

## **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 30 April 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 30 April 2022.

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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 30 April 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 30 April 2022.

**A7. Dividend Paid**

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 30 April 2022 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	-	172,275	36,782	14,156	6,221	15,386	646	-	245,466
Inter-Co sales	8,380	1,779	6,633	20,529	-	-	2,576	(39,897)	-
<b>Total revenue</b>	<b>8,380</b>	<b>174,054</b>	<b>43,415</b>	<b>34,685</b>	<b>6,221</b>	<b>15,386</b>	<b>3,222</b>	<b>(39,897)</b>	<b>245,466</b>
<b>Results</b>									
Segment result	5,986	21,001	4,153	(981)	478	1,893	624	(7,492)	25,662
Interest income	26	318	68	7	-	33	6	(60)	398
Finance costs	(90)	(303)	(162)	(230)	(111)	(56)	(4)	213	(743)
	5,922	21,016	4,059	(1,204)	367	1,870	626	(7,339)	25,317
Add: Share of loss of joint venture									(146)
<b>Profit before tax</b>									<b>25,171</b>
<b>Assets</b>									
	24,792	161,720	37,312	38,634	6,851	19,116	32,316	(44,695)	276,046
Add: Investment in joint venture									7,041
<b>Total Assets</b>									<b>283,087</b>
<b>Total Liabilities</b>	<b>10,901</b>	<b>32,503</b>	<b>9,818</b>	<b>23,217</b>	<b>3,602</b>	<b>12,320</b>	<b>27,089</b>	<b>(44,850)</b>	<b>74,600</b>

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

*Geographical segment*

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Revenue			
Total	272,375	12,988	285,363
Internal	<u>(34,121)</u>	<u>(5,776)</u>	<u>(39,897)</u>
External	<u>238,254</u>	<u>7,212</u>	<u>245,466</u>
Profit/(Loss) before tax	<u>26,451</u>	<u>(1,280)</u>	<u>25,171</u>
Assets	<u>270,116</u>	<u>12,971</u>	<u>283,087</u>
Liabilities	<u>63,549</u>	<u>11,051</u>	<u>74,600</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 30 April 2022.

**A10. Subsequent Events**

There were no material events subsequent to the reporting period up to 9 June 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 30 April 2022 were as follows:-

	RM'000
Property, plant and equipment	<u>4,386</u>

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

a. Contingent Liabilities

Company  
 At 30 April 2022  
 RM'000

Unsecured Corporate guarantees in favour of bankers for providing banking facilities to subsidiaries and joint venture company	<u>112,577</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	291	872
– Rental income – office building	5	15
– Sales of carton box	522	1,428
– Sales of kitchen cabinet and bathroom vanity cabinet	<u>11,037</u>	<u>30,691</u>
– Purchase of furniture part, board material and hardware	4,554	15,316
– Rental payment – office building	22	67
– Rental payment – staff hostel	<u>5</u>	<u>16</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
	2022 Q3	2021 Q3		2022 Q3	2021 Q3	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	330	7,050	-95.32%	8,380	16,773	-50.04%
Furniture	66,105	69,628	-5.06%	174,054	221,639	-21.47%
Carton Boxes	14,247	18,227	-21.84%	43,415	57,388	-24.35%
Kiln-Drying	11,075	13,128	-15.64%	34,685	44,054	-21.27%
Renewable Energy	2,313	2,052	12.72%	6,221	6,074	2.42%
Construction	7,381	4,187	76.28%	15,386	8,033	91.53%
Others	1,076	1,200	-10.33%	3,222	3,582	-10.05%
Consolidation Adjustments	(11,227)	(19,559)		(39,897)	(54,709)	
<b>Total</b>	<b>91,300</b>	<b>95,913</b>	<b>-4.81%</b>	<b>245,466</b>	<b>302,834</b>	<b>-18.94%</b>

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	2022 Q3	2021 Q3		2022 Q3	2021 Q3	
	RM'000	RM'000	RM'000	RM'000		
Investment Holding	(378)	6,308	-105.99%	5,922	14,365	-58.77%
Furniture	12,315	7,533	63.48%	21,016	29,050	-27.66%
Carton Boxes	1,177	2,207	-46.67%	4,059	8,785	-53.80%
Kiln-Drying	(906)	(20)	-4430.00%	(1,204)	2,344	-151.37%
Renewable Energy	196	(31)	732.26%	367	175	109.71%
Construction	1,282	710	80.56%	1,870	(38)	5021.05%
Others	246	325	-24.31%	626	698	-10.32%
Consolidation Adjustments	15	(6,711)		(7,339)	(15,750)	
Share of profit/(loss) of joint venture	(263)	738	-135.64%	(146)	427	-134.19%
<b>Total</b>	<b>13,684</b>	<b>11,059</b>	<b>23.74%</b>	<b>25,171</b>	<b>40,056</b>	<b>-37.16%</b>

The Group registered turnover of RM91.3 million for 2022 Q3 compared to turnover of RM95.9 million in 2021 Q3. Profit before tax for 2022 Q3 was RM13.7 million compared to profit before tax of RM11.1 million for 2021 Q3.

