

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 and cumulative period ended 31 January 2022.

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 January 2022.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

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 January 2022.

On 9 December 2021, the shareholders of the Company had approved the Proposed Bonus Issue at the Extraordinary General Meeting. The Bonus Issue of 137,250,000 new ordinary shares in JAYCORP on the basis of 1 Bonus Share for every 1 existing ordinary share, was issued and allotted on 14 January 2022, and has been completed on 17 January 2022, following the listing of and quotation for 137,250,000 Bonus Shares on the Main Market of Bursa Securities.

Following the completion of the Bonus Issue above, the enlarged number of JAYCORP shares in issue will be 274,500,000 shares, including 5,766,600 shares held as treasury shares by the Company as at 31 January 2022.

A7. Dividend Paid

During the quarter, the Company paid a final single tier dividend of RM0.055 per ordinary share amounting to RM7,390,000 in respect of the financial year ended 31 July 2021 on 30 December 2021.

A8. Segment Reporting

The segmental information of the Group for the financial year to-date 31 January 2022 was summarised as below:

	Investment Holding	Furniture	Carton Boxes	Kiln-Drying	Renewable Energy	Construction	Others	Consolidation Adjustments	Total
RM'000									
Revenue									
External sales	-	107,439	24,702	9,700	3,908	8,005	412	-	154,166
Inter-Co sales	8,050	511	4,466	13,910	-	-	1,733	(28,670)	-
Total revenue	8,050	107,950	29,168	23,610	3,908	8,005	2,145	(28,670)	154,166
Results									
Segment result	6,342	8,682	2,946	(149)	249	590	379	(7,458)	11,581
Interest income	19	229	45	5	-	33	4	(42)	293
Finance costs	(63)	(209)	(111)	(154)	(77)	(34)	(3)	147	(504)
	6,298	8,702	2,880	(298)	172	589	380	(7,353)	11,370
Add: Share of profit of joint venture									117
Profit before tax									11,487
Assets									
	24,951	155,044	36,461	40,520	6,573	16,729	32,287	(44,264)	268,301
Add: Investment in joint venture									7,304
Total Assets									275,605
Total Liabilities	10,615	35,153	9,862	24,046	3,519	10,864	27,250	(44,405)	76,904

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	174,651	8,185	182,836
Internal	<u>(24,979)</u>	<u>(3,691)</u>	<u>(28,670)</u>
External	<u>149,672</u>	<u>4,494</u>	<u>154,166</u>
Profit before tax	<u>12,294</u>	<u>(807)</u>	<u>11,487</u>
Assets	<u>262,210</u>	<u>13,395</u>	<u>275,605</u>
Liabilities	<u>65,990</u>	<u>10,914</u>	<u>76,904</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 and cumulative period ended 31 January 2022.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 18 March 2022 (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 January 2022 were as follows:-

	RM'000
Property, plant and equipment	<u>2,424</u>

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
At 31 January 2022
RM'000

Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries and joint venture company	<u>112,322</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 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	290	581
– Rental income – office building	5	10
– Sales of carton box	474	906
– Sales of kitchen cabinet and bathroom vanity cabinet	<u>10,022</u>	<u>19,654</u>
– Purchase of furniture part, board material and hardware	8,145	10,762
– Rental payment – office building	23	45
– Rental payment – staff hostel	<u>6</u>	<u>11</u>

JAYCORP BERHAD (459789-X)
 NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

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 Jan 2022	31 Jan 2021		31 Jan 2022	31 Jan 2021	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	7,720	9,393	-17.81%	8,050	9,723	-17.21%
Furniture	65,148	71,764	-9.22%	107,950	152,011	-28.99%
Carton Boxes	16,078	19,364	-16.97%	29,168	39,162	-25.52%
Kiln-Drying	12,375	15,538	-20.36%	23,610	30,926	-23.66%
Renewable Energy	1,892	1,927	-1.82%	3,908	4,022	-2.83%
Construction	5,140	2,198	133.85%	8,005	3,846	108.14%
Others	1,160	1,234	-6.00%	2,145	2,382	-9.95%
Consolidation Adjustments	(18,378)	(21,707)		(28,670)	(35,150)	
Total	91,135	99,711	-8.60%	154,166	206,922	-25.50%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	31 Jan 2022	31 Jan 2021		31 Jan 2022	31 Jan 2021	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	6,811	8,490	-19.78%	6,298	8,057	-21.83%
Furniture	6,408	9,610	-33.32%	8,702	21,517	-59.56%
Carton Boxes	1,510	2,989	-49.48%	2,880	6,578	-56.22%
Kiln-Drying	(176)	764	-123.04%	(298)	2,365	-112.60%
Renewable Energy	(80)	35	-328.57%	172	206	-16.50%
Construction	449	139	223.02%	589	(748)	178.74%
Others	275	214	28.50%	380	373	1.88%
Consolidation Adjustments	(7,372)	(9,052)		(7,353)	(9,039)	
Share of profit/(loss) of joint venture	(145)	(231)	37.23%	117	(312)	137.50%
Total	7,680	12,958	-40.73%	11,487	28,997	-60.39%

