ATA IMS Berhad
(Formerly known as Denko Industrial Corporation Berhad)

(Company No. 190155-M)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 March 2018

ATA IMS Berhad
(Formerly known as Denko Industrial Corporation Berhad)
(Company No. 190155-M)
(Incorporated in Malaysia)
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Directors' report for the year ended 31 March 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

Principal activities

The principal activity of the Company consists of investment holding. The principal activities of its subsidiaries are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

Change of name

On 24 July 2018, the Company changed its name from Denko Industrial Corporation Berhad to ATA IMS Berhad.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year	92,527	(2,485)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Sri Foo Chee Juan
Mr. Koh Win Ton
Ms. Wong Chin Chin
Mr. Balachandran A/L Govindasamy (appointed on 13 February 2018)
Dato' Fong Chiu Wan (appointed on 13 February 2018)
Mr. Lee Kok Jong (appointed on 24 August 2017)
Ms. Grace Foo Hui Ting (resigned on 4 August 2017)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares			
Name of Directors	**Interest**	**At 1 April 2017/ date of appointment '000**	**Bought '000**	**Sold '000**	**At 31 March 2018 '000**
Company					
Dato' Sri Foo Chee Juan	Deemed[(1)]	54,561	351,595	--	406,156
Dato' Fong Chiu Wan	Direct	53,500	294,977	--	348,477
Mr. Balachandran A/L Govindasamy	Deemed[(2)]	--	103,210	--	103,210

[(1)] Deemed interested by virtue of his equity interest in Oregon Technology Sdn. Bhd.
[(2)] Deemed interested by virtue of his equity interest in PP Tech Limited.

By virtue of Dato' Sri Foo Chee Juan's and Dato' Fong Chiu Wan's substantial interest in the Company, they are also deemed to have interests in the ordinary shares of all the wholly-owned subsidiaries of the Company as disclosed in Note 4 to the financial statements.

None of the other Directors holding office at 31 March 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than sales and purchases in the ordinary course of business to/from companies in which the Directors have substantial financial interests as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Issue of shares

During the financial year, the Company issued:

(i) 1,032,104,348 new ordinary shares of RM1.15 each for the acquisition of subsidiaries as disclosed in Note 18 to the financial statements;
(ii) first tranche of private placement of 4,178,700 new ordinary shares at RM1.15 each; and
(iii) second and final tranche of private placement of 6,268,100 new ordinary shares at RM1.23 each.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, the total amount paid for insurance effected for Director and officer of the Company is RM28,630.

Qualification of subsidiaries' financial statements

The auditors' reports on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions ("IMS") and its subsidiaries (collectively referred to as "IMS Group") via the issuance of 1,032,104,348 new ordinary shares of the Company to the shareholders of IMS Group.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 15 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Dato' Sri Foo Chee Juan
Director

....
Dato' Fong Chiu Wan
Director

Date: 2 4 JUL 2018

ATA IMS Berhad
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and its subsidiaries

Statements of financial position
As at 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	208,978	101,469	--	--
Investments in subsidiaries	4	--	--	1,230,927	40,447
Goodwill on consolidation	5	76,414	--	--	--
Deferred tax assets	6	15	232	--	--
Total non-current assets		285,407	101,701	1,230,927	40,447
Inventories	7	147,829	133,581	--	--
Trade and other receivables	8	500,982	391,846	8,061	969
Tax recoverable		614	--	--	--
Cash and cash equivalents	9	154,828	153,149	5	14
Total current assets		804,253	678,576	8,066	983
Total assets		1,089,660	780,277	1,238,993	41,430
Equity					
Share capital	10	1,242,789	43,354	1,242,789	43,354
Reserves	10	(824,136)	165,024	(4,861)	(2,376)
Total equity		418,653	208,378	1,237,928	40,978
Liabilities					
Loans and borrowings	11	35,002	26,835	--	--
Deferred tax liabilities	6	5,598	394	--	--
Total non-current liabilities		40,600	27,229	--	--
Trade and other payables	12	506,486	417,100	1,065	452
Loans and borrowings	11	123,551	89,515	--	--
Taxation		--	5,800	--	--
Derivative financial liabilities	13	370	--	--	--
Dividend payable		--	32,255	--	--
Total current liabilities		630,407	544,670	1,065	452
Total liabilities		671,007	571,899	1,065	452
Total equity and liabilities		1,089,660	780,277	1,238,993	41,430

