

**AJIYA BERHAD (377627-W)**  
**Notes to the Financial Statements for the quarter ended 30 November 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 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
Repurchased during the quarter	1,046,800	610,101
Balance as at 30.11.2018	5,885,100	3,456,788

**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 30.11.2018 RM'000	Year to date 30.11.2018 RM'000
<u>Revenue</u>		
- Local plant	84,929	354,620
- Overseas plant	6,762	27,730
	<u>91,691</u>	<u>382,350</u>

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

There were no material events subsequent to the period ended 30 November 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 are no commitments for the purchase of property, plant and equipment not provided in the interim financial statements as at 30 November 2018.

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

As at date of this report, the Group had a contingent liability of approximately RM2.5 million arising from a court case involving a contractor and the building owner. Further details are disclosed in Note 22.

**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 (4 <sup>th</sup> quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	30.11.2018 RM'000	30.11.2017 RM'000		30.11.2018 RM'000	30.11.2017 RM'000	
Revenue	91,691	94,379	-2.8	382,350	370,883	3.1
Operating Profit	4,626	3,931	17.7	41,835	29,823	40.3
Profit Before Tax	2,037	949	114.6	31,359	18,693	67.8
Profit After Tax	1,743	1,305	33.6	27,386	15,523	76.4
Profit Attributable to Equity Holders of The Parent	1,789	1,128	58.6	24,577	13,646	80.1

For the quarter under review, the Group achieved a turnover of RM91.691 million, which is 2.8% lower compared to preceding year's corresponding quarter of RM94.379 million. The decrease was mainly due to the lower demand for the Group's glass products

The higher profit before tax for the quarter was mainly due to lower provision for doubtful debts and write off of obsolete stocks as compared to preceding year corresponding quarter.

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

	Current Quarter 30.11.2018 RM'000	Immediate Preceding Quarter 31.08.2018 RM'000	Changes %
Revenue	91,691	96,193	-4.7
Operating Profit	4,626	22,146	-79.1
Profit Before Tax	2,037	19,660	-89.6
Profit After Tax	1,743	18,398	-90.5
Profit Attributable to Equity Holders of The Parent	1,789	16,818	-89.4

The Group recorded a profit before tax of RM2.037 million for the current quarter compared to immediate preceding quarter of RM19.660 million. The higher profit before tax for the immediate preceding 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.

The new Government has thus far introduced certain measures which are meant to spur the national economy in particular to the manufacturing industry. Of particular significance is the announcement of prioritizing ‘Made In Malaysia’ goods which puts Ajiya in good stead. We look forward to more incentives from the government.

**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 30.11.2018 <u>RM'000</u>	Year to date 30.11.2018 <u>RM'000</u>
Interest income	(997)	(2,591)
Other income including investment income	(213)	(15,556)
Interest expense	24	206
Depreciation and amortization	2,565	10,270
Provision for and write off of receivables	283	1,036
Foreign exchange gain	(55)	(5,234)

**19. Taxation**

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

	Current quarter 30.11.2018 <u>RM'000</u>	Year to date 30.11.2018 <u>RM'000</u>
Current tax	623	5,229
Prior year tax	6	(481)
Deferred tax	<u>(23)</u>	<u>(422)</u>
Total	<u>606</u>	<u>4,326</u>
Effective tax rate	30%	14%
Statutory tax rate	24%	24%
Variance	6%	-10%

The year-to-date 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**

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

**d) Memorandum of Understanding between ARI Utara Sdn Bhd and PI Brilliant**

The Memorandum of Understanding (“MOU”) was signed on 26 October 2018. The objective of this MOU is to explore potential business opportunities and examine the possibility of joint co-operation and strategic ventures in connection with the construction of landed and high rise property for PI BRILLIANT and those project(s) under PKNS and/or the Selangor State Government. This MOU is on-going.

**21. Borrowings**

As at 30 November 2018

	<u>Unsecured (RM)</u>	<u>Secured (RM)</u>	<u>Total (RM)</u>
Long term borrowing:	-	256,000	256,000
Short term borrowing:	-	1,543,000	1,543,000

**22. Changes in Material Litigation**

Ajiya Bhd’s subsidiary, ASG Marketing Sdn Bhd (ASGM) is a third party in a court case involving a contractor and the building owner. ASGM’s lawyer advised that the probability of ASGM’s success in the case is reasonable. The cost related to the replacement of the products is approximately RM2.5million, if ASGM is liable.

**23. Listing Requirement**

The external auditors had performed a limited review on the interim condensed financial statements of the Group as at 30 November 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 30 November 2018.

**25. Earnings Per Share**

The basic earnings per share of 0.60 sen for the quarter is calculated by dividing the Group’s profit attributable to ordinary equity holders of the parent of RM1,789,000 by the number of 298,699,384 ordinary shares in issue.

By order of the Board  
Chong Wui Koon (secretary)  
Date: 23.01.2019