

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

### **Notes to the Financial Statements for the quarter ended 31 May 2020**

#### **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 2019.

##### **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 2019, except for the adoption of the following Amendments and Annual Improvements mandatory for the annual financial periods beginning on or after 1 January 2019.

| <b>Description</b>  | <b>Effective for annual periods beginning on or after</b> |
|---|---|
| • Amendments to MFRS 9:Prepayment Features with Negative Compensation         | 1 January 2019  |
| • MFRS 16 Leases  | 1 January 2019  |
| • Amendments to MFRS 128 Long-term interests in Associates and Joint Ventures | 1 January 2019  |
| • Annual Improvements to MFRS Standards 2015-2017 Cycle                       | 1 January 2019  |
| • Amendments to MFRS 119: Plan Amendment, Curtailment or settlement           | 1 January 2019  |
| • IC Interpretation 23 Uncertainty over Income Tax Treatments                 | 1 January 2019  |

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 2019 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 31.05.2020 | 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<br>31.05.2020 | Year to date<br>31.05.2020 |
|------------------|-------------------------------|----------------------------|
| <u>Revenue</u>   | <u>RM'000</u>                 | <u>RM'000</u>              |
| - Local plant    | 22,125                        | 93,780                     |
| - Overseas plant | <u>4,603</u>                  | <u>10,447</u>              |
|                  | <u>26,728</u>                 | <u>104,227</u>             |

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

There were no material events subsequent to the period ended 31 May 2020.

**11. Changes in Composition of the Group**

There were no changes in the composition of the Group 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 31 May 2020.

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

There were no contingent liabilities/assets in respect of the Group since 30 November 2019.

**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<br>(2 <sup>nd</sup> quarter) |   | Changes<br>% | Cumulative Period          |   | Changes<br>% |
|--|--|---|--------------|----------------------------|---|--------------|
|  | Current<br>Year<br>Quarter                     | Preceding<br>Year<br>Corresponding<br>Quarter |              | Current<br>Year<br>Quarter | Preceding<br>Year<br>Corresponding<br>Quarter |              |
|  | 31.05.2020<br>RM'000                           | 31.05.2019<br>RM'000                          |              | 31.05.2020<br>RM'000       | 31.05.2019<br>RM'000                          |              |
| Revenue  | 26,728   | 85,116  | -68.6        | 104,227                    | 166,317                                       | -37.3        |
| Operating<br>(Loss)/Profit   | (2,831)  | 5,314   | -153.3       | 3,205                      | 8,442   | -62.0        |
| (Loss)/Profit<br>Before Tax  | (5,165)  | 3,126   | -265.2       | (1,414)                    | 3,899   | -136.3       |
| (Loss)/Profit<br>After Tax   | (5,113)  | 1,894   | -370.0       | (1,659)                    | 2,638   | -162.9       |
| (Loss)/Profit<br>Attributable<br>to Equity<br>Holders of<br>The Parent | (3,966)  | 1,977   | -300.6       | (858)                      | 3,022   | -128.4       |

The Group's second quarter period from March to May 2020 was affected by the Movement Control Order ("MCO") which took effect from 18 March 2020 and later extended with the Conditional Movement Control Order ("CMCO") effective from 4 May 2020. The Group's revenue for the quarter under review dropped to RM26.728 million, which was 68.6% lower compared to preceding year's corresponding quarter of RM85.116 million as most of the building materials related businesses were at a standstill amid the movement restrictions.

The significant drop in the Group's revenue for the quarter under review has resulted to a loss before tax of RM5.165 million as compared to preceding year's corresponding quarter of profit before tax of RM3.126 million.

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

|  | Current Quarter<br>31.05.2020<br>RM'000 | Immediate Preceding<br>Quarter<br>29.02.2020<br>RM'000 | Changes % |
|--|---|--|-----------|
| Revenue  | 26,728                                  | 77,499   | -65.5     |
| Operating (Loss)/Profit  | (2,831)                                 | 6,036  | -146.9    |
| (Loss)/Profit Before Tax   | (5,165)                                 | 3,751  | -237.7    |
| (Loss)/Profit After Tax  | (5,113)                                 | 3,454  | -248.0    |
| (Loss)/Profit Attributable to<br>Equity Holders of The<br>Parent | (3,966)                                 | 3,108  | -227.6    |

The Group recorded a loss before tax of RM5.165 million for the current quarter compared to immediate preceding quarter profit before tax of RM3.751 million. The loss before tax for the current quarter was due to decrease in revenue amid the MCO and CMCO restrictions as imposed by the Government of Malaysia in response to the COVID-19 pandemic.

**16. Commentary on Prospects**

The COVID-19 pandemic and the Movement Control Order ('MCO') imposed by the Government of Malaysia has significantly affected the Group's performance.

The outlook for the remaining quarters of the year is challenging. However, the Group is undertaking various measures in its pursuit to achieving a firmer foundation for a sustainable long term growth and to weather through these challenges.

**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<br>31.05.2020<br><u>RM'000</u> | Year to date<br>31.05.2020<br><u>RM'000</u> |
|--|--|---|
| Interest income                          | (109)  | (1,214)                                     |
| Other income including investment income | (1,011)  | (2,026)                                     |
| Interest expense                         | 38   | 62  |
| Depreciation and amortization            | 2,295  | 4,596                                       |
| Foreign exchange gain                    | (41)   | (165)                                       |

**19. Taxation**

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

|             | Current quarter<br>31.05.2020<br><u>RM'000</u> | Year to date<br>31.05.2020<br><u>RM'000</u> |
|-------------|--|---|
| Current tax | (56)   | 241   |
| Prior year  | 4  | 4   |
| Total       | <u>(52)</u>                                    | <u>245</u>                                  |

The Group recognized tax expense despite loss before taxation due to certain expenses being disallowed for taxation purposes in certain 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.

**21. Borrowings**

As at 31 May 2020

Secured short term borrowing of RM7,611,000.

**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 31 May 2020.

**24. Earnings Per Share**

The basic loss per share of 1.33 sen for the quarter is calculated by dividing the Group’s loss attributable to ordinary equity holders of the parent of RM3,966,000 by the weighted average number of 297,298,884 ordinary shares in issue.

By order of the Board  
Chong Wui Koon (secretary)  
Date: 07.07.2020