ATA IMS Berhad
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Statements of profit or loss and other comprehensive income
For the year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue					
Goods sold		2,308,458	1,814,769	--	--
Dividend income		--	--	--	2,800
		2,308,458	1,814,769	--	2,800
Cost of goods sold		(2,146,217)	(1,671,164)	--	--
Gross profit		162,241	143,605	--	2,800
Other income		19,512	15,895	--	--
Distribution expenses		(33,597)	(28,090)	--	--
Administrative expenses		(15,577)	(12,553)	(2,479)	(784)
Other expenses		(3,504)	(20,171)	(6)	(6,646)
Results from operating activities		129,075	98,686	(2,485)	(4,630)
Finance income		2,895	2,281	--	--
Finance costs		(6,185)	(4,457)	--	--
Net finance costs		(3,290)	(2,176)	--	--
Profit/(Loss) before tax		125,785	96,510	(2,485)	(4,630)
Tax expense	14	(33,258)	(17,382)	--	--
Profit/(Loss) for the year	15	92,527	79,128	(2,485)	(4,630)
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation/ **Other comprehensive income for the year, net of tax**		195	--	--	--
Total comprehensive income/ (expense) for the year		92,722	79,128	(2,485)	(4,630)
Basic earnings per ordinary share (sen)	16	8.82	7.67		

The accompanying notes form an integral part of the financial statements.

ATA IMS Berhad
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Consolidated statement of changes in equity
For the year ended 31 March 2018

		Attributable to owners of the Company					
		Non-distributable				Distributable	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Exchange fluctuation reserve RM'000**	**Reverse accounting reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 April 2016		41,788	1,566	--	(37,154)	199,051	205,251
Profit and total comprehensive income for the year		--	--	--	--	79,128	79,128
Transfer in accordance with Section 618(2) of the Companies Act 2016	10	1,566	(1,566)	--	--	--	--
Dividends to the previous shareholders of the subsidiaries		--	--	--	--	(76,001)	(76,001)
At 31 March 2017/1 April 2017		43,354	--	--	(37,154)	202,178	208,378
Foreign currency translation differences for foreign operation/ **Total other comprehensive income for the year**		--	--	195	--	--	195
Profit for the year		--	--	--	--	92,527	92,527
Total comprehensive income for the year		--	--	195	--	92,527	92,722
Contributions by and distributions to owners of the Company							
Issued for cash under private placements	10	12,515	--	--	--	--	12,515
Issued pursuant to acquisition of subsidiaries	10	1,186,920	--	--	(1,067,282)	--	119,638
Total transactions with owners of the Company		1,199,435	--	--	(1,067,282)	--	132,153
Dividends to the previous shareholders of a subsidiary		--	--	--	--	(14,600)	(14,600)
At 31 March 2018		1,242,789	--	195	(1,104,436)	280,105	418,653

The accompanying notes form an integral part of the financial statements.

ATA IMS Berhad
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Statement of changes in equity
For the year ended 31 March 2018

		Attributable to owners of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
Company					
At 1 April 2016		41,788	1,566	2,254	45,608
Loss and total comprehensive expense for the year		--	--	(4,630)	(4,630)
Transfer in accordance with Section 618(2) of the Companies Act 2016	10	1,566	(1,566)	--	--
At 31 March 2017/1 April 2017		43,354	--	(2,376)	40,978
Loss and total comprehensive expense for the year		--	--	(2,485)	(2,485)
Contributions by and distributions to owners of the Company					
Issued for cash under private placements	10	12,515	--	--	12,515
Issued pursuant to acquisition of subsidiaries	10	1,186,920	--	--	1,186,920
Total transactions with owners of the Company		1,199,435	--	--	1,199,435
At 31 March 2018		1,242,789	--	(4,861)	1,237,928

