 Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Oct 2021	31 Oct 2020		31 Oct 2021	31 Oct 2020	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	330	330	-	330	330	-
Furniture	42,803	80,247	-46.66%	42,803	80,247	-46.66%
Carton Boxes	13,090	19,797	-33.88%	13,090	19,797	-33.88%
Kiln-Drying	11,235	15,389	-26.99%	11,235	15,389	-26.99%
Renewable Energy	2,015	2,095	-3.82%	2,015	2,095	-3.82%
Construction	2,865	1,648	73.85%	2,865	1,648	73.85%
Others	985	1,148	-14.20%	985	1,148	-14.20%
Consolidation Adjustments	(10,292)	(13,443)		(10,292)	(13,443)	
Total	63,031	107,211	-41.21%	63,031	107,211	-41.21%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Oct 2021	31 Oct 2020		31 Oct 2021	31 Oct 2020	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	(511)	(433)	-18.01%	(511)	(433)	-18.01%
Furniture	2,293	11,907	-80.74%	2,293	11,907	-80.74%
Carton Boxes	1,371	3,589	-61.80%	1,371	3,589	-61.80%
Kiln-Drying	(121)	1,601	-107.56%	(121)	1,601	-107.56%
Renewable Energy	251	170	47.65%	251	170	47.65%
Construction	138	(887)	115.56%	138	(887)	115.56%
Others	104	159	-34.59%	104	159	-34.59%
Consolidation Adjustments	20	14		20	14	
Share of profit/(loss) of joint venture	262	(81)	423.46%	262	(81)	423.46%
Total	3,807	16,039	-76.26%	3,807	16,039	-76.26%

The Group registered turnover of RM63.0 million for the quarter ended 31 October 2021 ("current quarter") compared to turnover of RM107.2 million in the previous year's corresponding period. Profit before tax for the current quarter was RM3.8 million compared to profit before tax of RM16.0 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 as most of the entities within the Group were not allowed to operate in Phase 1 of the National Recovery Plan ("NRP") of Malaysia. All the entities within the Group were allowed to resume operations at the end of August 2021 after the workers had completed their vaccination.

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.

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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 RM42.8 million and RM2.3 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 RM80.2 million and RM11.9 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 entities only being allowed to operate at the end of August 2021 after the workers completed their vaccination, which resulted in reduced shipments overseas and locally.

The carton boxes segment contributed RM13.1 million in turnover and profit before tax of RM1.4 million for the current quarter compared with turnover of RM19.8 million and profit before tax of RM3.6 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 Phase 1 of NRP. Their customers had resumed operations at the beginning of September 2021 after the workers completed their vaccination.

The kiln-drying segment registered RM11.2 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM15.4 million and profit before tax of RM1.6 million in the previous year's corresponding period. The lower turnover and profit before in the current quarter were mainly due to the Malaysian subsidiary not being allowed to operate during Phase 1 of NRP and lower export sales by the Indonesian subsidiary. The Malaysian subsidiary has resumed operations since the end of August 2021 after the workers completed their vaccination.

The renewable energy segment contributed RM2.0 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM2.1 million and profit before tax of RM0.1 million in the previous year's corresponding period. The lower turnover in the current quarter was due to the collapse of the steam pipeline to a customer. The steam pipeline has been repaired at the end of October 2021. Despite lower turnover, the profit before tax was higher than previous year's corresponding period due to improved operational efficiency.

The engineering and construction segment registered RM2.9 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM1.6 million and loss before tax of RM0.9 million in the previous year's corresponding period. The turnover in this segment was higher than the previous year's corresponding period due to higher progress billings from existing and new projects. The higher profit before tax in the current quarter was due to higher turnover and there was higher subcontractor cost incurred in the previous year's corresponding period.

The share of profit from the joint venture company increased from loss of RM0.1 million in the previous year's corresponding quarter to profit of RM0.3 million in the current quarter due to an improvement in production efficiency which generated a higher gross margin.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2021	31 Jul 2021	
	RM'000	RM'000	
Investment Holding	330	1,959	-83.15%
Furniture	42,803	34,357	24.58%
Carton Boxes	13,090	7,245	80.68%
Kiln-Drying	11,235	5,081	121.12%
Renewable Energy	2,015	2,404	-16.18%
Construction	2,865	6,577	-56.44%
Others	985	745	32.21%
Consolidation Adjustments	(10,292)	(8,112)	
Total	63,031	50,256	25.42%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Oct 2021	30 Jul 2021	
	RM'000	RM'000	
Investment Holding	(511)	1,309	-139.04%
Furniture	2,293	1,264	81.41%
Carton Boxes	1,371	5	27,320.00%
Kiln-Drying	(121)	(3,357)	96.40%
Renewable Energy	251	311	-19.29%
Construction	138	927	-85.11%
Others	104	98	6.12%
Consolidation Adjustments	20	(1,597)	
Share of loss of joint venture	262	(1,017)	125.76%
Total	3,807	(2,057)	285.08%

The Group recorded turnover of RM63.0 million and profit before tax of RM3.8 million for the current quarter compared to last quarter's turnover and loss before tax of RM50.3 million and RM2.1 million respectively. The improved performance of the Group in the current quarter compared to the last quarter was due to all entities within the Group being allowed to resume operations at the end of August 2021 after the workers had completed their vaccination, as compared to last quarter, most of the entities within the Group were not allowed to operate under the Full Movement Control Order ("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 no dividends were declared by subsidiaries in the current quarter. This segment result will be offset by the consolidation adjustments.

