



ATA IMS Berhad
(Formerly known as Denko Industrial Corporation Berhad)
(Company No. 190155-M)
(Incorporated in Malaysia)
and its subsidiaries

Interim Financial Statements
For the First Quarter Ended
30 June 2018

ATA IMS Berhad

(Formerly known as Denko Industrial Corporation Berhad)

(Company No. 190155-M)

(Incorporated in Malaysia)

Interim Financial Statements

For the First Quarter Ended 30 June 2018

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ATA IMS Berhad

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(Company No. 190155-M)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Financial Position As at 30 June 2018

		30.06.2018	31.03.2018
		RM'000	RM'000
	Note		(RESTATED)
Assets			
Property, plant and equipment		225,116	208,978
Goodwill		76,414	76,414
Deferred tax assets		15	15
Total non-current assets		<u>301,545</u>	<u>285,407</u>
Inventories		178,501	126,632
Contract assets		25,530	25,127
Trade and other receivables		551,270	500,982
Tax recoverable		3,500	614
Cash and cash equivalents		141,294	154,828
		<u>900,095</u>	<u>808,183</u>
Total assets		<u><u>1,201,640</u></u>	<u><u>1,093,590</u></u>
Equity			
Share capital		1,242,789	1,242,789
Reserves		(1,104,238)	(1,104,241)
Retained earnings		313,648	283,092
Total equity		<u>452,199</u>	<u>421,640</u>
Liabilities			
Loans and borrowings	24	44,156	35,002
Deferred tax liabilities		6,608	6,541
Total non-current liabilities		<u>50,764</u>	<u>41,543</u>
Trade and other payables		563,243	506,486
Loans and borrowings	24	131,181	123,551
Taxation		4,253	-
Derivative financial liabilities		-	370
Total current liabilities		<u>698,677</u>	<u>630,407</u>
Total liabilities		<u>749,441</u>	<u>671,950</u>
Total equity and liabilities		<u><u>1,201,640</u></u>	<u><u>1,093,590</u></u>
Net assets per share			
attributable to the owners of the company (RM)		<u>0.39</u>	<u>0.37</u>

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the First Quarter Ended 30 June 2018

	Individual 3 months ended 30-Jun		Cumulative 3 months ended 30-Jun	
	2018 RM'000	2017 RM'000 (RESTATED)	2018 RM'000	2017 RM'000 (RESTATED)
Revenue	576,758	419,283	576,758	419,283
Cost of sales	<u>(517,675)</u>	<u>(384,203)</u>	<u>(517,675)</u>	<u>(384,203)</u>
Gross profit	59,083	35,080	59,083	35,080
Other income	3,291	8,875	3,291	8,875
Distribution expenses	(8,887)	(6,468)	(8,887)	(6,468)
Administrative expenses	(7,126)	(3,183)	(7,126)	(3,183)
Other expenses	<u>(5,714)</u>	<u>(4,324)</u>	<u>(5,714)</u>	<u>(4,324)</u>
	40,647	29,980	40,647	29,980
Finance income	679	619	679	619
Finance costs	<u>(2,228)</u>	<u>(1,367)</u>	<u>(2,228)</u>	<u>(1,367)</u>
Profit before tax	39,098	29,232	39,098	29,232
Tax expense	<u>(8,542)</u>	<u>(7,659)</u>	<u>(8,542)</u>	<u>(7,659)</u>
Profit for the period	<u>30,556</u>	<u>21,573</u>	<u>30,556</u>	<u>21,573</u>
Other comprehensive income/ (expenses), net of tax				
Foreign currency translation difference for foreign operations	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>
Total comprehensive income for the period	<u>30,559</u>	<u>21,573</u>	<u>30,559</u>	<u>21,573</u>
Profit attributable to:				
Owners of the company	<u>30,556</u>	<u>21,573</u>	<u>30,556</u>	<u>21,573</u>
Total comprehensive income attributable to:				
Owners of the company	<u>30,559</u>	<u>21,573</u>	<u>30,559</u>	<u>21,573</u>
Basic earnings per ordinary share (sen)	<u>2.66</u>	<u>2.09</u>	<u>2.66</u>	<u>2.09</u>
Diluted earnings per ordinary share (sen)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Unaudited Condensed Consolidated Statement of Changes in Equity For the First Quarter Ended 30 June 2018