ATA IMS Berhad
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Statements of cash flows
For the year ended 31 March 2018

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities				
Profit/(Loss) before tax	125,785	96,510	(2,485)	(4,630)
Adjustments for:				
Bad debts written off	--	61	--	--
Depreciation	14,037	10,466	--	--
Fair value loss on derivative instruments	370	--	--	--
Finance costs	6,185	4,457	--	--
Finance income	(2,895)	(2,281)	--	--
Dividend income	--	--	--	(2,800)
(Reversal of)/Impairment loss on:				
- Trade receivables	(1,060)	--	--	--
- Investment in subsidiaries	--	--	--	6,642
Gain on disposal of property, plant and equipment	(184)	(13)	--	--
Unrealised loss on foreign exchange	1,138	17,125	--	--
Inventories:				
- Reversal of slow moving	(2,621)	(282)	--	--
- Written down to net realisable value	276	--	--	--
Operating profit/(loss) before changes in working capital	141,031	126,043	(2,485)	(788)
Changes in inventories	5,952	(16,037)	--	--
Changes in trade and other receivables	(70,602)	(55,920)	(7,091)	1,992
Changes in trade and other payables	34,496	37,012	613	(4,013)
Cash generated from/(used in) operations	110,877	91,098	(8,963)	(2,809)
Tax paid	(37,250)	(18,132)	--	--
Net cash from/(used in) operating activities	73,627	72,966	(8,963)	(2,809)

Company No. 190155-M

Statements of cash flows
For the year ended 31 March 2018
(continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	17	(31,789)	(25,718)	--	--
Proceeds from disposal of property, plant and equipment		184	15	--	--
Change in pledged deposits		(186)	(12,479)	--	--
Dividend received		--	--	--	2,800
Share issue expenses		--	--	(3,561)	--
Acquisition of subsidiary, net of cash and cash equivalents acquired	18	3,108	--	--	--
Interest received		2,895	2,281	--	--
Net cash (used in)/from investing activities		(25,788)	(35,901)	(3,561)	2,800
Cash flows from financing activities					
(Repayment of)/Proceeds from term loans		(1,113)	14,344	--	--
Proceeds from short term borrowings		10,438	34,939	--	--
Repayment of finance lease liabilities		(3,585)	(10,480)	--	--
Dividends paid by the subsidiaries to the previous shareholders		(46,855)	(43,746)	--	--
Proceeds from private placement of shares		--	--	12,515	--
Interest paid		(6,185)	(4,457)	--	--
Net cash (used in)/from financing activities		(47,300)	(9,400)	12,515	--
Net increase/(decrease) in cash and cash equivalents		539	27,665	(9)	(9)
Effect of exchange rate fluctuation on cash held		(2)	--	--	--
Cash and cash equivalents at 1 April		128,641	100,976	14	23
Cash and cash equivalents at 31 March		129,178	128,641	5	14

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits	26,712	26,303	--	--
Less: Pledged deposits	(24,694)	(24,508)	--	--
	2,018	1,795	--	--
Cash and bank balances	128,116	126,846	5	14
Bank overdraft	(956)	--	--	--
	129,178	128,641	5	14

The accompanying notes form an integral part of the financial statements.

ATA IMS Berhad
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Notes to the financial statements

ATA IMS Berhad (formerly known as Denko Industrial Corporation Berhad) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
No. 16, Jalan Hasil Dua
Kawasan Perindustrian Jalan Hasil
81200 Tampoi
Johar Bahru
Johor

Registered office
Suite 1301, 13th Floor
City Plaza, Jalan Tebrau
80300 Johar Bahru
Johor

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group Entities"). The financial statements of the Company as at and for the financial year ended 31 March 2018 do not include other entities

The principal activity of the Company consists of investment holding. The principal activities of its subsidiaries are disclosed in Note 4.

