

## AJIYA BERHAD (377627-W)

### Notes to the Financial Statements for the quarter ended 28 February 2018

#### Part A – Explanatory Notes Pursuant to MFRS 134

##### 1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards (MFRS) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and should be read in conjunction with the financial statements of the Group for the year ended 30 November 2017.

##### 2. Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 November 2017, except for the adoption of the following Amendments and Annual Improvements mandatory for the annual financial periods beginning on or after 1 January 2017.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
• MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
• MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
• Annual Improvements to MFRS 2014-2016 Cycle -Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

Adoption of the above Amendments and Annual Improvements did not have any effect on the financial performance or positions of the Company.

##### 3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the year ended 30 November 2017 were not qualified.

##### 4. Seasonality or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

##### 5. Unusual items due to their Nature, Size or Incidence

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence.

##### 6. Material Changes in Estimates

There were no material changes in estimates used in the preparation of the financial statements in the current financial period as compared with the previous financial period or previous year.

**7. Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities**

There have been no other issuance, cancellation, resale and repayments of debt and equity securities except for the shares repurchased and held as treasury shares during the quarter under review as follows:-

	Number of Treasury Shares	Total Consideration (RM)
Repurchased during the quarter	4,454,100	2,650,603

**8. Dividend Paid**

There was no dividend paid during the financial quarter.

**9. Segmental Information**

**a) Operating Segment**

The Group is principally involved in the manufacturing and supply of building materials for the construction industry. Hence, no operating segment information is provided.

**b) Geographical Segment**

	Current quarter 28.02.2018	Year to date 28.02.2018
<u>Revenue</u>	<u>RM'000</u>	<u>RM'000</u>
- Local plant	83,840	83,840
- Overseas plant	<u>6,889</u>	<u>6,889</u>
	<u>90,729</u>	<u>90,729</u>

**10. Material Events Subsequent to the End of Period**

There were no material events subsequent to the period ended 28 February 2018.

**11. Changes in Composition of the Group**

There were no changes in the composition of the Group during the financial quarter.

**12. Capital Commitments**

There were no commitments for the purchase of property, plant and equipment as at 28 February 2018.

**13. Changes in Contingent Liabilities or Contingent Assets**

There were no contingent liabilities/assets in respect of the Group since 30 November 2017.

**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

**14. Review of Performance**

Financial review for the current quarter and financial year to date:-

	Individual Period (1 <sup>st</sup> quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	28.02.2018 RM'000	28.02.2017 RM'000		28.02.2018 RM'000	28.02.2017 RM'000	
Revenue	90,729	93,839	-3.3	90,729	93,839	-3.3
Operating Profit	4,392	15,324	-71.3	4,392	15,324	-71.3
Profit Before Tax	1,667	12,512	-86.7	1,667	12,512	-86.7
Profit After Tax	1,065	11,275	-90.6	1,065	11,275	-90.6
Profit Attributable to Equity Holders of The Parent	1,109	9,037	-87.7	1,109	9,037	-87.7

For the quarter under review, the Group achieved a turnover of RM90.729 million, which is 3.3% lower compared to preceding year's corresponding quarter of RM93.839 million.

The decrease was mainly due to the weak market conditions and stiff competition in the construction sector which affected the demand for the Group's products

The higher profit before tax for the corresponding period was partially due to the gain on the disposal of property.

**15. Comment on Material Changes in Profit before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter**

	Current Quarter 28.02.2018 RM'000	Immediate Preceding Quarter 30.11.2017 RM'000	Changes %
Revenue	90,729	94,379	-3.9
Operating Profit	4,392	3,931	11.7
Profit Before Tax	1,667	949	75.7
Profit After Tax	1,065	1,305	-18.4
Profit Attributable to Equity Holders of The Parent	1,109	1,128	-1.7

The Group recorded a profit before tax of RM1.667 million for the current quarter compared to immediate preceding quarter of RM0.949 million. The lower profit before tax for the preceding quarter was mainly due to the provision for doubtful debts and write off of obsolete stocks.

## 16. Commentary on Prospects

Despite the challenging business atmosphere, the Group continues to take advantage of the new business opportunities such as via the Government's Economic Transformation Programme (ETP), Economic Corridors and Construction Industry Transformation Programme (CITP), to enhance and expand the Group's revenue base and source,

In addition, the Group also takes cognizance of the Government's efforts to provide for affordable houses for the middle and lower income group. The recent collaborative agreement with Syarikat Perumahan Negara Berhad ("SPNB") to adopt Ajiya's Green Integrated Building Solutions (AGIBS) is the trend going forward for the Group.

In this context, the Group is strongly poised to take advantage based on our long-term strategy to be a total solutions provider through our AGIBS. Our traditional business of providing building materials such as our metal and glass products will put us in good stead as part of a total solutions provider. In the same vein, our traditional business will merge well with our new business venture.