	← Attributable to owners of the Company →				
	← Non-distributable →			Distributable	
	Share Capital	Exchange fluctuation reserve	Reverse acquisition reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018	1,242,789	195	(1,104,436)	280,105	418,653
Effect of adopting MFRS 15				2,987	2,987
At 1 April 2018 (As restated)	1,242,789	195	(1,104,436)	283,092	421,640
Foreign currency translation differences for foreign operations		3			3
Profit for the period				30,556	30,556
Total comprehensive income for the period	-	3	-	30,556	30,559
At 30 Jun 2018	<u>1,242,789</u>	<u>198</u>	<u>(1,104,436)</u>	<u>313,648</u>	<u>452,199</u>
At 1 April 2017	6,200	-	-	202,178	208,378
Effect of adopting MFRS 15				1,512	1,512
At 1 April 2017 (As restated)	6,200	-	-	203,690	209,890
Foreign currency translation differences for foreign operations					
Profit for the period				21,573	21,573
Total comprehensive income for the year	-	-	-	21,573	21,573
At 30 Jun 2017	<u>6,200</u>	<u>-</u>	<u>-</u>	<u>225,263</u>	<u>231,463</u>

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Unaudited Condensed Consolidated Statement of Cash Flows For the First Quarter Ended 30 June 2018

	3 months ended 30-Jun	
	2018 RM'000	2017 RM'000 (RESTATED)
Cash flows from operating activities		
Profit/(Loss) before tax	39,098	29,232
Adjustment for:-		
Depreciation	5,680	3,066
Finance costs	2,228	1,367
Finance income	(679)	(619)
Unrealised loss on foreign exchange	5,680	559
Operating profit/(loss) before changes in working capital	<u>52,007</u>	<u>33,605</u>
Changes in inventories	(51,869)	(55,798)
Changes in contract assets	(403)	2,432
Changes in trade and other receivables	(50,288)	(5,676)
Changes in trade and other payables	84,979	52,569
Cash generated from/(used in) operations	<u>34,426</u>	<u>27,132</u>
Tax Paid	(7,108)	(4,126)
Net cash from/(used in) operating activities	<u>27,318</u>	<u>23,006</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(11,398)	(11,723)
Change in pledged deposits	(65)	289
Interest received	679	619
Net cash (used in)/from investing activities	<u>(10,784)</u>	<u>(10,815)</u>
Cash flows from financing activities		
Proceeds from/(Repayment of) term loans	(384)	(260)
Proceeds from/(Repayment of) short term borrowings	4,551	(15,222)
Repayment of finance lease liabilities	(6,357)	(5,682)
Interest paid	(2,228)	(1,367)
Net cash (used in)/from financing activities	<u>(4,418)</u>	<u>(22,531)</u>
Net increase/(decrease) in cash and cash equivalents	12,116	(10,340)
Cash and cash equivalents at 1 April	129,178	128,641
Cash and cash equivalents at 30 Jun	<u>141,294</u>	<u>118,301</u>

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Part A

Selected explanatory notes pursuant to MFRS 134

For the First Quarter ended 30 June 2018

1 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2018

(b) Reverse Accounting

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions Sdn Bhd ("IMS") and its subsidiaries ("IMS Group") via the issuance of 1,032,104,348 new ordinary shares of the Company to the shareholders of IMS Group. This acquisition has been accounted for using Reverse Accounting in accordance with MFRS 3, Business Combinations.

Accordingly, the IMS Group (being the legal subsidiaries in the transaction) is regarded as the accounting acquirer, and the Company (being the legal parent in the transaction) is regarded as the accounting acquiree. In addition, the consolidated financial statements represents a continuation of the financial position, performance and cash flows of the IMS Group.

The comparative figures for the individual and cumulative quarters as presented in the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Unaudited Condensed Consolidated Statement of Changes in Equity, and the Unaudited Condensed Consolidated Statement of Cash Flows therefore refer to the financial figures of the IMS Group.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 March 2018, except for changes arising from the adoption of MFRS 15 "Revenue from Contracts with Customers".

The Group has adopted MFRS 15 in the current financial period. Under MFRS 15, the Group recognises revenue from contracts with customers when a performance obligation is satisfied, which is when control of the goods underlying the particular performance obligation is transferred to the customer.