These financial statements were authorised for issue by the Board of Directors on 24 JUL 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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 Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

(a) Statement of compliance (continued)

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 except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

Currently, the Group recognises revenue from contracts with customers upon risks and rewards of ownership have been transferred to the customers. 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 plans to adopt the new standard on the required effective date using retrospective approach. The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements for the year ended 31 March 2018 and the beginning of the earliest period presented on 1 April 2017 as below. The estimated impact on the initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the Group is still in the midst of implementing, testing and assessing the controls of the new information technology system.

Group	Statement of financial position as at 31 March 2018		Statement of financial position as at 1 April 2017	
	As currently stated RM'000	Expected restatement RM'000	As currently stated RM'000	Expected restatement RM'000
Inventories	147,829	126,632	133,581	108,616
Contract assets	--	25,127	--	26,955
Deferred tax liabilities	5,598	6,541	394	872
Retained earnings	280,105	283,092	202,178	203,690

Group	Statement of profit or loss and other comprehensive income for the year ended 31 March 2018	
	As currently stated RM'000	Expected restatement RM'000
Revenue	2,308,458	2,301,198
Cost of goods sold	(2,146,217)	(2,138,729)
Tax expense	(33,258)	(33,312)
Profit for the year	92,527	92,701
Basic earnings per ordinary shares (sen)	8.82	8.83

(a) Statement of compliance (continued)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

The Group has performed an impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 9. Based on the assessments of the Directors, the adoption of MFRS 9 will not have significant financial impact to the Group.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in Note 5 - Goodwill on consolidation.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Reverse accounting

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions ("IMS") and its subsidiaries (collectively referred to as "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 represent a continuation of the financial position, performance and cash flows of the IMS Group. Accordingly, the consolidated financial statements are prepared on the following basis:

(a) the assets and liabilities of the IMS Group are recognised and measured in the statements of financial position of the Group at their pre-acquisition carrying amounts;

(b) the assets and liabilities of the Company and its subsidiaries are recognised and measured in the consolidated statements of financial position at their acquisition-date fair values;

(c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the IMS Group immediately before the acquisition;

(d) the amount recognised as issued equity interests in the consolidated financial statements is determined by adding to the issued equity of the IMS Group immediately before the acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issues) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the acquisition;

(e) the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2018 reflects the full year results of the IMS Group together with the post-acquisition results of the Company and its subsidiaries; and

(f) the comparative figures presented in these consolidated financial statements are those of the IMS Group, except for its capital structure which is retroactively adjusted to reflect the legal capital of the accounting acquiree.

(a) Basis of consolidation (continued)

(iii) Reverse accounting (continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the year ended 31 March 2018 refers to the Group which includes the results of the IMS Group from 1 April 2017 to 31 March 2018 and the post-acquisition results of the Company and its subsidiaries from acquisition date to 31 March 2018. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the year ended 31 March 2017 refer to the results of the IMS Group from 1 April 2016 to 31 March 2017.

The consolidated statement of financial position of the Group as at 31 March 2018 refers to the consolidated statement of financial position of the IMS Group and the Company and its subsidiaries as at 31 March 2018. The consolidated statement of financial position of the Group as at 31 March 2017 refers to the consolidated statement of financial position of the IMS Group.

Separate financial statements of the Company

The above accounting applies only at the consolidated financial statements. In the Company's separate financial statements, investments in the legal subsidiaries (the IMS Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's statements of financial position. The initial cost of the investment in the IMS Group is based on the fair value of the ordinary shares issued by the Company as at the acquisition date.

The statements of financial position of the Company as at 31 March 2018 and 2017 refers to the statements of financial position of the Company.

