

## **AJIYA BERHAD (377627-W)**

### **Notes to the Financial Statements for the quarter ended 28 February 2019**

#### **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 2018.

##### **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 2018, except for the adoption of the following Amendments and Annual Improvements mandatory for the annual financial periods beginning on or after 1 January 2018.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
• MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
• MFRS 9 Financial Instruments	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2018
• MFRS 140 Transfer of Investment Property (Amendments To MFRS 140)	1 January 2018
• Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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 2018 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 30.11.2018	5,885,100	3,456,788
Repurchased during the quarter	503,000	277,127
Balance as at 28.02.2019	6,388,100	3,733,915

**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 28.02.2019	Year to date 28.02.2019
<u>Revenue</u>	<u>RM'000</u>	<u>RM'000</u>
- Local plant	75,513	75,513
- Overseas plant	<u>5,688</u>	<u>5,688</u>
	<u>81,201</u>	<u>81,201</u>

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

There were no material events subsequent to the period ended 28 February 2019.

**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 28 February 2019.

**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 (1 <sup>st</sup> quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	28.02.2019 RM'000	28.02.2018 RM'000		28.02.2019 RM'000	28.02.2018 RM'000	
Revenue	81,201	90,729	-10.5	81,201	90,729	-10.5
Operating Profit	3,128	4,392	-28.8	3,128	4,392	-28.8
Profit Before Tax	773	1,667	-53.6	773	1,667	-53.6
Profit After Tax	744	1,065	-30.1	744	1,065	-30.1
Profit Attributable to Equity Holders of The Parent	1,045	1,109	-5.8	1,045	1,109	--5.8

For the quarter under review, the Group achieved a turnover of RM81.201 million, which is 10.5% lower compared to preceding year's corresponding quarter of RM90.729 million. The decrease was mainly due to the lower demand for the Group's products

The lower profit before tax for the quarter was mainly due to decrease in revenue 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 28.02.2019 RM'000	Immediate Preceding Quarter 30.11.2018 RM'000	Changes %
Revenue	81,201	91,691	-11.4
Operating Profit	3,128	4,626	-32.4
Profit Before Tax	773	2,349	-67.1
Profit After Tax	744	1,743	-57.3
Profit Attributable to Equity Holders of The Parent	1,045	1,789	-41.6

The Group recorded a profit before tax of RM773 thousand for the current quarter compared to immediate preceding quarter of RM2.349 million. The lower profit before tax was mainly due to decrease in revenue of the current quarter.

**16. Commentary on Prospects**

The Group is well aware of the current market conditions and has taken a number of measures to ensure that its businesses could weather through the challenges. The focus on operational efficiency will be stepped up in the coming years as its pursuit in achieving a firmer foundation for sustainable long term growth.

As long as the government continues to promote the development of affordable homes, the construction industry will grow. The same goes for Ajiya as we are complementing and supplementing the overall construction industry with our venture into the Industrialised Building System ("IBS") segment.

**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 28.02.2019 <u>RM'000</u>	Year to date 28.02.2019 <u>RM'000</u>
Interest income	(774)	(774)
Other income including investment income	(481)	(481)
Interest expense	43	43
Depreciation and amortization	2,468	2,468
Foreign exchange gain	(229)	(229)

**19. Taxation**

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

	Current quarter 28.02.2019 <u>RM'000</u>	Year to date 28.02.2019 <u>RM'000</u>
Current tax	116	116
Prior year tax	(87)	(87)
Total	<u>29</u>	<u>29</u>
Effective tax rate	4%	4%
Statutory tax rate	24%	24%
Variance	-20%	-20%

The year-to-date effective tax rate was lower than the statutory tax rate mainly due to the utilization of capital 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 26 November 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

The MOU is expiring on 26 April 2019 and accordingly the MOU will cease to have any effect as both parties had yet to have any business transaction with each other.

**21. Borrowings**

As at 28 February 2019

	<u>Unsecured (RM)</u>	<u>Secured (RM)</u>	<u>Total (RM)</u>
Short term borrowing:	6,751,000	1,394,000	8,145,000

**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. Dividend**

No dividend payment was recommended for the quarter ended 28 February 2019.

**24. Earnings Per Share**

The basic earnings per share of 0.35 sen for the quarter is calculated by dividing the Group’s profit attributable to ordinary equity holders of the parent of RM1,045,000 by the weighted average number of 298,464,406 ordinary shares in issue.

By order of the Board  
Chong Wui Koon (secretary)  
Date: 26.04.2019