

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 2022. 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 2022.

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 2022.

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 2022.

A5. Changes in Estimates

There were no material changes in estimates that have had any material effect in the current quarter ended 31 October 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 ended 31 October 2022.

As at 31 October 2022, the number of treasury shares held was 5,766,600 ordinary shares.

A7. Dividend Paid

There were no dividends paid for the quarter ended 31 October 2022.

A8. Segment Reporting

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

	Continuing operations							Discontinued operations		Consolidation Adjustments	Total	
	Investment Holding	Furniture	Packaging	Wood processing	Renewable energy	Construction	Others	Furniture	Others			
	RM'000											
Revenue												
External sales	-	29,219	8,542	1,237	2,347	6,824	176	10,385	47	-	58,777	
Inter-Co sales	330	106	1,251	4,608	-	-	703	-	-	(6,998)	-	
Total revenue	330	29,325	9,793	5,845	2,347	6,824	879	10,385	47	(6,998)	58,777	
Results												
Segment result	4,664	4,431	234	395	331	1,171	119	532	(6)	(34)	11,837	
Interest income	8	121	33	1	-	3	4	27	-	(4)	193	
Finance costs	(28)	(46)	(53)	(1)	(30)	(8)	-	(50)	(2)	48	(170)	
	4,644	4,506	214	395	301	1,166	123	509	(8)	10	11,860	
Add: Share of profit of joint venture											725	
Profit before tax											12,585	
Assets												
	33,582	115,849	35,796	25,855	6,861	19,213	30,424	43,266	1,501	(36,153)	276,194	
Add: Investment in joint venture											13,493	
Total Assets											289,687	
Total Liabilities	19,278	21,204	9,203	11,621	2,990	9,146	26,412	9,205	242	(36,468)	72,833	

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A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Profit/(Loss) before tax	<u>12,948</u>	<u>(363)</u>	<u>12,585</u>

The Group operates primarily in Malaysia, except for one of its joint venture companies whose principal activities include manufacturing and selling of finger jointed finished gesso coated and primed moulding products. This joint venture company 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 2022.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 6 December 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

On 11 August 2022, the Company announced that Weston Asia I Inc. and Putian Yihong Wood Industry Co., Ltd. have subscribed for 81,081 and 54,055 new ordinary shares, respectively, of PT Tiga Mutiara Nusantara ("PTTMN") (the Subscription).

Subsequent to the Subscription, PTTMN was reclassified from subsidiary to become a joint venture company of Jaycorp ("deemed disposal").

A12. Capital Commitments

Capital commitments at 31 October 2022 were as follows:-

	RM'000
Property, plant and equipment	<u>2,107</u>

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A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Company
At 31 October 2022
RM'000

Unsecured

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

122,607

b. Contingent Assets

There were no contingent assets since the last audited financial statements for the financial year ended 31 July 2022.

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	297	297
- Rental income – office building	5	5
- Sales of carton box	602	602
- Sales of kitchen cabinet and bathroom vanity cabinet	<u>18,172</u>	<u>18,172</u>
- Purchase of furniture part, board material and hardware	3,602	3,602
- Purchase of rubber wood and furniture part	1,026	1,026
- 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
	2023 Q1	2022 Q1		2023 Q1	2022 Q1	
	RM'000	RM'000	RM'000	RM'000		
Investment holding	330	330	-	330	330	-
Furniture	39,710	42,803	-7.23%	39,710	42,803	-7.23%
Packaging	9,793	13,090	-25.19%	9,793	13,090	-25.19%
Wood processing	5,845	11,235	-47.98%	5,845	11,235	-47.98%
Renewable energy	2,346	2,015	16.43%	2,346	2,015	16.43%
Construction	6,825	2,865	138.22%	6,825	2,865	138.22%
Others	926	985	-5.99%	926	985	-5.99%
Consolidation adjustments	(6,998)	(10,292)		(6,998)	(10,292)	
Total	58,777	63,031	-6.75%	58,777	63,031	-6.75%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	2023 Q1	2022 Q1		2023 Q1	2022 Q1	
	RM'000	RM'000	RM'000	RM'000		
Investment holding	4,644	(511)	1008.81%	4,644	(511)	1008.81%
Furniture	5,015	2,293	118.71%	5,015	2,293	118.71%
Packaging	214	1,371	-84.39%	214	1,371	-84.39%
Wood processing	395	(121)	426.45%	395	(121)	426.45%
Renewable energy	301	251	19.92%	301	251	19.92%
Construction	1,166	138	744.93%	1,166	138	744.93%
Others	115	104	10.58%	115	104	10.58%
Consolidation adjustments	10	20		10	20	
Share of profit of joint venture	725	262	176.72%	725	262	176.72%
Total	12,585	3,807	230.58%	12,585	3,807	230.58%

The Group registered revenue of RM58.8 million for 2023 Q1 compared to revenue of RM63.0 million in 2022 Q1. Profit before tax for 2023 Q1 was RM12.6 million compared to profit before tax of RM3.8 million for 2022 Q1.