The Group registered turnover of RM91.1 million for the quarter ended 31 January 2022 ("current quarter") compared to turnover of RM99.7 million in the previous year's corresponding period. Profit before tax for the current quarter was RM7.7 million compared to profit before tax of RM13.0 million for the previous year's 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 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.

The furniture segment continued to be the main contributor to the Group's revenue. The furniture segment recorded RM65.1 million and RM6.4 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 RM71.8 million and RM9.6 million respectively. The turnover for the current quarter was lower than the previous year's corresponding period due to the temporary cessation of operations in the Air Tawar and Sungai Rambai factories for 1 week due to COVID-19. A shortage of containers also resulted in the lower delivery of goods to overseas customers. The profit before tax was lower than the previous year's corresponding period due to lower turnover and higher raw material cost.

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

B1. Review of Performance (cont'd)

The carton boxes segment contributed RM16.1 million in turnover and profit before tax of RM1.5 million for the current quarter compared with turnover of RM19.4 million and profit before tax of RM3.0 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 the temporary cessation of operations in the Sungai Rambai factory for 1 week due to COVID-19; and lower demand from existing internal and external customers.

The kiln-drying segment registered RM12.4 million in turnover and loss before tax of RM0.2 million for the current quarter compared with turnover of RM15.5 million and profit before tax of RM0.8 million in the previous year's corresponding period. The lower turnover in the current quarter was due to lower intercompany sales of the Malaysian subsidiary to the furniture segment and lower export sales by the Indonesian subsidiary. The profit before tax for the current quarter was lower than the previous year's corresponding period due to lower turnover, selling of lower margin products by the Indonesian subsidiary and a write down of inventories in the Malaysian subsidiary.

The renewable energy segment contributed RM1.9 million in turnover and loss before tax of RM0.08 million for the current quarter compared with turnover of RM1.9 million and profit before tax of RM0.04 million in the previous year's corresponding period. The lower turnover and profit before tax in the current quarter were due to lower offtake by a customer due to a breakdown at their plant and higher raw material cost.

The engineering and construction segment registered RM5.1 million in turnover and profit before tax of RM0.4 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 turnover in this segment was higher than the previous year's corresponding period due to higher progress billings from existing and new projects.

The share of loss from the joint venture company reduced from RM0.2 million in the previous year's corresponding quarter to RM0.1 million in the current quarter due to higher export sales from the joint venture company in the current quarter.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	31 Jan 2022	31 Oct 2021	
	RM'000	RM'000	
Investment Holding	7,720	330	2239.39%
Furniture	65,148	42,803	52.20%
Carton Boxes	16,078	13,090	22.83%
Kiln-Drying	12,375	11,235	10.15%
Renewable Energy	1,892	2,015	-6.10%
Construction	5,140	2,865	79.41%
Others	1,160	985	17.77%
Consolidation Adjustments	(18,378)	(10,292)	
Total	91,135	63,031	44.59%

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	31 Jan 2022	30 Oct 2021	
	RM'000	RM'000	
Investment Holding	6,811	(511)	1432.88%
Furniture	6,408	2,293	179.46%
Carton Boxes	1,510	1,371	10.14%
Kiln-Drying	(176)	(121)	-45.45%
Renewable Energy	(80)	251	-131.87%
Construction	449	138	225.36%
Others	275	104	164.42%
Consolidation Adjustments	(7,372)	20	
Share of loss of joint venture	(145)	262	-155.34%
Total	7,680	3,807	101.73%

The Group recorded turnover of RM91.1 million and profit before tax of RM7.7 million for the current quarter compared to last quarter's turnover and profit before tax of RM63.0 million and RM3.8 million respectively. The improved performance of the Group in the current quarter compared to the last quarter was due to most of the entities within the Group only being allowed to resume operations at the end of August 2021 after the workers had completed their vaccinations.

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 consolidation adjustments.

