

AJIYA BERHAD (377627-W)
Notes to the Financial Statements for the quarter ended 30 November 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 31.08.2019	7,285,600	4,217,075
Repurchased during the quarter	Nil	nil
Balance as at 30.11.2019	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 30.11.2019	Year to date 30.11.2019
<u>Revenue</u>	<u>RM'000</u>	<u>RM'000</u>
- Local plant	74,894	299,836
- Overseas plant	6,839	25,784
	<u>81,733</u>	<u>325,620</u>

10. Material Events Subsequent to the End of Period

There were no material events subsequent to the period ended 30 November 2019.

11. Changes in Composition of the Group

Ajiya Bhd had increased its investment in ARI Utara Sdn Bhd by the acquisition of 150,000 ordinary shares of RM1.00 each, increasing its shareholding from 60% to 80% in ARI Utara Sdn Bhd during the current 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 2019.

13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities/assets in respect of the Group.

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 th quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	30.11.2019 RM'000	30.11.2018 RM'000		30.11.2019 RM'000	30.11.2018 RM'000	
Revenue	81,733	91,691	-10.9	325,620	382,247	-14.8
Operating Profit	3,233	4,626	-30.1	14,896	41,834	-64.4
Profit Before Tax	1,200	2,349	-48.9	6,133	31,712	-80.7
Profit After Tax	1,352	1,743	-22.4	4,403	27,396	-83.9
Profit Attributable to Equity Holders of The Parent	1,602	1,789	-10.5	5,579	24,587	-77.3

For the quarter under review, the Group achieved a turnover of RM81.733 million, which is 10.9% lower compared to preceding year's corresponding quarter of RM91.691 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.

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

	Current Quarter 30.11.2019 RM'000	Immediate Preceding Quarter 31.08.2019 RM'000	Changes %
Revenue	81,733	77,570	5.4
Operating Profit	3,233	3,221	0.4
Profit Before Tax	1,200	1,034	16.1
Profit After Tax	1,352	413	227.4
Profit Attributable to Equity Holders of The Parent	1,602	955	67.7

The Group recorded a profit before tax of RM1.200 million for the current quarter compared to immediate preceding quarter of RM1.034 million. The slight increase in profit before tax for the current quarter was partly due to increase in revenue during the quarter.

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 30.11.2019 <u>RM'000</u>	Year to date 30.11.2019 <u>RM'000</u>
Interest income	(616)	(3,108)
Other income including investment income	(1,084)	(4,214)
Interest expense	18	170
Depreciation and amortization	2,233	9,314
Foreign exchange gain	(228)	(559)

19. Taxation

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

	Current quarter 30.11.2019 <u>RM'000</u>	Year to date 30.11.2019 <u>RM'000</u>
Current tax	1,689	3,131
Real property gain tax	-	(13)
Deferred Tax	(1,479)	(1,479)
Prior year tax	<u>(362)</u>	<u>91</u>
Total	<u>(152)</u>	<u>1,730</u>
Effective tax rate	13%	28%
Statutory tax rate	24%	24%
Variance	11%	4%

The higher effective tax rate was due to losses in one 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 Company has received an outcome letter from Suruhanjaya Tenaga stated that Ajiya Bhd, Xinyi Solar (Malaysia) Sdn Bhd and U-Li Solar Energy Sdn Bhd’s bidding for Large Scale Solar Photovoltaic Edition 3 (LSS3) were not successful. Hence, the Consortium Agreement would be terminated with immediate effect.

Announcement to Bursa was released on 10 January 2020.

21. Borrowings

As at 30 November 2019

Secured short term borrowing of RM5,265,000.

22. Changes in Material Litigation

Litigation between Al-Ambia Sdn Bhd (Company No. 76525-A) (“Plaintiff”), Foremost Prospect Sdn Bhd (Company No. 727683-D) (“Defendant”) and ASG Marketing Sdn Bhd (Company No. 418751-A) (“ASGM” or “Third Party”):

There was no material updates since the last announcement released to Bursa Malaysia Securities Berhad on 1 August 2019.

23. Dividend

No dividend payment was recommended for the quarter ended 30 November 2019.

24. Earnings Per Share

The basic earnings per share of 0.54 sen for the quarter is calculated by dividing the Group’s profit attributable to ordinary equity holders of the parent of RM1,602,000 by the weighted average number of 297,699,791 ordinary shares in issue.

By order of the Board
Chong Wui Koon (secretary)
Date: 20.01.2020