Further details on accounting of the acquisition are provided in Note 18.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 50 years
Plant and machinery	6.67 - 10 years
Office furniture and equipment	5 - 10 years
Motor vehicles	5 - 6.67 years
Renovation and electrical installation	6.67 - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(e) Leased assets (continued)

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

(i) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(k) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the completion of a physical proportion of the contract work.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(l) Revenue and other income (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Land and buildings RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Renovation and electrical installation RM'000	Construction -in -progress RM'000	Total RM'000
At cost							
At 1 April 2016	18,971	129,475	6,411	2,295	11,119	--	168,271
Additions	16,800	25,679	1,484	663	516	--	45,142
Disposals/Written off	--	(455)	(2)	--	--	--	(457)
At 31 March 2017/1 April 2017	35,771	154,699	7,893	2,958	11,635	--	212,956
Acquisitions (see Note 18)	43,400	12,769	1,793	176	1,521	1,053	60,712
Additions	--	39,334	2,077	1,290	5,425	12,744	60,870
Disposals/Written off	--	(1,457)	(3)	(308)	--	--	(1,768)
Translation differences	--	--	--	--	--	(36)	(36)
At 31 March 2018	79,171	205,345	11,760	4,116	18,581	13,761	332,734
Accumulated depreciation							
At 1 April 2016	4,572	81,594	5,707	1,400	8,203	--	101,476
Depreciation charge	432	8,766	549	151	568	--	10,466
Disposals/Written off	--	(454)	(1)	--	--	--	(455)
At 31 March 2017/1 April 2017	5,004	89,906	6,255	1,551	8,771	--	111,487
Depreciation charge	639	11,477	636	549	736	--	14,037
Disposals/Written off	--	(1,457)	(3)	(308)	--	--	(1,768)
At 31 March 2018	5,643	99,926	6,888	1,792	9,507	--	123,756
Carrying amounts							
At 1 April 2016	14,399	47,881	704	895	2,916	--	66,795
At 31 March 2017/1 April 2017	30,767	64,793	1,638	1,407	2,864	--	101,469
At 31 March 2018	73,528	105,419	4,872	2,324	9,074	13,761	208,978

3. Property, plant and equipment (continued)

3.1 Carrying amounts of land and buildings

Included in the carrying amount of land and buildings are:

	Group 2018 RM'000	Group 2017 RM'000
Freehold land	24,082	10,162
Buildings	49,446	20,605
	73,528	30,767

3.2 Security

The freehold land and buildings, plant and machineries of the Group with carrying amounts of RM75,012,265 (2017: RM32,143,222) are charged to licensed banks as securities for bank borrowings as disclosed in Note 11.

3.3 Leased plant and equipment

Included in plant and equipment of the Group are machineries, office equipment and motor vehicles acquired under finance lease agreements with carrying amounts of RM60,418,212 (2017: RM35,094,805).

4. Investments in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost	1,253,037	62,557
Less: Impairment losses	(22,110)	(22,110)
	1,230,927	40,447

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	Effective ownership interest and voting interest 2017 %
Winsheng Plastic Industry Sdn. Bhd. ("WPI")	Malaysia	Manufacturing and sales of precision plastic injection moulded parts, secondary process, sub-assembly, full assembly of finished products, and tooling fabrication	100	100
Lean Teik Soon Sdn. Bhd.	Malaysia	Wholesaler/retailer of foodstuff and consumer goods	100	100
Denko Management Services Sdn. Bhd.	Malaysia	Dormant	100	100
Winsheng Plastic Marketing Sdn. Bhd.	Malaysia	Dormant	100	100
Integrated Manufacturing Solutions Sdn. Bhd. ("IMS")	Malaysia	Investment holding	100	--

4. Investments in subsidiaries (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiary of WPI				
PT. Winsheng Plastic and Tooling Industry*	Indonesia	Tooling fabrication and plastic part manufacture	100	100
Subsidiary of IMS				
ATA Industrial (M) Sdn. Bhd. ("AIM")	Malaysia	Manufacturing and sales of precision plastic injection moulded parts and assembly of electrical and electronic components and products	100	--
Jabco Filter System Sdn. Bhd.*	Malaysia	Manufacturing and sales of air filters and sterilizers	100	--
ATA Precision Engineering Sdn. Bhd.*	Malaysia	Design and fabrication of tools and moulds	100	--

* Not audited by member firm of KPMG International.

