

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 and cumulative period ended 31 January 2023.

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 2023.

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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 period ended 31 January 2023.

As at 31 January 2023, the number of treasury shares held was 5,766,600 ordinary shares.

A7. Dividend Paid

During the quarter, the Company paid a final single tier dividend of 4 sen per ordinary share amounting to RM10,749,000 in respect of the financial year ended 31 July 2022 on 30 December 2022.

A8. Segment Reporting

The segmental information of the Group for the financial year to-date 31 January 2023 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	-	60,692	16,334	2,554	5,199	13,179	346	20,639	95	-	119,038
Inter-Co sales	11,412	106	2,658	8,999	-	-	1,378	191	-	(24,744)	-
Total revenue	11,412	60,798	18,992	11,553	5,199	13,179	1,724	20,830	95	(24,744)	119,038
Results											
Segment result	12,815	10,351	530	39	888	1,548	253	1,037	(15)	(10,819)	16,627
Interest income	46	288	68	2	-	3	7	62	-	(6)	470
Finance costs	(49)	(93)	(111)	(38)	(58)	(28)	-	(83)	(3)	91	(372)
	12,812	10,546	487	3	830	1,523	260	1,016	(18)	(10,734)	16,725
Add: Share of profit of joint venture											314
Profit before tax											17,039
Assets											
	36,944	109,053	33,679	25,207	8,742	24,815	29,456	41,259	1,476	(34,788)	275,843
Add: Investment in joint venture											11,029
Total Assets											286,872
Total Liabilities	23,234	18,782	8,376	11,328	4,341	14,477	25,847	6,812	228	(35,109)	78,316

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A8. Segment Reporting (cont'd)

Geographical segment

	Malaysia RM'000	Indonesia RM'000	Total RM'000
Profit/(Loss) before tax	18,396	(1,357)	17,039

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 and cumulative period ended 31 January 2023.

A10. Subsequent Events

- i. On 27 December 2022, the Company has entered into a Share Purchase and Subscription Agreement ("Agreement") between Microban (M) Sdn Bhd ("MMSB") and the Company's 90% subsidiary, Jaycorp Green Energy Sdn Bhd ("JGESB").

MMSB is to acquire 1,000,000 ordinary shares of JGESB, representing 20% equity interest in JGESB from the Company for RM4 million. MMSB is also further subscribing an additional 830,195 newly issued ordinary shares from JGESB ("Subscription Shares"), representing a further 10% equity interest in JGESB for RM2 million subject to the terms and conditions of the Agreement.

On 22 February 2023, MMSB has been allotted and issued with the Share Sale and Subscription Shares in JGESB, consequently JGESB becomes a 60%-owned subsidiary of Jaycorp.

- ii. On 10 February 2023 and 15 February 2023, the Company announced that on 2 February 2023 had accepted rights issue of up to 685,027 new ordinary shares in PT Tiga Mutiara Nusantara ("PTTMN") on the basis of one (1) rights share for every two (2) shares held at a consideration of USD685,027, and that the total shareholding of Jaycorp held in PTTMN increased from 671,160 to 1,356,187 ordinary shares i.e. 62.30% in the total equity shareholdings of PTTMN. Despite Jaycorp holding 62.30% in PTTMN, PTTMN remains a joint venture company due to the terms and conditions in the Joint Venture Agreement.
- iii. On 22 March 2023, the Company announced that it has fully transferred 600,000 ordinary shares ("Sale Shares") which comprised 60% of the total issued and paid-up share capital of Digital Furniture Sdn Bhd ("Digital Furniture") to the Purchasers. Jaycorp has received the final installment payment which has been satisfied and paid in full on 2 March 2023. Accordingly, the Company no longer holds equity interest in Digital Furniture.

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.