The furniture segment recorded RM42.8 million and RM2.3 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM34.4 million and RM1.3 million respectively. The higher turnover and profit before tax for the current quarter compared to the last quarter were due to the entities within this segment resuming operations at the end of August 2021, which resulted in higher shipments overseas and locally.

The carton boxes segment contributed RM13.1 million in turnover and profit before tax of RM1.4 million for the current quarter compared to turnover of RM7.2 million and profit before tax of RM0.01 million in the last quarter. The higher turnover and profit before tax for the current quarter compared to the last quarter can be attributed to the majority of customers being allowed to operate at the beginning of September 2021.

The kiln-drying segment registered RM11.2 million in turnover and loss before tax of RM0.1 million for the current quarter compared with turnover of RM7.2 million and loss before tax of RM3.4 million in the last quarter. The higher turnover for the current quarter was due to the Malaysian subsidiary being allowed to operate at the end of August 2021 and higher export sales by the Indonesian subsidiary. The lower loss before tax in the current quarter was due to higher turnover and there was higher write down of inventories by the Malaysian subsidiary in the last quarter.

The renewable energy segment contributed RM2.0 million in turnover and profit before tax of RM0.3 million for the current quarter compared with turnover of RM2.4 million and profit before tax of RM0.3 million in the last quarter. The lower turnover and profit before tax for the current quarter was due to lower offtake by the customers and the temporary closure of the steam pipeline for repairs to one customer.

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B2. Quarterly Analysis (cont'd)

The engineering and construction segment registered RM2.9 million in turnover and profit before tax of RM0.1 million for the current quarter compared with turnover of RM6.6 million and profit before tax of RM0.9 million in the last quarter. The lower turnover and profit before tax in the current quarter compared to the last quarter were due to lower progress billings from existing projects.

The share of profit from joint venture company for the current quarter was RM0.3 million compared to loss of RM1.0 million in the last quarter. The entity turned into profit due to the resumption of operations at the end of August 2021, resulting in an increase in shipments during the current quarter.

B3. Current Year Prospects

The global economic recovery is continuing, even as the pandemic resurges. The International Monetary Fund predicts that compared with the Year 2020 recession, the global economy will grow in Year 2021 and Year 2022. It is supported by progress in vaccinations and several fiscal and monetary policies in major economies. The strength of the recovery varies across countries and mainly corresponds to vaccination coverage, relaxation of containment measures and economic policies.

Locally, 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 and raw material cost. The shortage of containers 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 (especially the raw material cost) 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. Notwithstanding the uncertainties in the global economy and a very challenging time ahead for Malaysian manufacturers, the Group will continue to maintain a strong presence in the furniture industry.

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
<ul style="list-style-type: none"> • Company and Subsidiary Companies – Income Tax – Deferred Tax 	1,064 5 <hr/> 1,069	1,064 5 <hr/> 1,069

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B5. Taxation (Cont'd)

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 Indonesian subsidiary.

B6. Corporate Proposals

AmInvestment Bank Berhad had, on behalf of the Board of Directors of Jaycorp, made an announcement on 25 October 2021 that Jaycorp proposes to undertake a bonus issue of 137,250,000 Bonus Shares on the basis of 1 Bonus Share for every 1 existing Jaycorp Share ("Proposed Bonus Issue").

The Proposed Bonus Issue has been approved by shareholders of the Company at the Extraordinary General Meeting held on 9 December 2021.

B7. Group Borrowings and Debt Securities

The Group borrowings as at 31 October 2021 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Lease liability – RM	1,265	2,219	3,484
Secured banker acceptance – RM	5,449	-	5,449
Secured banker acceptance – USD	129	-	129
Secured overdraft – IDR	2,172	-	2,172
Secured overdraft – RM	538	-	538
Secured term loan – RM	3,353	10,425	13,778
Total	12,906	12,644	25,550

Out of RM25.6 million, RM2.2 million and RM0.1 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	168	168
- Other income including investment income	1,201	1,201
- Interest expense	(236)	(236)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,708)	(2,708)
- Gain on disposal on property, plant and equipment	236	236
- Foreign exchange loss	(345)	(345)
- Profit on derivatives	672	672
- Impairment loss on receivables	(9)	(9)
- Write down of inventories	(131)	(131)

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

- 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 2021.

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)	2,993	12,338	2,993	12,338
Weighted average number of ordinary shares in issue ('000)	134,367	134,840	134,367	134,840
Basic EPS (sen)	2.23	9.15	2.23	9.15

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 9 December 2021.