## 17. Profit Forecast

Not applicable as the Company did not provide any profit forecast in public documents.

## 18. Profit before Tax

Profit for the period is arrived after charging/(crediting):

	Current quarter 28.02.2018 <u>RM'000</u>	Year to date 28.02.2018 <u>RM'000</u>
Interest income	(469)	(469)
Other income including investment income	(562)	(562)
Interest expense	70	70
Depreciation and amortization	2,655	2,655
Provision for and write off of receivables	569	569
Foreign exchange gain	(300)	(300)

## 19. Taxation

Taxation of the Group for the financial period under review is as follows:-

	Current Quarter Ended 28.02.2018 <u>(RM'000)</u>	Current Year To Date 28.02.2018 <u>(RM'000)</u>
Current tax	937	937
Deferred tax	<u>(335)</u>	<u>(335)</u>
Total	<u>602</u>	<u>602</u>
Effective tax rate	36%	36%
Statutory tax rate	24%	24%
Variance	12%	12%

The effective tax rate for the current financial quarter was higher than the statutory tax rate due to the losses from certain subsidiaries and the non-deductibility of certain expenses for tax purposes.

## 20. Status of Corporate Proposals Announced

Save as disclosed below, there were no corporate proposals announced but not completed as at to date.

### a) Notes of Understanding between Ajiya Berhad (Ajiya) and Politeknik Port Dickson

The extended Notes of Understanding was signed on 4 January 2018. This industry-academic collaboration is still on-going.

### b) Memorandum of Understanding between Ajiya Berhad (Ajiya) and YKGI Holdings Berhad (YKGI)

The extended Memorandum of Understanding was signed on 19 October 2017 with the intention of establishing a long term strategic business partnership between the parties in East Malaysia.

The Company is in the midst of discussing the terms of the joint venture arrangement with YKGI. The Company will make the necessary announcement once the joint venture arrangement has been finalised.

Announcement on the said status has been released on 17 April 2018.

### c) Memorandum of Understanding (MOU) between Asia Roofing Industries Sdn Bhd and PT.Baja Bahana Utama

The extended Memorandum of Understanding signed on 31 May 2017 to express the intention to work together to explore potential business opportunities in Indonesia is on-going.

### d) Memorandum of Understanding between ARI Utara Sdn Bhd and IMAG Development & Construction Sdn Bhd

The extended Memorandum of Understanding signed on 9 August 2017 to work together, securing and implementing projects to be awarded by Prima Corporation Malaysia (PRIMA) is on-going.

### e) Memorandum of Understanding between Ajiya Berhad (“Ajiya”) and Syarikat Perumahan Negara Berhad (“SPNB”)

The Memorandum of Understanding with SPNB was signed on 14 July 2017 with the intention of establishing a strategic alliance and enter into a collaborative agreement to implement AJIYA’s Green Integrated Building Solutions (AGIBS) in the development of housing projects under SPNB Group. Discussion on the collaboration is on-going.

### f) Strategic Collaboration between Ajiya Berhad (“Ajiya”) and Politeknik Melaka

A Strategic Collaboration between Ajiya and Politeknik Melaka was signed on 6 November 2017. This industry-academic collaboration is still on-going.

### g) Memorandum of Understanding between ARI Utara Sdn Bhd and Ascension Technology Sdn Bhd (“Ascension”)

The Memorandum of Understanding between ARI Utara Sdn Bhd and Ascension was signed on 8 January 2018, with the intention to promote affordable housing in Malaysia by using innovative construction technique.

The said MOU has transited into a business arrangement where both parties have entered into an agreement for supply of AGIBS for the MyBN Home. As such, the MOU is fulfilled by both parties.

Announcement on the said status has been released on 23 February 2018.

**21. Borrowings**

	<u>Unsecured (RM)</u>	<u>Secured (RM)</u>	<u>Total (RM)</u>
Long term borrowing:	-	3,269,000	3,269,000
Short term borrowing:	-	2,458,000	2,458,000

**22. Changes In Material Litigation**

The Group is not involved in any material litigation as at the date of this report.

**23. Listing Requirement**

The external auditors had performed a limited review on the interim condensed financial statements of the Group as at 28 February 2018 pursuant to a directive issued by Bursa Malaysia Securities Berhad on 13 December 2017.

**24. Dividend**

No dividend payment was recommended for the quarter ended 28 February 2018.

**25. Earnings Per Share**

The basic earnings per share of 0.37 sen for the quarter is calculated by dividing the Group's profit attributable to ordinary equity holders of the parent of RM1,109,000 by the number of 300,130,384 ordinary shares in issue.

By order of the Board  
Chong Wui Koon (secretary)  
Date : 27.04.2018