The furniture segment recorded RM65.1 million and RM6.4 million in turnover and profit before tax respectively for the current quarter. Comparatively, turnover and profit before tax for the last quarter were RM42.8 million and RM2.3 million respectively. The higher turnover and profit before tax for the current quarter compared to the last quarter were due to operations in the current quarter returning to normal after workers had completed their vaccinations at the end of August 2021. The resumption in operations resulted in increased shipments to overseas and local markets.

The carton boxes segment contributed RM16.1 million in turnover and profit before tax of RM1.5 million for the current quarter compared to turnover of RM13.1 million and profit before tax of RM1.4 million in the last quarter. The higher turnover and profit before tax for the current quarter compared to the last quarter was due to increased demand from internal and external customers in the current quarter, as the majority of customers were operating as normal at the beginning of September 2021.

The kiln-drying segment registered RM12.4 million in turnover and loss before tax of RM0.2 million for the current quarter compared with turnover of RM11.2 million and loss before tax of RM0.1 million in the last quarter. The higher turnover for the current quarter was due to higher export sales by the Indonesian subsidiary. The higher loss before tax in the current quarter was due to selling of lower margin products by the Indonesian subsidiary.

The renewable energy segment contributed RM1.9 million in turnover and loss before tax of RM0.08 million for the current quarter compared with turnover of RM2.0 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 a customer due to the breakdown of their plant and higher raw material cost.

B2. Quarterly Analysis (cont'd)

The engineering and construction segment registered RM5.1 million in turnover and profit before tax of RM0.4 million for the current quarter compared with turnover of RM2.9 million and profit before tax of RM0.1 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 and new projects.

The share of profit from joint venture company for the current quarter was a loss of RM0.1 million compared to a profit of RM0.3 million in the last quarter. This was due to increased raw material costs, payment of bonuses and higher finance costs in the current quarter.

B3. Current Year Prospects

The global economy continues to recover, supported by manufacturing and trade activity. However, several countries reintroduced measures to contain the ongoing resurgences of COVID-19, resulting in a slower pace of recovery domestically. Going forward, continued progress in vaccination coverage and advancements in vaccine efficacy will help better manage the pandemic, supporting global and domestic growth prospects.

For Malaysia, the latest high economic indicators show that economic activity rebounded in the fourth quarter, in line with the relaxation of containment measures. Looking ahead, the growth momentum is expected to further strengthen in 2022. This will be driven by expanding global demand and an increase in private sector expenditure.

The COVID-19 pandemic has caused a global shortage of containers, a hike in ocean freight charges, raw material costs, and uncertainties in shipping schedules. 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 raw material cost) and shortages of workers may affect the financial performance of this segment. 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 strong presence in the furniture industry.

B4. Profit Forecast

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

JAYCORP BERHAD (459789-X)
NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

B5. Taxation

The tax charges comprise: -

	Current Quarter RM'000	Financial year-to-date RM'000
• Company and Subsidiary Companies		
– Income Tax	1,879	2,942
– Deferred Tax	4	9
	1,883	2,951

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

There were no corporate proposals as at the date of this announcement.

B7. Group Borrowings and Debt Securities

The Group borrowings as at 31 January 2022 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Lease liability – RM	1,535	2,923	4,458
Secured banker acceptance – RM	7,827	-	7,827
Secured banker acceptance – USD	224	-	224
Secured overdraft – IDR	3,287	-	3,287
Secured overdraft – RM	565	-	565
Secured term loan – RM	3,371	9,719	13,090
Total	16,809	12,642	29,451

Out of RM29.5 million, RM3.3 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.

JAYCORP BERHAD (459789-X)
 NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND FINANCIAL QUARTER ENDED 31 JANUARY 2022

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	125	293
- Other income including investment income	1,012	2,213
- Interest expense	(268)	(504)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,751)	(5,459)
- Gain on disposal on property, plant and equipment	22	258
- Foreign exchange gain/(loss)	221	(124)
- (Loss)/Gain on derivatives	(71)	601
- Reversal of impairment loss on receivables	15	6
- Write down of inventories	(166)	(297)

Save as disclosed above, the following items are not applicable to the Group for the second financial quarter ended 31 January 2022:-

- impairment of assets
- exceptional items

B10. Dividend

The directors do not recommend the payment of any dividend for the current financial period ended 31 January 2022.

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)	5,460	10,109	8,454	22,447
Weighted average number of ordinary shares in issue ('000)	268,733	269,266	268,733	269,266
Basic EPS (sen)	2.03	3.75	3.15	8.34

For comparative purpose, the earnings per share for the preceding year corresponding quarter and preceding year to date ended 31 January 2021 had been adjusted to reflect the bonus issue of 1 for every 1 existing ordinary share which was completed on 17 January 2022.

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 25 March 2022.