

AJIYA BERHAD (377627-W)

Notes to the Financial Statements for the quarter ended 31 May 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 28.02.2019	6,388,100	3,733,915
Repurchased during the quarter	719,700	342,223
Balance as at 31.05.2019	7,107,800	4,076,138

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 31.05.2019	Year to date 31.05.2019
<u>Revenue</u>	<u>RM'000</u>	<u>RM'000</u>
- Local plant	79,149	154,662
- Overseas plant	5,967	11,655
	<u>85,116</u>	<u>166,317</u>

10. Material Events Subsequent to the End of Period

There were no material events subsequent to the period ended 31 May 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 31 May 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 (2 nd quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	31.05.2019 RM'000	31.05.2018 RM'000		31.05.2019 RM'000	31.05.2018 RM'000	
Revenue	85,116	103,737	-18.0	166,317	194,466	-14.5
Operating Profit	5,314	10,671	-50.2	8,442	15,063	-44.0
Profit Before Tax	3,126	7,995	-60.9	3,899	9,662	-59.6
Profit After Tax	1,894	6,180	-69.4	2,638	7,245	-63.6
Profit Attributable to Equity Holders of The Parent	1,977	4,861	-59.3	3,022	5,970	-49.4

For the quarter under review, the Group achieved a turnover of RM85.116 million, which is 18% lower compared to preceding year's corresponding quarter of RM103.737 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 31.05.2019 RM'000	Immediate Preceding Quarter 28.02.2019 RM'000	Changes %
Revenue	85,116	81,201	4.8
Operating Profit	5,314	3,128	69.9
Profit Before Tax	3,126	773	304.4
Profit After Tax	1,894	744	154.6
Profit Attributable to Equity Holders of The Parent	1,977	1,045	89.2

The Group recorded a profit before tax of RM3.126 million for the current quarter compared to immediate preceding quarter of RM773 thousand. The higher profit before tax was mainly due to interest and other income received during 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 may stabilise. 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 31.05.2019 <u>RM'000</u>	Year to date 31.05.2019 <u>RM'000</u>
Interest income	(1,059)	(1,833)
Other income including investment income	(1,010)	(1,720)
Interest expense	72	115
Depreciation and amortization	2,290	4,758
Foreign exchange gain	(202)	27

19. Taxation

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

	Current quarter 31.05.2019 <u>RM'000</u>	Year to date 31.05.2019 <u>RM'000</u>
Current tax	899	1,015
Prior year tax	<u>333</u>	<u>246</u>
Total	<u>1,232</u>	<u>1,261</u>
Effective tax rate	39%	32%
Statutory tax rate	24%	24%
Variance	15%	8%

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) Consortium Agreement with Xinyi Solar (Malaysia) Sdn Bhd and U-Li Solar Energy Sdn Bhd

The Consortium Agreement was signed on 24 July 2019. The parties are desirous of co-operating and jointly participate in the bidding of Request For Proposal (RFP) for Large Scale Solar Photovoltaic Edition 3 (LSS3) as announced by the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC). This agreement is on-going.

21. Borrowings

As at 31 May 2019

	<u>Unsecured (RM)</u>	<u>Secured (RM)</u>	<u>Total (RM)</u>
Short term borrowing:	6,854,000	994,000	7,848,000

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 31 May 2019.

24. Earnings Per Share

The basic earnings per share of 0.66 sen for the quarter is calculated by dividing the Group's profit attributable to ordinary equity holders of the parent of RM1,977,000 by the weighted average number of 298,094,146 ordinary shares in issue.

By order of the Board
Chong Wui Koon (secretary)
Date: 29.07.2019