12 December 2025

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: 27TH ANNUAL GENERAL MEETING ("AGM") OF JAYCORP BERHAD ("JAYCORP").

We thank the Minority Shareholders Watch Group for their letter dated 5 December 2025. We value this engagement and are pleased to provide the following responses to the points raised.

A. OPERATIONAL & FINANCIAL MATTERS

1. Financial performance

Financial	2021	2022	2023	2024	2025
1. Revenue (RM'000)	353,034	305,691	222,735	194,416	**163,658**
2. Profit before taxation (RM'000)	37,994	30,196	26,339	19,327	**3,874**
3. Profit/(Loss) after taxation (RM'000)	28,490	21,387	20,729	13,566	**(70)**

(Page 16 of the Annual Report (AR) 2025).

As shown above, the Group reported a declining trend in both top and bottom-line results since 2021.

Given this alarming situation, what immediate steps has the Group taken to reverse this trend for FY2026??

Response:

The Board acknowledges that these are the worst results in the Group's history. The Board and Management accept full responsibility for these results. While external market conditions were undeniably challenging, we continue to critically evaluate our internal operations to identify where we can and must do better.

To reverse this trend, we are taking the following immediate steps:

- **Furniture Segment:** We are urgently improving internal processes and efficiency, specifically within the sofa, cabinetry and wood processing divisions. Simultaneously, we are placing greater focus on non-US customers to mitigate tariff impacts while waiting for the trade environment to stabilize. We are also working to improve sales and marketing synergy between all production units and exploring direct-to consumer channels.

- **Construction Segment:** This non-core segment has performed poorly. We are placing significant pressure on the division's management to rectify project costing calculations and reduce operating costs immediately. Our priority is to reduce losses by enforcing strict accountability and rigorous controls over project budgets and schedules.

- **Malaysian Joint Venture (Cabinetry Export):** This unit also underperformed. As our JV partner is responsible for sales and marketing, we are pressing them to drastically improve order forecasting and secure the necessary volume to reduce inventory levels and restore profitability

- **Renewable Energy:** This segment has performed well and remains a bright spot. We will continue to manage it prudently to ensure it remains a steady contributor to the Group while the expansion project is underway.

2. Furniture Segment

   a) US Tariff Exposure and Impact

   What was the financial impact of the US tariff exposure on the Group's performance in FY2025? Can the Group quantify the expected full-year impact for FY2026 arising from the tariff exposure, and if so, what is the anticipated financial impact on revenue, margins, and overall profitability?

   Response:

   It is difficult to provide a precise quantitative forecast for FY2026 due to the extreme fluidity of the trade environment. Tariff rates have fluctuated significantly and remain unpredictable. This instability creates uncertainty for our customers, causing them to defer purchasing decisions to avoid committing to prices prematurely. Furthermore, the recent strengthening of the Ringgit poses an additional challenge for the entire Malaysian export sector, impacting our price competitiveness relative to regional peers. While tariff rate shifts could theoretically present opportunities in specific scenarios, the overriding impact is a delay in orders until clarity emerges. To manage this, we are directing more effort into other markets to reduce our exposure while waiting for the US trade policy to clarify and stabilize.

b) In response to the 14.8% revenue decline, the Group has highlighted strategic marketing, continuous product innovation, operational efficiency, and stringent cost control to restore performance in this segment (Page 14 of AR 2025).

i. Can the Company provide more detail on the specific initiatives under strategic marketing and continuous product innovation aimed at restoring revenue in this segment?

Response:

Our strategic marketing and product innovation efforts are designed to strengthen our market presence and maintain the relevance of our offerings. Marketing is focused on deepening relationships with existing major clients, maximizing our impact at trade exhibitions, and securing new distribution partners in untapped regions. Product innovation prioritizes modernizing designs and enhancing utility to meet proven consumer needs. We are also driving the integration of sales and marketing across all production units to enable cross-selling and deliver complete solutions that span bedroom, living, dining, and kitchen categories.

ii. What measures are being implemented to improve operational efficiency and control costs, and what is the expected impact on the segment margin?

Response:

We are restructuring our production processes to control costs. This involves outsourcing labour-intensive work to reliable subcontractors, allowing us to manage our fixed labour costs more effectively. Internally, we are investing in machinery upgrades to enhance efficiency. We hope that these measures will help to defend our margins against the rising cost of raw materials and the statutory minimum wage increase.

3. The packaging segment saw a 16.2% drop in revenue, largely due to reduced demand from Malaysian furniture exporters, key customers for this segment. Efforts to diversify the customer base by targeting other industries are ongoing, but progress has been gradual, given the challenges of entering established markets with entrenched competitors and varying product requirements (Page 14 of AR 2025).

a) What specific progress has been made in customer diversification beyond the furniture industry, and what percentage of packaging revenue now comes from non-furniture customers?

Response:

Diversification is ongoing but progress is gradual due to high entry barriers and established competitors in other sectors. The furniture industry remains our primary revenue contributor. Non-furniture customers now represent approximately 8% of overall packaging revenue. We are committed to growing our non-furniture base to reduce concentration risk.

b) Has the Group considered alternative strategies such as strategic partnerships, acquisitions, or joint ventures to accelerate entry into new markets, rather than relying solely on organic growth? If yes, which approach is considered most suitable for the Group in targeting the non-furniture sectors and why?

Response:

We remain open to strategic partnerships if they present a clear value proposition. Currently, our focus is on organic improvements, including upgrading machinery to improve efficiency. For long-term expansion, we hold a strategic site at Muar Furniture Park, acquired to secure future capacity. Development there will remain gradual, and we will activate this asset when market conditions justify the investment.

4. The renewable energy segment delivered exceptional 42.2% revenue growth and appears to be the Group's strongest performing division, while the traditional furniture and packaging segments declined notably. With global focus intensifying on green technologies and sustainability, the Group remains confident in the segment's long-term growth prospects (Pages 14 and 16 of AR 2025). Considering that the Group secured an Engineering, Procurement, Construction, and Commissioning (EPCC) contract on 18 April 2025 to develop a new biomass boiler system with a capacity of 70 tonnes-per-hour which represents a strategic capacity expansion (Page 14 of AR 2025):

a) What are the revenue growth and EBITDA margins targets for the segment over the next 3–5 years, and indicate how these compare with current segment performance?

Response:

It is premature to provide specific financial targets at this stage. The expansion of our biomass boiler capacity to 70 tonnes per hour is a major project scheduled for completion in FY2027. We will make further announcements regarding the expected financial contribution of this division as the EPCC contract nears completion and we have greater clarity on the prevailing market conditions at that time.

b) What are the key metrics the Group uses to evaluate the expected returns from the biomass project? How are these metrics applied in guiding investment decisions, assessing project viability, and determining the Group's strategy for future capacity expansion within the business?

Response:

We evaluate projects based on secured long-term customer demand against our production capacity. The decision to proceed with the recent expansion was driven by the fact that demand for steam from our industrial partners currently exceeds our existing capacity. We scrutinize metrics such as Internal Rate of Return (IRR) and payback periods to ensure any capital expenditure is backed by solid fundamentals.

Thank you.

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

- SIGNED -

MUAZ JEMA KHAN
EXECUTIVE DIRECTOR