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A12. Capital Commitments

Capital commitments at 31 January 2023 were as follows:-

	RM'000
Property, plant and equipment	<u>1,176</u>

A13. Changes in Contingent Liabilities or Contingent Assets

a. Contingent Liabilities

Unsecured

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

Company
At 31 January 2023
RM'000

121,260

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	300	597
– Rental income – office building	5	10
– Sales of carton box	725	1,327
– Sales of kitchen cabinet and bathroom vanity cabinet	<u>14,762</u>	<u>32,934</u>
– Purchase of furniture part, board material and hardware	5,125	8,727
– Purchase of rubber wood and furniture part	1,667	2,693
– Subcontract work of furniture parts	28	28
– Rental payment – office building	23	45
– Rental payment – staff hostel	<u>6</u>	<u>11</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 Q2	2022 Q2		2023 Q2	2022 Q2	
	RM'000	RM'000	RM'000	RM'000		
Investment holding	11,081	7,720	43.54%	11,412	8,050	41.76%
Furniture	41,919	65,148	-35.66%	81,628	107,950	-24.38%
Packaging	9,199	16,078	-42.79%	18,992	29,168	-34.89%
Wood processing	5,707	12,375	-53.88%	11,553	23,610	-51.07%
Renewable energy	2,853	1,892	50.79%	5,199	3,908	33.03%
Construction	6,355	5,140	23.64%	13,179	8,005	64.63%
Others	893	1,160	-23.02%	1,819	2,145	-15.20%
Consolidation adjustments	(17,746)	(18,378)		(24,744)	(28,670)	
Total	60,261	91,135	-33.88%	119,038	154,166	-22.79%

Profit/(Loss) Before Tax	Current Quarter			Year To-date		
	Current Quarter	Preceding Year Corresponding Quarter	Changes	Current Year	Preceding Year	Changes
	2023 Q2	2022 Q2		2023 Q2	2022 Q2	
	RM'000	RM'000	RM'000	RM'000		
Investment holding	8,168	6,811	19.92%	12,812	6,298	103.43%
Furniture	6,547	6,409	2.15%	11,562	8,702	32.87%
Packaging	274	1,510	-81.85%	487	2,880	-83.09%
Wood processing	(392)	(176)	-122.73%	3	(298)	101.01%
Renewable energy	529	(80)	761.25%	830	172	382.56%
Construction	357	449	-20.49%	1,523	589	158.57%
Others	126	274	-54.01%	242	380	-36.32%
Consolidation adjustments	(10,744)	(7,372)		(10,734)	(7,353)	
Share of (loss)/profit of joint venture	(411)	(145)	-183.45%	314	117	168.38%
Total	4,454	7,680	-42.01%	17,039	11,487	48.33%

The Group registered revenue of RM60.3 million for 2023 Q2 compared to revenue of RM91.1 million in 2022 Q2. Profit before tax for 2023 Q2 was RM4.5 million compared to profit before tax of RM7.7 million for 2022 Q2.

The investment holding segment consists of the holding company's results which include dividend income and management fees received from subsidiaries. The revenue and profit before tax for 2023 Q2 were higher compared with 2022 Q2 mainly due higher 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 RM41.9 million and RM6.5 million in revenue and profit before tax respectively for 2023 Q2. Comparatively, revenue and profit before tax for 2022 Q2 were RM65.1 million and RM6.4 million respectively. The revenue for 2023 Q2 was lower than 2022 Q2 due to decreased demand from local customers and the North American market. Despite lower revenue, the profit before tax for 2023 Q2 was higher than 2022 Q2 due to the strengthening of United States Dollar (USD) against Malaysian Ringgit (MYR) and improved operational efficiency.

The packaging segment contributed RM9.2 million in revenue and profit before tax of RM0.3 million for 2023 Q2 compared with revenue of RM16.1 million and profit before tax of RM1.5 million in 2022 Q2. The revenue and profit before tax in this segment were lower than 2022 Q2 due to lower demand from existing internal and external customers.