5. Goodwill on consolidation

	Goodwill/ Total RM'000
Group	
At cost	
At 1 April 2017	--
Acquisition through business combinations	76,414
At 31 March 2018	76,414
Carrying amounts	
At 1 April 2017	--
At 31 March 2018	76,414

Goodwill

During the year, the Company acquired the entire equity interest in IMS Group via the issuance of 1,032,104,348 new ordinary shares of the Company. The acquisition has been accounted for using reverse accounting in accordance with MFRS 3, Business Combinations. Arising from this acquisition, the Group recognised a goodwill of RM76.414 million.

Goodwill represents enhanced scale and synergies expected from the combined business. It is expected that the Group, as enlarged by the acquisition of IMS (the "enlarged group"), will substantially increase its annual production capacity of its plastic injection which would enable the enlarged group to increase its market share in the plastic injection moulding business.

5. Goodwill on consolidation (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The aggregate carrying amounts of goodwill are allocated as follows:

	Group 2018 RM'000
Manufacture, assembly and sale of plastic injection moulded parts	76,414

The recoverable amount for the goodwill were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

i) Cash flows were projected based on 3-year plan and an estimated terminal value with zero growth rate.

ii) Revenue were projected based on growth rate of 14% - 16% on historical sales performance.

iii) Profit margins were based on historical performance and remain constant throughout the projected period.

iv) A pre-tax discount rate of 13% was applied in determining the recoverable amount. The discount rate was estimated based on the industry's weighted average cost of capital.

Based on management assessment, the recoverable amount of the unit was determined to be higher than its carrying amount and therefore, no impairment loss was recognised.

Based on the sensitivity analysis, any reasonably possible change in the key assumptions applied is not likely to cause the carrying amount of goodwill to exceed its recoverable amount.

6. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment - capital allowances	--	--	(10,528)	(3,469)	(10,528)	(3,469)
Trade receivables	13	--	--	--	13	--
Provisions	616	416	--	--	616	416
Inventories	596	707	--	--	596	707
Unutilised reinvestment allowances	2,489	--	--	--	2,489	--
Unrealised exchange differences	1,231	2,184	--	--	1,231	2,184
	4,945	3,307	(10,528)	(3,469)	(5,583)	(162)
Set off of tax	(4,930)	(3,075)	4,930	3,075	--	--
Net tax assets/(liabilities)	15	232	(5,598)	(394)	(5,583)	(162)

6. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group 2018 RM'000	2017 RM'000
Unabsorbed capital allowances	4,940	--
Unutilised tax losses	689	--
Unutilised reinvestment allowances	527	--
	6,156	--

The unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits therefrom.

Movements in temporary differences during the year are as follows:

Group	At 1 April 2016 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31 March 2017 RM'000	Acquisition through business combination (Note 18) RM'000	Recognised in profit or loss (Note 14) RM'000	At 31 March 2018 RM'000
Property, plant and equipment						
- Capital allowances	(2,437)	(1,032)	(3,469)	(6,114)	(945)	(10,528)
Trade receivables	--	--	--	16	(3)	13
Provisions	2,442	(2,026)	416	168	32	616
Inventories	1,238	(531)	707	--	(111)	596
Unutilised reinvestment allowances	--	--	--	2,770	(281)	2,489
Unrealised exchange differences	(7,022)	9,206	2,184	(82)	(871)	1,231
	(5,779)	5,617	(162)	(3,242)	(2,179)	(5,583)

7. Inventories

	Group 2018 RM'000	2017 RM'000
Raw materials	92,044	83,383
Work in progress	33,202	27,992
Finished goods	22,583	22,206
	147,829	133,581
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	2,146,217	1,671,164
- Write-down to net realisable value	276	--

8. Trade and other receivables

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade				
Trade receivables	447,521	368,622	--	--
Non-trade				
Other receivables, deposits and prepayments	53,461	23,224	296	227
Due from a subsidiary	--	--	7,765	742
	53,461	23,224	8,061	969
	500,982	391,846	8,061	969

The amount due from a subsidiary is unsecured, interest free and have no fixed term of repayment.

