12 December 2024

MR. ISMET YUSOFF
Chief Executive Officer
MINORITY SHAREHOLDER WATCHDOG GROUP ("MSWG")
Level 23-2, Menara AIA Sentral,
30, Jln Sultan Ismail,
50250 Kuala Lumpur.

Dear Sirs,

RE: 26TH ANNUAL GENERAL MEETING ("AGM") OF JAYCORP BERHAD ("JAYCORP").

We refer to the above and to your letter dated 10 December 2024.

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

A. OPERATIONAL & FINANCIAL MATTERS

1. Financial performance

Financial		2020	2021	2022	2023	2024
1.	Revenue (RM'000)	309,348	353,034	305,691	222,735	**194,416**
2.	Profit before taxation (RM'000)	24,928	37,994	30,196	26,339	**19,327**
3.	Profit after taxation (RM'000)	16,831	28,490	21,387	20,729	**13,566**

(Page 16 of the Annual Report (AR) 2024/ AR 2024)

a) As reported above, Jaycorp's top and bottom lines have declined since FY21. How do the Board and management intend to address the declining trend in top- and bottom-line financial performance, which for FY24 alone was impacted by the overall decline in demand from the Asian and European markets as well as the local market and the disposal of a subsidiary in March 2023 (Page 16 of AR 2024)?

Response:

Jaycorp operates in a highly uncertain global and local market environment. To drive growth, the Group will participate in global exhibitions, explore new markets, and engage closely with customers to understand trends, foster innovation, and develop tailored products. We also intend to develop direct-to-consumer products with higher margins to enhance sales and profitability.

b) What is the latest outlook for the Group's business in FY25?

Response:

The outlook for FY25 remains challenging, driven by sluggish customer orders and an impending increase in the minimum wage to RM1,700 from 1 February 2025, which will raise labour, raw material, and other business costs. The Group will focus on cost control, market expansion, and product development to drive growth and profitability.

2. Share of post-acquisition (loss)/profit of joint ventures

The Group recorded a share of post-acquisition loss of RM1.37 million from its investment in joint ventures in FY24 compared to a share of post-acquisition profit of RM0.45 million in FY23 (Page 76 of AR 2024).

a) What factors led to the share of post-acquisition loss in these joint ventures i.e. Honsoar Jaycorp Cabinetry Sdn Bhd and PT Tiga Mutiara Nusantara?

Response:

Honsoar Jaycorp Cabinetry Sdn Bhd ("HJCSB") incurred losses as its new production line remains in the start-up phase and has yet to achieve profitability. PT Tiga Mutiara Nusantara ("PTTMN") also reported losses due to foreign exchange losses and increased inventory write-downs.

b) What is the current performance of these joint ventures?

Response:

In Q1 FY25, HJCSB continued to incur losses on its two new operation lines, while PTTMN achieved profitability.

c) What is the outlook for these joint ventures? Does the Board expect to record a share of post-acquisition profit or another loss in FY25?

Response:

The outlook for these joint ventures remains positive. The Group will boost shipments, monitor and control cost to sustain profitability in FY25.

3. <u>Bad debts written off</u>

There was a bad debts written off of RM1.28 million recorded in FY24 (FY23: Nil) (Page 106 of AR 2024)

a) What are these bad debts related to?

Response:

The debt pertains to a long-standing US customer who had been conducting business with one of the subsidiaries for over a decade. Unfortunately, the customer encountered financial difficulties and defaulted on their repayment obligations.

b) What actions have been taken to recover the said amount prior to writing off?

Response:

We made numerous attempts to recover the debt, including multiple calls, emails, and meetings with the customer to discuss repayment options. Additionally, we sought legal advice to explore potential remedies. Despite these efforts, the Group ultimately determined that writing off the debt was the most prudent course of action.

4. To remain competitive, the Group remains focused on cost control (including sourcing of raw materials) and operational efficiency. The Group also continues to explore new markets and invest in research and development (R&D) in order to meet ever changing consumer tastes (Page 19 of AR 2024).

a) Apart from sourcing raw materials, which cost component becomes a focus in the cost control exercise? What targeted cost savings can be realised without undermining JayCorp's product quality and customers' expectations?

