

AJIYA BERHAD (377627-W)
Notes to the Financial Statements for the quarter ended 30 November 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.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
• 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 30.11.2020	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 30.11.2020	Year to date 30.11.2020
<u>Revenue</u>	<u>RM'000</u>	<u>RM'000</u>
- Local plant	77,429	237,337
- Overseas plant	3,313	17,559
	<u>80,742</u>	<u>254,896</u>

10. Material Events Subsequent to the End of Period

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

Authorized capital commitments not provided for in the interim financial statements as at 30 November 2020.

Approved and contracted for property, plant and equipment RM873,994.

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 (4 th quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	30.11.2020 RM'000	30.11.2019 RM'000		30.11.2020 RM'000	30.11.2019 RM'000	
Revenue	80,742	81,733	-1.2	254,896	325,290	-21.6
Operating Profit	307	3,233	-90.5	8,592	15,260	-43.7
(Loss)/Profit Before Tax	(2,162)	1,200	-280.2	(745)	5,954	-112.5
(Loss)/Profit net of Tax	(272)	1,352	-120.1	397	4,277	-90.7
(Loss)/Profit Attributable to Owners of The Parent	(158)	1,602	-109.9	1,195	5,074	-76.4

For the quarter under review, the Group achieved a turnover of RM80.742 million, which was 1.2% lower compared to preceding year's corresponding quarter of RM81.733 million. The decrease was mainly due to lower demand for the Group's products.

The loss before tax for the current quarter of RM2.162 million was due to provision for doubtful debts and write off of obsolete stocks as compared to preceding year corresponding quarter profit before tax of RM1.200 million.

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

	Current Quarter 30.11.2020 RM'000	Immediate Preceding Quarter 31.08.2020 RM'000	Changes %
Revenue	80,742	69,927	15.5
Operating Profit	307	5,080	-94.0
(Loss)/Profit Before Tax	(2,162)	2,831	-176.4
(Loss)/Profit Net of Tax	(272)	2,328	-111.7
(Loss)/Profit Attributable to Owners of The Parent	(158)	2,211	-107.1

The Group recorded a loss before tax of RM2.162 million for the current quarter compared to immediate preceding quarter profit before tax of RM2.831 million. The loss before tax for the current quarter was due to provision for doubtful debts of RM6.816 million and write off of obsolete stocks for the amount of RM368 thousand as compared to immediate preceding quarter.

16. Commentary on Prospects

The Government has re-introduced the Movement Control Order (MCO) as a result of the worsening of the pandemic. Ajiya, as many other manufacturing companies are facing challenges especially with regard to our sales, which directly affect the profitability of the Company.

However, Ajiya has faced these challenges before when the MCO was first implemented in March 2020. We have learned a great deal from our experienced during these difficult times. Armed with these experience and coupled with our commitment, we are confident that we can overcome these difficulties.

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 30.11.2020 <u>RM'000</u>	Year to date 30.11.2020 <u>RM'000</u>
Interest income	(750)	(2,917)
Other income including investment income	(1,796)	(5,268)
Interest expense	36	129
Depreciation and amortization	2,458	9,321
Foreign exchange gain	267	(285)

19. Taxation

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

	Current quarter 30.11.2020 <u>RM'000</u>	Year to date 30.11.2020 <u>RM'000</u>
Current tax	318	1,164
Prior year	(199)	(307)
Deferred Tax	<u>(2,009)</u>	<u>(1,999)</u>
Total	<u>(1,890)</u>	<u>(1,142)</u>

The higher effective tax rate was due to losses in subsidiaries and certain expenses being disallowed for taxation purposes.

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 30 November 2020

Secured short term borrowing of RM4,218,000.

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 2020.

24. Loss/Earnings Per Share

The basic loss per share of 0.05 sen for the quarter is calculated by dividing the Group’s loss attributable to ordinary equity holders of the parent of RM158,000 by the weighted average number of 297,298,884 ordinary shares in issue.

By order of the Board
Chong Wui Koon (secretary)
Date: 29.01.2021