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 2022 Q3 were lower compared with 2021 Q3 as no dividends were declared by the subsidiaries in 2022 Q3. 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 RM66.1 million and RM12.3 million in turnover and profit before tax respectively for 2022 Q3. Comparatively, turnover and profit before tax for 2021 Q3 were RM69.6 million and RM7.5 million respectively. The turnover for 2022 Q3 was lower than 2021 Q3 due to decreased demand from local customers and the North American market. Despite lower turnover, the profit before tax for 2022 Q3 was higher than 2021 Q3 due to improved operational efficiency and the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR).

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

The carton boxes segment contributed RM14.2 million in turnover and profit before tax of RM1.2 million for 2022 Q3 compared with turnover of RM18.2 million and profit before tax of RM2.2 million in 2021 Q3. The turnover and profit before tax in this segment were lower than 2021 Q3 due to lower demand from existing internal and external customers.

The kiln-drying segment registered RM11.1 million in turnover and loss before tax of RM0.9 million for 2022 Q3 compared with turnover of RM13.1 million and loss before tax of RM0.02 million in 2021 Q3. The lower turnover in 2022 Q3 was due to lower intercompany sales of the Malaysian subsidiary to the furniture segment. The profit before tax for 2022 Q3 was lower than 2021 Q3 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 RM2.3 million in turnover and profit before tax of RM0.2 million for 2022 Q3 compared with turnover of RM2.1 million and loss before tax of RM0.03 million in 2021 Q3. The higher turnover and profit before tax in 2022 Q3 were due to higher offtake by customer and higher upkeep expenses during the annual plant shutdown for JKPP inspection from 25 January 2021 to 8 February 2021.

The engineering and construction segment registered RM7.4 million in turnover and profit before tax of RM1.3 million for 2022 Q3 compared with turnover of RM4.2 million and profit before tax of RM0.7 million in 2021 Q3. The turnover and profit before tax in this segment was higher than 2021 Q3 due to higher progress billings from existing and new projects.

The share of profit from the joint venture company reduced from RM0.7 million in 2021 Q3 to loss of RM0.2 million in 2022 Q3 due to lower export sales and higher raw material cost incurred by the joint venture company in 2022 Q3.

**B2. Quarterly Analysis**

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	2022 Q3	2022 Q2	
	RM'000	RM'000	
Investment Holding	330	7,720	-95.73%
Furniture	66,105	65,148	1.47%
Carton Boxes	14,247	16,078	-11.39%
Kiln-Drying	11,075	12,375	-10.51%
Renewable Energy	2,313	1,892	22.25%
Construction	7,381	5,140	43.60%
Others	1,076	1,160	-7.24%
Consolidation Adjustments	(11,227)	(18,378)	
<b>Total</b>	<b>91,300</b>	<b>91,135</b>	<b>0.18%</b>

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

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	2022 Q3	2022 Q2	
	RM'000	RM'000	
Investment Holding	(378)	6,811	-105.55%
Furniture	12,315	6,408	92.18%
Carton Boxes	1,177	1,510	-22.05%
Kiln-Drying	(906)	(176)	-414.77%
Renewable Energy	196	(80)	345.00%
Construction	1,282	449	182.52%
Others	246	275	-10.55%
Consolidation Adjustments	15	(7,372)	
Share of loss of joint venture	(263)	(145)	-81.38%
<b>Total</b>	<b>13,684</b>	<b>7,680</b>	<b>78.18%</b>

The Group recorded turnover of RM91.3 million and profit before tax of RM13.7 million for 2022 Q3 compared to 2022 Q2 turnover and profit before tax of RM91.1 million and RM7.7 million respectively.

For the investment holding segment, the turnover and profit before tax for 2022 Q3 were lower than 2022 Q2 as no dividends were declared by subsidiaries in 2022 Q3. This segment result will be offset by the consolidation adjustments.

