

AJIYA BERHAD (377627-W)

Notes to the Financial Statements for the quarter ended 31 August 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 31.05.2019	7,107,800	4,076,138
Repurchased during the quarter	177,800	140,937
Balance as at 31.08.2019	7,285,600	4,217,075

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	70,280	224,942
- Overseas plant	<u>7,290</u>	<u>18,945</u>
	<u>77,570</u>	<u>243,887</u>

10. Material Events Subsequent to the End of Period

There were no material events subsequent to the period ended 31 August 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 August 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 (3 rd quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	31.08.2019 RM'000	31.08.2018 RM'000		31.08.2019 RM'000	31.08.2018 RM'000	
Revenue	77,570	96,193	-19.4	243,887	290,659	-16.1
Operating Profit	3,221	22,146	-85.5	11,663	37,209	-68.7
Profit Before Tax	1,034	19,701	-94.8	4,933	29,363	-83.2
Profit After Tax	413	18,398	-97.8	3,051	25,643	-88.1
Profit Attributable to Equity Holders of The Parent	955	16,818	-94.3	3,977	22,788	-82.5

For the quarter under review, the Group achieved a turnover of RM77.570 million, which is 19.4% lower compared to preceding year's corresponding quarter of RM96.193 million. The decrease was mainly due to the lower demand for the Group's products.

The lower profit before tax for the quarter was partly due to decrease in revenue as compared to preceding year corresponding quarter. The higher profit before tax for the preceding year corresponding 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 31.08.2019 RM'000	Immediate Preceding Quarter 31.05.2019 RM'000	Changes %
Revenue	77,570	85,116	-8.9
Operating Profit	3,221	5,314	-39.4
Profit Before Tax	1,034	3,126	-66.9
Profit After Tax	413	1,894	-78.2
Profit Attributable to Equity Holders of The Parent	955	1,977	-51.7

The Group recorded a profit before tax of RM1.034 million for the current quarter compared to immediate preceding quarter of RM3.126 million. The lower profit before tax for the current quarter was partly due to operating losses in two of the subsidiaries and provision for the contingent liability as disclosed in note 13..

16. Commentary on Prospects

The outlook for the financial year remains challenging due to the current and continuing glut in the market conditions of the construction sector which may slow down the revenue growth in the Group. Nevertheless, the Group has taken measures to weather through these challenges.

The focus on operational efficiency and other business opportunities will be stepped up in its pursuit to achieving a firmer foundation for sustainable long term growth.

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 31.08.2019 <u>RM'000</u>	Year to date 31.08.2019 <u>RM'000</u>
Interest income	(659)	(2,492)
Other income including investment income	(1,612)	(3,130)
Interest expense	37	152
Depreciation and amortization	2,323	7,081
Foreign exchange gain	(129)	(331)

19. Taxation

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

	Current quarter 31.08.2019 <u>RM'000</u>	Year to date 31.08.2019 <u>RM'000</u>
Current tax	426	1,442
Real property gain tax	(13)	(13)
Prior year tax	<u>208</u>	<u>453</u>
Total	<u>621</u>	<u>1,882</u>
Effective tax rate	60%	38%
Statutory tax rate	24%	24%
Variance	36%	14%

The higher effective tax rate was due to losses in two of the subsidiaries.

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) 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.

c) 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 August 2019

Secured short term borrowing of RM594,000.

22. Changes in Material Litigation

Announcement on the status of litigation has been released to Bursa Malaysia Securities Berhad on 1 August 2019, as appended below:-

The litigation is between Al-Ambia Sdn Bhd (Company No. 76525-A) (“Plaintiff”), Foremost Prospect Sdn Bhd (Company No. 727683-D) (“Defendant”) and ASGM Marketing Sdn Bhd (Company No. 418751-A) (“ASGM” or “Third Party”). ASGM is a third party in the litigation. The Draft Judgment dated 30 May 2019 was filed by the solicitor of the Plaintiff to the High Court of Malaysia, and the approved draft was copied to the Solicitors of ASGM. The Draft Judgment was received by the Management on 30 July 2019.

The information in relation to the litigation are as follow:

1. Details of the Case

ASGM is a subsidiary of the Company. Its principal activities is marketing and sales of safety glass and other glass related products. The subject matter of this litigation is that the glass supplied to the Defendant which was installed at Menara Hap Seng 2 was found defective.

The Defendant has brought ASGM as the Third Party to the claim brought by the Plaintiff. The case against ASGM is that the manufacturing process is the cause of the delamination.

2. Details of the Advocates & Solicitors Representing ASGM

Messrs. Amritpal Singh is a firm of solicitors and having its principal business address at No. 32-1, Jalan 6/38D, Taman Sri Sinar, Segambut, 51200 Kuala Lumpur, Malaysia.

3. Details on Claims

As per the Draft Judgment, ASGM shall, upon giving notice to the Defendant, deliver 1,152 pieces of vision glass and 450 pieces of stripe/frit glass for the replacement of the defective glass at Menara Hap Seng 2. Alternatively, if the third party fails, refuses and neglects to deliver the glass in part or entirety, ASGM shall pay RM2,598,106.09, being the cost to replace 1,152 pieces of vision glass and 450 pieces of stripe/frit glass to the Defendant; or a sum lesser than RM2,598,106.09 after taking into account of such quantity of new vision and stripe/frit glass that have been delivered by the ASGM to the Plaintiff or the Plaintiff’s nominee.

ASGM shall pay the Defendant the cost of RM200,000.00 and Allocator to be paid before extracting judgment/order.

4. Financial and Operational Impact

The amount claimed by the Plaintiff is immaterial relative to the value of the assets of the Group and will not in any way jeopardize their operations.

5. Further Action from the Company

In view that ASGM is merely a supplier of the glasses to the Defendant only, and delamination is not cause by the manufacturing process, ASGM had instructed its solicitor to file an appeal against the judgment, which was done on the 25th June 2019 and at the same time, ASGM will be filing an application for a stay of execution of the judgment.

Further announcement on the development of the above matter will be made to Bursa Malaysia Securities Berhad in due course.

23. Dividend

No dividend payment was recommended for the quarter ended 31 August 2019.

24. Earnings Per Share

The basic earnings per share of 0.32 sen for the quarter is calculated by dividing the Group's profit attributable to ordinary equity holders of the parent of RM955,000 by the weighted average number of 297,832,939 ordinary shares in issue.

By order of the Board
Chong Wui Koon (secretary)
Date: 23.10.2019