The investment holding segment consists of the holding company's results which include dividend income and management fees received from subsidiaries. The profit before tax for 2023 Q1 was higher compared with 2022 Q1 mainly due to gain on deemed disposal of a subsidiary.

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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 RM39.7 million and RM5.0 million in revenue and profit before tax respectively for 2023 Q1. Comparatively, revenue and profit before tax for 2022 Q1 were RM42.8 million and RM2.3 million respectively. The revenue for 2023 Q1 was lower than 2022 Q1 due to decreased demand from local customers and the North American market. Despite lower revenue, the profit before tax for 2023 Q1 was higher than 2022 Q1 due to the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR) and improved operational efficiency.

The packaging segment contributed RM9.8 million in revenue and profit before tax of RM0.2 million for 2023 Q1 compared with revenue of RM13.1 million and profit before tax of RM1.4 million in 2022 Q1. The revenue and profit before tax in this segment were lower than 2022 Q1 due to lower demand from existing internal and external customers.

The wood processing segment registered RM5.8 million in revenue and profit before tax of RM0.4 million for 2023 Q1 compared with revenue of RM11.2 million and loss before tax of RM0.1 million in 2022 Q1. The lower revenue and higher profit before tax in 2023 Q1 were due to the deemed disposal as described in Note A11.

The renewable energy segment contributed RM2.3 million in revenue and profit before tax of RM0.3 million for 2023 Q1 compared with revenue of RM2.0 million and profit before tax of RM0.3 million in 2022 Q1. The higher revenue and profit before tax in 2023 Q1 were due to higher offtake by customers.

The construction segment registered RM6.8 million in revenue and profit before tax of RM1.2 million for 2023 Q1 compared with revenue of RM2.9 million and profit before tax of RM0.1 million in 2022 Q1. The revenue and profit before tax in this segment were higher than 2022 Q1 due to higher progress billings from existing and new projects.

The share of profit from the joint venture company increased from RM0.3 million in 2022 Q1 to RM0.7 million in 2023 Q1 due to higher export sales from the Malaysian joint venture company.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	2023 Q1	2022 Q4	
	RM'000	RM'000	
Investment holding	330	8,425	-96.08%
Furniture	39,710	39,144	1.45%
Packaging	9,793	10,733	-8.76%
Wood processing	5,845	7,434	-21.37%
Renewable energy	2,346	2,640	-11.14%
Construction	6,825	6,902	-1.12%
Others	926	928	-0.22%
Consolidation adjustments	(6,998)	(16,057)	
Total	58,777	60,149	-2.28%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	2023 Q1	2022 Q4	
	RM'000	RM'000	
Investment holding	4,644	7,461	-37.76%
Furniture	5,015	2,580	94.38%
Packaging	214	650	-67.08%
Wood processing	395	(1,316)	130.02%
Renewable energy	301	586	-48.63%
Construction	1,166	3,119	-62.62%
Others	115	127	-9.45%
Consolidation adjustments	10	(8,083)	
Share of profit/(loss) of joint venture	725	(96)	855.21%
Total	12,585	5,028	150.30%

The Group recorded revenue of RM58.8 million and profit before tax of RM12.6 million for 2023 Q1 compared to 2022 Q4 revenue and profit before tax of RM60.1 million and RM5.0 million respectively.

For the investment holding segment, the revenue and profit before tax for 2023 Q1 were lower than 2022 Q4 as dividends were declared by subsidiaries in 2022 Q4. This segment result will be offset by the consolidation adjustments.

The furniture segment recorded RM39.7 million and RM5.0 million in revenue and profit before tax respectively for 2023 Q1. Comparatively, revenue and profit before tax for 2022 Q4 were RM39.1 million and RM2.6 million respectively. The profit before tax for 2023 Q1 was higher than 2022 Q4 due to the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR) and improved operational efficiency.