The furniture segment recorded RM66.1 million and RM12.3 million in turnover and profit before tax respectively for 2022 Q3. Comparatively, turnover and profit before tax for 2022 Q2 were RM65.1 million and RM6.4 million respectively. The turnover for 2022 Q3 was higher than 2022 Q2 mainly due to increased demand from the Asian market. The higher profit before tax for 2022 Q3 compared with 2022 Q2 was due to higher turnover, improved operational efficiency and the strengthening of USD against MYR.

The carton boxes segment contributed RM14.2 million in turnover and profit before tax of RM1.2 million for 2022 Q3 compared to turnover of RM16.1 million and profit before tax of RM1.5 million in 2022 Q2. The lower turnover and profit before tax for 2022 Q3 compared to 2022 Q2 were due to decreased demand from the existing internal and external customers.

The kiln-drying segment registered RM11.1 million in turnover and loss before tax of RM0.9 million for 2022 Q3 compared with turnover of RM12.4 million and loss before tax of RM0.2 million in 2022 Q2. The lower turnover for 2022 Q3 was due to lower intercompany sales of the Malaysian subsidiary to the furniture segment. The higher loss before tax in 2022 Q3 was due to lower turnover, selling of lower margin products by the Indonesian subsidiary and higher write down of inventories in the Malaysian subsidiary.

The renewable energy segment contributed RM2.3 million in turnover and profit before tax of RM0.2 million for 2022 Q3 compared with turnover of RM1.9 million and loss before tax of RM0.1 million in 2022 Q2. The higher turnover and profit before tax for 2022 Q3 were due to higher offtake by the customers.

The engineering and construction segment registered RM7.4 million in turnover and profit before tax of RM1.3 million for 2022 Q3 compared with turnover of RM5.1 million and profit before tax of RM0.4 million in 2022 Q2. The higher turnover and profit before tax in 2022 Q3 compared to 2022 Q2 were due to higher progress billings from existing and new projects.

The share of loss from joint venture company for 2022 Q3 was RM0.3 million compared to RM0.1 million in 2022 Q2. This was due to higher raw material costs and upkeep of plant and machinery in 2022 Q3.

**B3. Current Year Prospects**

The global economy continues to face many challenges such as the COVID-19 pandemic, inflation, foreign exchange rate fluctuations and the Russia-Ukraine war. All these have caused cost inflation in the businesses around the world.

The COVID-19 pandemic has led to the 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. We expect this problem to ease in the future as many countries have reopened their international borders and allowed businesses to operate as usual.

In Malaysia, the government has moved to the endemic transition phase, allowing all businesses to fully operate. The borders were also reopened to allow foreign workers to enter to alleviate the shortage of workers across industries. However, supply chain disruption still persists and the implementation of the minimum wage with effect from 1 May 2022 will increase raw material and labour costs for local businesses.

The furniture segment remains the Group's core business. Locally, increasing production costs (especially raw material and labour 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 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
• Company and Subsidiary Companies		
– Income Tax	3,475	6,417
– Deferred Tax	<u>638</u>	<u>647</u>
	<u>4,113</u>	<u>7,064</u>

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.

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**B7. Group Borrowings and Debt Securities**

The Group borrowings as at 30 April 2022 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Lease liability – RM	1,491	2,843	4,334
Secured banker acceptance – RM	6,683	-	6,683
Secured banker acceptance – USD	1,486	-	1,486
Secured overdraft – IDR	2,544	-	2,544
Secured overdraft – RM	143	-	143
Secured term loan – RM	3,332	8,838	12,170
<b>Total</b>	<b>15,679</b>	<b>11,681</b>	<b>27,360</b>

# Out of RM27.4 million, RM2.5 million and RM1.5 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.

**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	106	398
- Other income including investment income	1,258	3,471
- Interest expense	(239)	(743)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(3,074)	(8,533)
- Gain on disposal on property, plant and equipment	9	267
- Foreign exchange gain	849	725
- (Loss)/Gain on derivatives	(594)	7
- Reversal of impairment loss on receivables	52	58
- Write down of inventories	(512)	(809)

Save as disclosed above, the following items are not applicable to the Group for the third financial quarter ended 30 April 2022:-

- impairment of assets
- exceptional items

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**B10. Dividend**

The directors declare a first single tier interim dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 July 2022 and shall be payable on 29 July 2022. The entitlement date for the said dividend shall be 15 July 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)	9,229	8,598	17,683	31,044
Weighted average number of ordinary shares in issue ('000)	268,733	269,041	268,733	269,041
Basic EPS (sen)	3.43	3.20	6.58	11.54

For comparative purpose, the earnings per share for the preceding year corresponding quarter and preceding year to date ended 30 April 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 16 June 2022.