

## AJIYA BERHAD (377627-W)

### Notes to the Financial Statements for the quarter ended 31 August 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<br>-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 position of the Group.

##### 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 as follows:-

|                          | Number of Treasury Shares | Total Consideration (RM) |
|--------------------------|---------------------------|--------------------------|
| Balance as at 31.08.2018 | 4,838,300                 | 2,846,687                |

**8. Dividend Paid**

A single tier dividend of 1 sen per ordinary share in respect of financial year ended 30 November 2017 was 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<br>31.08.2018 | Year to date<br>31.08.2018 |
|------------------|-------------------------------|----------------------------|
| <u>Revenue</u>   | <u>RM'000</u>                 | <u>RM'000</u>              |
| - Local plant    | 89,194                        | 269,691                    |
| - Overseas plant | <u>6,999</u>                  | <u>20,968</u>              |
|                  | <u>96,193</u>                 | <u>290,659</u>             |

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

There were no material events subsequent to the period ended 31 August 2018.

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

Other than the acquisition of an associate, Asteel Ajiya Sdn Bhd, for RM200,000 during the period ended 31 August 2018, there were no other changes in the composition of the Group during the financial quarter.

**12. Capital Commitments**

There are no commitments for the purchase of property, plant and equipment not provided in the interim financial statements as at 31 August 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<br>(3 <sup>rd</sup> quarter) |  | Changes<br>% | Cumulative Period       |  | Changes<br>% |
|---|--|--|--------------|-------------------------|--|--------------|
|   | Current Year<br>Quarter                        | Preceding Year<br>Corresponding<br>Quarter |              | Current Year<br>Quarter | Preceding Year<br>Corresponding<br>Quarter |              |
|   | 31.08.2018<br>RM'000                           | 31.08.2017<br>RM'000                       |              | 31.08.2018<br>RM'000    | 31.08.2017<br>RM'000                       |              |
| Revenue   | 96,193   | 92,182                                     | 4.4          | 290,659                 | 276,502                                    | 5.1          |
| Operating Profit                                    | 22,146   | 5,018                                      | 341.3        | 37,209                  | 25,548                                     | 45.6         |
| Profit Before Tax                                   | 19,660   | 2,226                                      | 783.2        | 29,322                  | 17,143                                     | 71.0         |
| Profit After Tax                                    | 18,398   | 1,094                                      | 1581.7       | 25,643                  | 13,618                                     | 88.3         |
| Profit Attributable to Equity Holders of The Parent | 16,818   | 1,194                                      | 1308.5       | 22,788                  | 11,849                                     | 92.3         |

For the quarter under review, the Group achieved a turnover of RM96.193 million, which is 4.4% higher compared to preceding year's corresponding quarter of RM92.182 million. The increase was mainly due to the higher demand for the Group's metal products

The increase in the profit before tax for the quarter was mainly due to the gain on disposal of property in Thailand and realization of foreign currency exchange gain from the repayment of loan from Thai Ajiya Safety Glass Co. Ltd. to Ajiya Bhd of RM6.877 million and RM4.6 million respectively.

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

|   | Current Quarter<br>31.08.2018<br>RM'000 | Immediate<br>Preceding Quarter<br>31.05.2018<br>RM'000 | Changes % |
|---|---|--|-----------|
| Revenue   | 96,193                                  | 103,737  | -7.3      |
| Operating Profit                                    | 22,146                                  | 10,671   | 107.5     |
| Profit Before Tax                                   | 19,660                                  | 7,995  | 145.9     |
| Profit After Tax                                    | 18,398                                  | 6,180  | 197.7     |
| Profit Attributable to Equity Holders of The Parent | 16,818                                  | 4,861  | 246.0     |

The Group recorded a profit before tax of RM19.660 million for the current quarter compared to immediate preceding quarter of RM7.995 million. The higher profit before tax for the current quarter was mainly due to the gain on disposal of property in Thailand and realization of foreign currency exchange gain from the repayment of loan from Thai Ajiya Safety Glass Co. Ltd. to Ajiya Bhd of RM6.877 million and RM4.6 million respectively.

**16. Commentary on Prospects**

The Group is strongly poised to take advantage on our long-term strategy to be a total solutions provider through our Ajiya Green Integrated Building Solutions ("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 current business venture.

We are also cognizant of the change of Government arising from the recent general election. We await with positive anticipation of the new policies and are confident that they will be favourable to the business environment.

**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<br>31.08.2018<br><u>RM'000</u> | Year to date<br>31.08.2018<br><u>RM'000</u> |
|--|--|---|
| Interest income                            | (551)  | (1,594)                                     |
| Other income including investment income   | (13,918)                                       | (15,343)                                    |
| Interest expense                           | 48   | 182   |
| Depreciation and amortization              | 2,438  | 7,705                                       |
| Provision for and write off of receivables | 52   | 753   |
| Foreign exchange gain                      | (4,754)  | (5,179)                                     |

**19. Taxation**

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

|                    | Current quarter<br>31.08.2018<br><u>RM'000</u> | Year to date<br>31.08.2018<br><u>RM'000</u> |
|--------------------|--|---|
| Current tax        | 1,719  | 4,606                                       |
| Prior year tax     | (488)  | (487)                                       |
| Deferred tax       | <u>72</u>                                      | <u>(399)</u>                                |
| Total              | <u>1,303</u>                                   | <u>3,720</u>                                |
| Effective tax rate | 7%   | 13%   |
| Statutory tax rate | 24%  | 24%   |
| Variance           | -17%   | -11%  |

The effective tax rate was lower than the statutory tax rate mainly due to the utilization of reinvestment allowances.

**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 ARI Utara Sdn Bhd and IMAG Development & Construction Sdn Bhd**

The extended Memorandum of Understanding signed on 27 August 2018 to work together, securing and implementing projects to be awarded by Prima Corporation Malaysia (PRIMA) is on-going.

**c) 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.

**21. Borrowings**

As at 31 August 2018

|                       | <u>Unsecured (RM)</u> | <u>Secured (RM)</u> | <u>Total (RM)</u> |
|-----------------------|-----------------------|---------------------|-------------------|
| Long term borrowing:  | -                     | 652,000             | 652,000           |
| Short term borrowing: | -                     | 1,543,000           | 1,543,000         |

**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 31 August 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 31 August 2018.

**25. Earnings Per Share**

The basic earnings per share of 5.61 sen for the quarter is calculated by dividing the Group's profit attributable to ordinary equity holders of the parent of RM16,818,000 by the number of 299,746,184 ordinary shares in issue.

By order of the Board  
Chong Wui Koon (secretary)  
Date: 25.10.2018