The packaging segment contributed RM9.8 million in revenue and profit before tax of RM0.2 million for 2023 Q1 compared to revenue of RM10.7 million and profit before tax of RM0.7 million in 2022 Q4. The lower revenue and profit before tax for 2023 Q1 compared to 2022 Q4 were due to decreased demand from the existing internal and external customers.

The wood processing segment registered RM5.8 million in revenue and profit before tax of RM0.4 million for 2023 Q1 compared with revenue of RM7.4 million and loss before tax of RM1.3 million in 2022 Q4. The lower revenue and higher profit before tax in 2023 Q1 were due to the deemed disposal as described in Note A11.

The renewable energy segment contributed RM2.3 million in revenue and profit before tax of RM0.3 million for 2023 Q1 compared with revenue of RM2.6 million and profit before tax of RM0.6 million in 2022 Q4. The lower revenue and profit before tax for 2023 Q1 were due to lower offtake by the customers and an insurance claim received in 2022 Q4.

The construction segment registered RM6.8 million in revenue and profit before tax of RM1.2 million for 2023 Q1 compared with revenue of RM6.9 million and profit before tax of RM3.1 million in 2022 Q4. The lower profit before tax in 2023 Q1 compared to 2022 Q4 was due to higher construction cost incurred in 2023 Q1 and higher profit contribution following the completion of certain projects in 2022 Q4.

The share of profit from joint venture company for 2023 Q1 was RM0.7 million compared to a loss of RM0.1 million in 2022 Q4. This was due to higher export sales from the Malaysian joint venture company in 2023 Q1.

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B3. Current Year Prospects

The global economy continues to be challenging and uncertain due to the on-going COVID-19 pandemic, inflation, the Russia-Ukraine war and strict containment measures against COVID-19 in China. All of these have led to cost inflation for global businesses and a reduction in global economic growth.

The Malaysian economy grew at a faster pace, driven by strong domestic demand and continued improvements in the labour market. However, the implementation of the minimum wage with effect from 1 May 2022 increased the costs of raw materials and labour for local businesses.

The furniture segment remains the Group's core business. The increasing production costs (especially raw material and labour cost) and sluggish order from customers faced by the Group 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		
Continuing operations		
– Income Tax	1,619	1,619
– Deferred Tax	<u>2</u>	<u>2</u>
	<u>1,621</u>	<u>1,621</u>
Discontinued operations		
– Income Tax	122	122
– Deferred Tax	-	-
	<u>122</u>	<u>122</u>
Total tax charges for continuing and discontinued operations	<u>1,743</u>	<u>1,743</u>

The Group's effective tax rate in the current quarter is lower than the statutory tax rate due to non-taxable income from the gain on deemed disposal of a subsidiary and utilisation of tax losses brought forward by some of the Malaysian subsidiary companies.

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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 October 2022 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Hire purchase liabilities – RM	360	683	1,043
Secured banker acceptance – RM	2,090	-	2,090
Secured term loan – RM	3,005	7,178	10,183
Total	5,455	7,861	13,316

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	193	193
- Other income including investment income	5,949	5,949
- Interest expense	(170)	(170)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,610)	(2,610)
- Gain on disposal on property, plant and equipment	7	7
- Foreign exchange gain	314	314
- Loss on derivatives	(416)	(416)
- Impairment loss on receivables	(1)	(1)
- Reversal of write down of inventories	191	191

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

- impairment of assets
- exceptional items

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B10. Dividend

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

B11. Basic Earnings Per Share (EPS)

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
Profit/(Loss) after tax and minority interest (RM'000)				
- Continuing operations	10,088	3,143	10,088	3,143
- Discontinued operations	228	(150)	228	(150)
	<u>10,316</u>	<u>2,993</u>	<u>10,316</u>	<u>2,993</u>
Weighted average number of ordinary shares in issue ('000)	268,733	268,733	268,733	268,733
Basic EPS (sen)				
- Continuing operations	3.75	1.17	3.75	1.17
- Discontinued operations	0.09	(0.06)	0.09	(0.06)
	<u>3.84</u>	<u>1.11</u>	<u>3.84</u>	<u>1.11</u>

For comparative purpose, the earnings per share for the preceding year corresponding quarter and preceding year to date ended 31 October 2022 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 13 December 2022.