Response:

Apart from sourcing raw materials, workforce efficiency and labor costs are key areas of focus in our cost control exercise. By enhancing productivity and minimizing unnecessary expenses, we aim to achieve targeted cost savings without compromising the quality of our products

b) What measures are currently being undertaken to enhance operational efficiency?

Response:

The Group is focused on enhancing operational efficiency by maximizing the usage of raw materials and improving labor efficiency. These measures aim to reduce waste, optimize resource allocation, and improve productivity to maintain high-quality standards.

c) What is the update on exploring new markets for the furniture segment? Has the Group found any new markets? If so, what are these markets, and what are their attractiveness to the Group's business?

Response:

The furniture segment has successfully attracted new customers from previously untapped markets. While the current sales volumes are still modest, the Group sees significant growth potential in these markets for the future. These regions offer promising opportunities for expanding sales and enhancing the Group's business prospects.

d) What is the update on investment in R&D for the furniture segment? Are there any R&D breakthroughs? If so, what are those breakthroughs? What is the Group's R&D budget requirement for the next two financial years?

Response:

The Group recognizes the importance of research and development (R&D) in driving growth within the furniture segment. Currently, progress is constrained as efforts are focused on supporting customer samples. However, the Group remains committed to innovation. Although a dedicated R&D budget has not yet been established, it will be allocated when the time is right to support significant advancements in product innovation.

B. SUSTAINABILITY MATTERS

5. Emission contributed

Emission Type	Locations	FY24 (tCO2e)	FY23 (tCO2e)	FY22 (tCO2e)
Direct GHG Emission (Scope 1)	Overall	988	847	1,087
Indirect GHG Emission (Scope 2)	Malaysia	4,569	4,190	4,830
	Indonesia	5,049	3,034	4,765
	Overall	9,618	7,224	9,595
Total GHG Emissions		10,606	8,071	10,682

(Page 33 of AR 2024)

As shown above, indirect GHG Emission (Scope 2) for Malaysia and Indonesia have increased year-on-year.

a) The indirect GHG Emission (tCO2e) from both countries especially Indonesia has increased significantly from 3,034 in FY23 to 5,049 in FY24, representing an increase of 66.41%. What are the current efforts taken by the Company to reduce Scope 2 emissions?

Response:

The Indonesian Company's Scope 2 emissions increased significantly by 66.41% as their production output was increased significantly which can be seen as the revenue increased by nearly 125.60% in FY24 compared to FY23. Despite the increase, the Company remains committed to reducing Scope 2 emissions. Current efforts include adopting energy-efficient technologies and practices, such as using LED lighting, controlling lighting usage during the day, switching off lights and air-conditioning during rest periods and after working hours, and upgrading machines, computers, and laptops with power-saving features.

b) The Company has yet to establish an emission management framework and program, and hence, the group does not have specific targets or roadmaps for achieving emission reduction (page 33 of AR 2024). When will the Company establish targets and timeline for emission reduction?

Response:

The Group is currently analyzing all sustainability data to ensure that the process of setting targets and timelines for emission reduction is reliable and achievable. As such, we cannot yet confirm the exact timeline for when targets will be established.

C. CORPORATE GOVERNANCE MATTERS

6. Board meeting attendance

We noted that Ms. Nadja binti Jema Khan, Non-Independent Non-Executive Director of the Company, attended three (3) out of five (5) or 60% Board meetings held in the financial year 2024 (Page 49 of AR 2024).

What were the reasons for her absence from the other two Board meetings? Please explain.

Response:

Ms Nadja was unwell on the days of the board meeting.

7. Practice 5.10 of MCCG states that the board discloses in its annual report the company's policy on gender diversity for the board and senior management.

The Company's response: Departure. The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workplace. (Page 31 of CG Report 2024).

MSWG's comment: We urge the Company to develop a gender diversity policy for the board and senior management and disclose it in its annual report. A clear and committed approach to gender diversity is vital for fostering an inclusive corporate culture that reflects diverse perspectives.

Response:

Noted MSWG's comment.

Thank you.

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

- SIGNED -

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