



14 December 2023

MR. DEVANESAN EVANSON

Chief Executive Officer

MINORITY SHAREHOLDER WATCHDOG GROUP ("MSWG")

Level 23-2, Menara AIA Sentral,
30, Jln Sultan Ismail,
50250 Kuala Lumpur.

Dear Sirs,

**RE: 25th ANNUAL GENERAL MEETING ("AGM") OF JAYCORP BERHAD
("JAYCORP").**

We refer to the above and to your letter dated 5 December 2023.

We append below the answers and reply to all the issues raised: -

Operational & Financial Matters

- 1) The revenue and segment results in the Furniture Segment decreased from RM213.3 million and RM23.5 million in FY2022 to RM147.2 million and RM19.0 million in FY2023 respectively. The Group will continue to focus on cost control, explore new markets, and develop new products to achieve better profits and business. (Pages 18 & 21 of AR2023).
 - a) The sales to one of the key markets - North America decreased by 55% as compared to the previous financial year. Given the sluggish order in North America, what are the potential markets that the Group can practically explore?

Response:

Despite the projected temporary decrease in sales for the North American market, the Group is diligently exploring potential expansion into new markets like Canada and the Middle East. Furthermore, efforts are underway to develop novel e-commerce and online-focused products to drive sales growth within existing markets and customer groups.

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- b) What were the cost control initiatives taken by the Group? Please elaborate on the result of these initiatives in FY2023?

Response:

The Group implemented cost-control measures targeting labour productivity, raw material usage, and overhead reduction. These initiatives ensured the Group's profitability was sustained even amidst a 27% revenue decrease in FY2023.

- 2) The disposal of Digital Furniture Sdn Bhd ("DFSB") for RM22.5 million was completed by March 2023. The principal activities of DFSB are manufacturing and trading of furniture and furniture parts. (Page 5 of AR2023).

- a) Following the disposal of DFSB, what is the impact on the Group's production capacity in term of percentage?

Response:

The disposal of DFSB, a subsidiary contributing 3% to the Group's FY23 profit after tax, is estimated to reduce the Group's overall production capacity by 12%.

- b) What is the current production capacity and utilisation rate for finished furniture products?

Response:

Production is currently running at an estimated 60% of full capacity.

- 3) In 2016, the Group upped its stake in its associate Jaycorp Engineering & Construction Sdn Bhd (JECSB) to 60% in a bid to diversify its business into engineering, construction and property development. The construction segment contributed revenue of RM24.2 (or 12% of the total revenue) in FY2023. However, there is no operational information on the Construction Segment on the Group's website and only limited information was presented in the Annual Report 2023.

- a) Please provide insight into the Construction Segment. (i.e., scope provided, customers profile, completed projects since 2016, competitive advantages, future direction/ development, etc)

Response:

List of completed projects since 2016:

No.	Client	Project
1.	Solid Destiny Sdn Bhd	Construction of a 7-storey shop cum office at Likas, Kota Kinabalu, Sabah known as the Spinnaker SOVO Suite at Likas Bay
2.	Fulcrum Capital Sdn Bhd	Construction of the 1-Storey Azman Hashim Gallery and Auditorium at University Malaysia Sabah
3.	CPCI MM Consortium Sdn Bhd	Provide project management and consulting services for design and build for development of Estate Workers' Housing and 6-Door Single Storey Terrace House
4.	Yayasan Azman Hashim	Cadangan Merekabentuk dan Menyiapkan sebuah Utility Deck dan Tandas di Galeri Azman Hashim for University Malaysia Sabah
5.	Pemborong Am Kuala Penyu	Cadangan Kerja-Kerja Pembaikan 24 units Kuarters di SESB Tanjung Aru, Kota Kinabalu
6.	Syarikat GVC Indah Sdn Bhd	Pembinaan Makmal Komputer Sabah (Menyiapkan Baki Kerja Bagi 37 Makmal Komputer)
7.	Daniya Corporation	Pembinaan Bangunan Gantian Penuh 6 Bilik Darjah, Blok Pentadbiran, Bilik Sains, Kantin, 6 unit Tandas dan lain lain kemudahan berkaitan di SK Mangkapon, Pitas, Sabah
8.	Borneo Sapphire Sdn Bhd	Phase 2 Major Refurbishment Works for Staff Quarters at SESB Tawau

Competitive Advantages of Construction Segment:

Experienced Management Team: The construction segment benefits from a team with extensive experience and expertise in the industry.

Diversified Project Portfolio: The segment's ability to design, build, and manage various construction projects, including buildings, civil works, and infrastructure, demonstrates its versatility and adaptability.



Strong Network and Collaborations: Established partnerships with subcontractors, suppliers, clients, and consultants enable the segment to offer innovative and cost-effective solutions throughout the construction process.

Proven Track Record and Compliance: The segment's successful completion of government projects highlights its ability to comply with client, stakeholder, and local authority requirements within contractual obligations.

Future Directions and Developments:

Potential Land Development: The Group owns land ("the Bongawan Land") with potential for development of resorts, residential properties, and tourism-related infrastructure, offering future growth opportunities.

Active Tender Participation: The segment actively participates in government and private tenders in Sabah, expanding its project portfolio and market reach.

Continuous Improvement and Learning: The construction segment prioritizes continuous improvement through technological advancements and learning from past experiences to accelerate projects, reduce errors, delays, and costs.

Property Development Expansion: The Group plans to expand its business into the property development sector, diversifying its portfolio and creating new revenue streams.

- b) What is the current outstanding orderbook and how long is the outstanding orderbook expected to last?

Response:

As at October 2023, the current orderbook is RM45 million and expected to last for 2 years.

- c) What is the order book replenishment target for FY2024?

Response:

No FY2024 target has been set, but active project bidding will continue.

- d) Are there any liquidated and ascertained damages imposed on the Group in FY2023?

Response:

No.

Sustainability Matters

- 4) The Group recognised that labour shortage is a known risk that could affect the Group's operations and production capacity. In FY23, the employee turnover rate was at 17% (234 resigned employees) as compared to 20% in FY22 (324 resigned employees), mainly from voluntary resignations such as permit expiration of foreign workers and pursuing other job opportunities. (Pages 19 & 32 of AR2023).

What is the Group's plan or initiative to further improve the employee turnover rate, especially retaining skilled foreign workers to minimise the impact of the risk of labour shortage?

Response:

The Group is addressing employee turnover through:

- **Actively recruiting local talent by offering competitive wages and additional benefits.**
- **Continuously evaluating the implementation of practical automation solutions in relevant manufacturing processes.**

Thank you.

Yours faithfully,
For and on behalf of **JAYCORP BERHAD**

- SIGNED -

MUAZ JEMA KHAN
EXECUTIVE DIRECTOR