Included in trade receivables of the Group are RM369,072 (2017: RM248,760) due from companies in which certain Directors have substantial financial interests.

Included in other receivables, deposits and prepayments are:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Due from companies in which certain Directors have substantial financial interests	13	2,295	--	--
Due from Directors	--	295	--	--
Other receivables	20,150	6,397	156	24
Deposits	12,464	3,348	1	1
Prepayments	20,834	10,889	139	202
	53,461	23,224	296	227

The amounts due from Directors and companies in which certain Directors have substantial financial interests are unsecured, interest free and repayable on demand.

9. Cash and cash equivalents

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances	128,116	126,846	5	14
Fixed deposits with licensed banks	26,712	26,303	--	--
	154,828	153,149	5	14

Included in fixed deposits of the Group are amounts of RM24,693,864 (2017: RM24,508,031) pledged to banks to secure banking facilities granted to the subsidiaries.

Fixed deposits of the subsidiaries amounting to RM16,057,218 (2017: RM18,303,641) are registered in the name of certain Directors held in trust for the subsidiaries.

10. Capital and reserves

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2018 RM'000	2017 RM'000	2018 '000	2017 '000
Ordinary shares:				
Issued and fully paid				
At 1 April	43,354	41,788	104,469	104,469
Issued for cash under private placements	12,515	--	10,447	--
Issued pursuant to acquisition of IMS Group (Note 10.1)	1,186,920	--	1,032,104	--
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 10.2)	--	1,566	--	--
At 31 March	1,242,789	43,354	1,147,020	104,469

10.1 During the year, the Company acquired the entire equity interest in IMS Group for total consideration of RM1,186,920,000, satisfied via allotment and issuance of 1,032,104,348 new ordinary shares of the Company at an issue price of RM1.15 each. 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 represent a continuation of the financial position, performance and cash flows of the IMS Group.

10.2 Included in share capital is share premium amounting to RM1,566,419 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Companies Act 2016).

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Reserves

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Distributable				
Retained earnings/ (Accumulated losses)	280,105	202,178	(4,861)	(2,376)
Non-distributable				
Exchange fluctuation reserve	195	--	--	--
Reverse accounting reserve	(1,104,436)	(37,154)	--	--
	(824,136)	165,024	(4,861)	(2,376)

10. Capital and reserves (continued)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprise all foreign currency differences arising from the translation of the financial statements of foreign operation.

Reverse accounting reserve

The reverse accounting reserve arose to reflect the equity structure of the Company, including the equity interests issued by the Company to effect the combinations.

11. Loans and borrowings

	Group	
	2018 **RM'000**	**2017** **RM'000**
Secured		
Non-current		
Finance lease liabilities	18,346	9,061
Term loans	16,656	17,774
	35,002	26,835
Current		
Finance lease liabilities	17,123	13,788
Term loans	8,670	1,053
Bankers' acceptances	91,802	74,674
Revolving credits	5,000	--
Bank overdraft	956	--
	123,551	89,515
	158,553	116,350

11. Loans and borrowings (continued)

Securities

The loans and borrowings are secured by way of:

i) first party legal charges over the properties of the Group;
ii) pledged fixed deposits of the Group;
iii) jointly and severally guaranteed by certain Directors of the Company; and
iv) corporate guarantee by the Company.

Significant covenants

The loans and borrowings of the subsidiaries are subject to specific covenants on that subsidiary as follows:

AIM

i) gearing ratio shall not exceed 2 times; and
ii) dividend declared shall not exceed profit for the year.

WPI

i) gearing ratio shall not exceed 0.6 times;
ii) advances to Directors/Directors' related companies and related companies shall be capped at RM2 million; and
iii) dividend declared shall not exceed 50% of profit for the year.