The wood processing segment registered RM5.7 million in revenue and loss before tax of RM0.4 million for 2023 Q2 compared with revenue of RM12.4 million and loss before tax of RM0.2 million in 2022 Q2. The lower revenue in 2023 Q2 was due to the deemed disposal as described in Note A11 and lower inter-company sales to the furniture segment. The higher loss before tax in 2023 Q2 was due to lower revenue and higher write down of inventories.

The renewable energy segment contributed RM2.9 million in revenue and profit before tax of RM0.5 million for 2023 Q2 compared with revenue of RM1.9 million and loss before tax of RM0.1 million in 2022 Q2. The higher revenue and profit before tax in 2023 Q2 were due to higher offtake by customers. This segment secured an additional customer in 2023 Q2.

The construction segment registered RM6.4 million in revenue and profit before tax of RM0.4 million for 2023 Q2 compared with revenue of RM5.1 million and profit before tax of RM0.4 million in 2022 Q2. The revenue in this segment was higher than 2022 Q2 due to higher progress billings from existing and new projects. Despite higher revenue, the profit before tax was lower due to the decrease in overall construction margin.

The share of loss from the joint venture company increased from of RM0.1 million in 2022 Q2 to RM0.4 million in 2023 Q2 due to the Indonesian joint venture company still experiencing a learning curve as it seeks to achieve production consistency.

B2. Quarterly Analysis

Revenue	Current Quarter	Immediate Preceding Quarter	Changes
	2023 Q2	2023 Q1	
	RM'000	RM'000	
Investment holding	11,081	330	3257.88%
Furniture	41,919	39,710	5.56%
Packaging	9,199	9,793	-6.07%
Wood processing	5,707	5,845	-2.36%
Renewable energy	2,853	2,346	21.61%
Construction	6,355	6,825	-6.89%
Others	893	926	-3.56%
Consolidation adjustments	(17,746)	(6,998)	
Total	60,261	58,777	2.52%

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B2. Quarterly Analysis (cont'd)

Profit/ (Loss) Before Tax	Current Quarter	Immediate Preceding Quarter	Changes
	2023 Q2	2023 Q1	
	RM'000	RM'000	
Investment holding	8,168	4,644	75.88%
Furniture	6,547	5,015	30.55%
Packaging	274	214	28.04%
Wood processing	(392)	395	-199.24%
Renewable energy	529	301	75.75%
Construction	357	1,166	-63.38%
Others	126	115	9.57%
Consolidation adjustments	(10,744)	10	
Share of profit/(loss) of joint venture	(411)	725	-156.69%
Total	4,454	12,585	-64.61%

The Group recorded revenue of RM60.3 million and profit before tax of RM4.5 million for 2023 Q2 compared to 2023 Q1 revenue and profit before tax of RM58.8 million and RM12.6 million respectively. The lower profit before tax was mainly due to a gain on deemed disposal of subsidiary of RM5.1 million in 2023 Q1. However, after obtaining the revalued share price from an independent valuer, there was a reversal of gain on deemed disposal of subsidiary of RM2.1 million in 2023 Q2.

For the investment holding segment, the revenue and profit before tax for 2023 Q2 were higher than 2023 Q1 as dividends were declared by subsidiaries in 2023 Q2. This segment result will be offset by the consolidation adjustments.

The furniture segment recorded RM41.9 million and RM6.5 million in revenue and profit before tax respectively for 2023 Q2. Comparatively, revenue and profit before tax for 2023 Q1 were RM39.7 million and RM5.0 million respectively. The revenue for 2023 Q2 was higher than 2023 Q1 due to increased demand from the Asian market. The profit before tax for 2023 Q2 was higher than 2023 Q1 due to higher revenue and improved operational efficiency.

The packaging segment contributed RM9.2 million in revenue and profit before tax of RM0.3 million for 2023 Q2 compared to revenue of RM9.8 million and profit before tax of RM0.2 million in 2023 Q1. The lower revenue for 2023 Q2 compared to 2023 Q1 was due to decreased demand from the existing external customers. Despite lower revenue, the profit before tax was higher due to a decrease in upkeep expenses.