The Group has assessed the estimated impact that the application of MFRS 15 will have on its consolidated financial statements. Comparatives for the financial statements have been reclassified and restated to conform to the current year's presentation under MFRS 15.

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Part A

Selected explanatory notes pursuant to MFRS 134

For the First Quarter ended 30 June 2018

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Company upon their first adoption.

3 Auditors’ Report on Preceding Annual Financial Statements

The Auditors’ Report on the Audited Financial Statements for the year ended 31 March 2018 was not qualified.

4 Unusual items affecting the assets, liabilities, equity, net income, or cash flows

There are no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Group for the current quarter and financial year-to-date.

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Part A

Selected explanatory notes pursuant to MFRS 134

For the First Quarter ended 30 June 2018

5 Material changes in estimates

There are no material changes in estimates for the current quarter and financial year-to-date.

6 Dividends paid

No dividend was paid for the current quarter.

7 Segment information

The Group is principally involved in manufacturing and sales of precision plastic injection of moulded parts, secondary process, sub assembly and full assembly and supply of the finished products to the electronics manufacturing industry and are predominantly carried out in Malaysia. Segmental information is not prepared as the food trading segment is insignificant to the Group.

8 Material events subsequent to period end

There are no material events subsequent to the end of the period reported that have not been reflected in this quarterly report.

9 Changes in the composition of the Group

There are no changes in the composition of the Group for the current quarter and financial year-to-date.

10 Seasonal or cyclical factors

Generally, the Group operations are not significantly affected by any seasonal or cyclical factors.

11 Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets since the last annual balance sheet date.

12 Capital commitments

Property, plant and equipment

Contracted but not provided for

30.06.2018

RM'000

5,222

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Part A

Selected explanatory notes pursuant to MFRS 134

For the First Quarter ended 30 June 2018

13 Related party transactions

Significant related party transactions of the Group are as follows:-

	3 months ended	
	30-Jun	
	2018	2017
	RM'000	RM'000
Sales	45	-
Purchases	649	-

14 Profit for the period

	3 months ended	
	30-Jun	
	2018	2017
	RM'000	RM'000
Profit for the period is arrived at after charging /(crediting):		(RESTATED)
Depreciation	5,680	3,066
Net foreign exchange loss/(gain)	2,910	(4,803)
Finance income	679	619

15 Debt and Equity Securities

There were no issue and/or repayment of debt and equity securities, share cancellations, share buyback or resale of treasury shares during the quarter.

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Part B

Explanatory notes pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia

For the First Quarter ended 30 June 2018

16 Review of performance for current quarter vs previous year same quarter comparison

	Individual 3 months ended 30-Jun		Cumulative 3 months ended 30-Jun	
	2018 RM'000	2017 RM'000 (RESTATED)	2018 RM'000	2017 RM'000 (RESTATED)
Group Revenue	576,758	419,283	576,758	419,283
Profit before taxation	39,098	29,232	39,098	29,232
Profit after taxation	30,556	21,573	30,556	21,573

For the current quarter under review, the Group recorded a higher turnover of RM 576.8 million, an increase of RM 157.5 million or 37.6% as compared to the corresponding quarter in 2017. Profit before tax increased 33.8% or RM 9.9 million to RM 39.0 million over the same period.

The increase in revenue and profit before tax for current quarter was mainly attributable to higher sales order from existing customers.

17 Variation of results against the preceding quarter

	Individual	
	30 Jun 2018 RM'000	31 Mar 2018 RM'000 (RESTATED)
Group Revenue	576,758	520,846
Profit before taxation	39,098	22,827
Profit after taxation	30,556	16,884

For the current quarter under review, the Group recorded higher profit before tax of RM 39.0 million as compared to RM 22.8 million in the preceeding quarter due to an increase of RM 55.9 million in revenue or 10.7% from RM 520.8 million as a result of higher sales order from existing customers.

18 Current year prospects

Despite the current economic challenges, the Group will continue to expand and improve its production capabilities and operational efficiencies as the Group is expecting higher volume of orders from the existing customers.

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Part B

Explanatory notes pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia

For the First Quarter ended 30 June 2018

19 Profit forecast

Not applicable.