The wood processing segment registered RM5.7 million in revenue and loss before tax of RM0.4 million for 2023 Q2 compared with revenue of RM5.8 million and profit before tax of RM0.4 million in 2023 Q1. The lower profit before tax in 2023 Q2 was due to lower inter-company sales to the furniture segment, write down of inventories and payment of bonuses.

The renewable energy segment contributed RM2.9 million in revenue and profit before tax of RM0.5 million for 2023 Q2 compared with revenue of RM2.3 million and profit before tax of RM0.3 million in 2023 Q1. The higher revenue and profit before tax for 2023 Q2 were due to higher offtake by customers. This segment secured an additional customer in 2023 Q2.

The construction segment registered RM6.4 million in revenue and profit before tax of RM0.4 million for 2023 Q2 compared with revenue of RM6.8 million and profit before tax of RM1.2 million in 2023 Q1. The lower revenue and profit before tax in 2023 Q2 compared to 2023 Q1 were due to lower progress billings from existing projects and a decrease in overall construction margins.

The share of loss from joint venture company for 2023 Q2 was RM0.4 million compared to a profit of RM0.7 million in 2023 Q1. This was due to lower export sales from the Malaysian joint venture company and the Indonesian joint venture company is still experiencing a learning curve as it seeks to achieve production consistency.

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B3. Current Year Prospects

The global economy continues to be challenging and uncertain due to the prolonged on-going conflict between Russia and Ukraine along with rising costs and interest rate hikes in major economies to manage inflationary pressure. All of these have led to a slowdown in global economic growth.

In 2022, the Malaysian economy grew at a faster pace, driven by strong domestic demand and continued improvements in the labour market. However, growth is expected to moderate in 2023 amid a slowing global economy.

The furniture segment remains the Group's core business. The increasing production costs and sluggish orders 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	1,750	3,370
– Deferred Tax	2	4
	1,752	3,374
Discontinued operations		
– Income Tax	122	244
– Deferred Tax	-	-
	122	244
Total tax charges for continuing and discontinued operations	1,874	3,618

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 certain loss-making subsidiaries in Malaysia.

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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 January 2023 are summarised as below:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Higher purchase liabilities	286	910	1,196
Secured banker acceptance	2,008	-	2,008
Secured term loan	3,027	7,350	10,377
Total	5,321	8,260	13,581

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	277	470
- Other (expenses)/income including investment income	(1,117)	4,832
- Interest expense	(202)	(372)
- Depreciation on property, plant and equipment, investment properties and right-of-use assets	(2,698)	(5,308)
- Gain on disposal on property, plant and equipment	-	7
- Foreign exchange loss	(1,662)	(1,348)
- Gain on derivatives	1,004	588
- Reversal of impairment loss on receivables	6	5
- Write down of inventories	(239)	(48)

Save as disclosed above, the following items are not applicable to the Group for the second financial quarter ended 31 January 2023:-

- impairment of assets
- exceptional items

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B10. Dividend

The directors declare a first single tier interim dividend of 2 sen per ordinary share in respect of the financial year ending 31 July 2023 and shall be payable on 20 April 2023. The entitlement date for the said dividend shall be 6 April 2023.

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)				
- Continuing operations	2,099	5,094	12,187	8,238
- Discontinued operations	255	366	452	216
	<u>2,324</u>	<u>5,460</u>	<u>12,639</u>	<u>8,454</u>
Weighted average number of ordinary shares in issue ('000)	268,733	268,733	268,733	268,733
Basic EPS (sen)				
- Continuing operations	0.78	1.89	4.53	3.07
- Discontinued operations	0.08	0.14	0.17	0.08
	<u>0.86</u>	<u>2.03</u>	<u>4.70</u>	<u>3.15</u>

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 22 March 2023.