20 Tax expense

	Individual 3 months ended 30-Jun		Cumulative 3 months ended 30-Jun	
	2018 RM'000	2017 RM'000 (RESTATED)	2018 RM'000	2017 RM'000 (RESTATED)
Malaysian - current				
Tax expense	7,994	7,658	7,994	7,658
Deferred tax	548	1	548	1
	<u>8,542</u>	<u>7,659</u>	<u>8,542</u>	<u>7,659</u>

21 Status of uncompleted corporate proposals

On 13 December 2017 a sale and purchase agreement was entered into between O. C. Yee Realty Sdn Bhd (as Vendor) and Jabco Filter System Sdn Bhd (as Purchaser) in relation to the proposed acquisition of all that parcel of freehold industrial land with a two (2) storey (with lower ground floor) detached factory erected on it [held under Title No. Geran 88401, Lot 2050, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor] and bearing postal address No. 10. & 10A, Jalan Bayu, Kawasan Perindustrian Hasil, 81200 Johor Bahru, Johor, Malaysia for a cash consideration of RM25,000,000. The condition precedent for the aforesaid acquisition requires the Purchaser to apply for the Appropriate Authorities' approval for the transfer of the property, which was obtained on 8 August 2018.

The acquisition is expected to be completed within two (2) months from the unconditional date, which was 8 August 2018. The acquisition is pending final release of the loan by the financing bank for the balance purchase consideration.

The sale and purchase agreement dated 14 March 2018 was entered into between AIM (as Purchaser) and with Blessplus Sdn. Bhd. (as Vendor) in relation to the acquisition by AIM of a piece of land held under GRN 128419, Lot 1572, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor ("the Land") measuring a total of 62,127 sq. ft., for a total cash consideration of RM4,255,699.50 ("the Proposed Acquisition"). A condition precedent for the aforesaid acquisition requires the Purchaser to apply for the Appropriate Authorities' approval for the transfer of the property, which was obtained on 11 April 2018.

The acquisition has seen been completed on 10 July 2018.

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Part B

Explanatory notes pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia

For the First Quarter ended 30 June 2018

22 Changes in material litigation

There are no material litigation reported in this current quarter except for the below:

An on-going Johor Bahru High Court civil suit No JA-22NCVC-210-10/2017 brought by TNB against ATA Industrial (M) Sdn Bhd ("AIM") for a monetary claim of RM5,089,623.63 together with interest and costs relating to disputed consumption of electricity at AIM's 2 factories in Johor. AIM has filed its Statement of Defence and the trial of the civil suit has been completed and the Court has fixed 30 September 2018 for judgement.

The entire amount claimed by TNB in the civil suit above has been fully provided for in the audited accounts for the year ended 31 March 2017.

23 Dividends payables

No dividend has been recommended for the current quarter.

24 Group borrowings

	30 Jun 2018	31 Mar 2018
	RM'000	RM'000
Secured		
Non-Current		
Finance lease liabilities	27,678	18,346
Term loans	16,478	16,656
	<u>44,156</u>	<u>35,002</u>
Current		
Bank overdraft	1,675	956
Bankers acceptance	95,632	91,802
Revolving credit	5,000	5,000
Finance lease liabilities	20,479	17,123
Term loans	8,395	8,670
	<u>131,181</u>	<u>123,551</u>
Total	<u><u>175,338</u></u>	<u><u>158,553</u></u>

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Part B

Explanatory notes pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia For the First Quarter ended 30 June 2018

25 Basic earnings per share

	Individual 3 months ended 30-Jun		Cumulative 3 months ended 30-Jun	
	2018 RM'000	2017 RM'000 (RESTATED)	2018 RM'000	2017 RM'000 (RESTATED)
	Profit/(Loss) attributable to owners of the company (RM'000)	30,556	21,573	30,556
Weighted average number of ordinary shares in issue ('000)	1,147,020	1,032,104	1,147,020	1,032,104
Basic earnings per share (sen per share)	2.66	2.09	2.66	2.09

26 Diluted earnings per share

Fully diluted profit/ (loss) per ordinary share for the current quarter is not presented as the Company does not have any outstanding share options or other potentially dilutive financial instruments currently on issue.

27 Authorise for issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 28 August 2018.

BY ORDER OF THE BOARD

Yong May Li (LS 0000295)

Wong Chee Yin (MAICSA 7023530)

Company Secretaries

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