As at 31 March 2018, WPI has not fulfilled the covenant of maintaining the gearing ratio of not more than 0.6 times and consequently, the entire term loans of WPI has been classified as current liabilities. WPI is in the process of seeking waiver of the debt covenant from the affected licensed bank.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	← 2018		→	← 2017		→
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	18,618	1,495	17,123	14,702	914	13,788
Between one and five years	19,283	937	18,346	9,346	285	9,061
	37,901	2,432	35,469	24,048	1,199	22,849

11. Loans and borrowings (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1 April 2017 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Acquisition through business combinations RM'000	At 31 March 2018 RM'000
Group					
Term loans	18,827	(1,113)	--	7,612	25,326
Finance lease liabilities	22,849	(3,585)	9,839	6,366	35,469
Bankers' acceptances	74,674	10,438	--	6,690	91,802
Revolving credits	--	--	--	5,000	5,000
Total liabilities from financing activities	116,350	5,740	9,839	25,668	157,597

12. Trade and other payables

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade payables	399,158	334,000	--	--
Other payables and accrued expenses	107,328	83,100	1,065	452
	506,486	417,100	1,065	452

Included in trade payables of the Group are RM422,283 (2017: RM793,353) due to companies in which certain Directors have substantial financial interests.

Included in other payables and accrued expenses of the Group and the Company are:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Property, plant and equipment creditors	33,555	14,313	--	--
Due to Directors	197	523	--	--
Due to companies in which certain Directors have substantial financial interests	--	544	--	--
Other payables and accrued expenses	73,576	67,720	1,065	452
	107,328	83,100	1,065	452

The amounts due to Directors and companies in which certain Directors have substantial financial interest are unsecured, interest free and have no fixed terms of repayment.

13. Derivatives financial liabilities

	Group 2018 Nominal value RM'000	Group 2018 Financial liabilities RM'000	Company 2017 Nominal value RM'000	Company 2017 Financial liabilities RM'000
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	43,171	370	65,559	--

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. When necessary, the forward contracts are rolled over at maturity.

14. Tax expense

Recognised in profit or loss

Major components of income tax expense include:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current tax expense				
- Current year	29,093	22,803	--	--
- Prior years	1,986	196	--	--
	31,079	22,999	--	--
Deferred tax expense/(income)				
- Origination and reversal of temporary differences	3,818	(5,627)	--	--
- (Over)/Under provision in prior years	(1,639)	10	--	--
	2,179	(5,617)	--	--
	33,258	17,382	--	--
Reconciliation of tax expense				
Profit/(Loss) before tax	125,785	96,510	(2,485)	(4,630)
Income tax calculated using Malaysian tax rate of 24%	30,188	23,162	(596)	(1,111)
Tax saving from reduction in tax rate*	(20)	(1,972)	--	--
Non-deductible expenses	3,992	2,947	596	1,783
Non-taxable income	(1,243)	(6,961)	--	(672)
Effect of unrecognised deferred tax assets	(6)	--	--	--
	32,911	17,176	--	--
Under provision in prior years	347	206	--	--
Tax expense	33,258	17,382	--	--

* A subsidiary of the Group is entitled to reduction in corporate income tax from 1% to 4% based on percentage of increment of chargeable business income compared with the preceding year of assessment in accordance with the Income Tax (Exemption) (No. 2) Order 2017.

15. Profit/(Loss) for the year

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit/(Loss) for the year is arrived at after charging/ (crediting)				
Audit fee:				
- KPMG in Malaysia	295	130	70	--
- Other auditors	44	30	--	26
Non-audit fees:				
- KPMG in Malaysia	--	--	245	--
- Other auditors	83	34	140	4
Depreciation	14,037	10,466	--	--
Fair value loss on derivative instruments	370	--	--	--
Personnel expenses (including key management personnel):				
- Contribution to state plans	4,582	3,339	--	--
- Wages, salaries and others	183,382	154,306	150	271
Rental of:				
- Land and buildings	9,982	10,235	--	--
- Plant and equipment	2,272	1,077	--	--
Bad debts written off	--	61	--	--
Foreign exchange:				
- Realised gain	(17,561)	(10,543)	--	--
- Unrealised loss	1,138	17,125	--	--
Gain on disposal of property, plant and equipment	(184)	(13)	--	--
Inventories:				
- Reversal of slow moving	(2,621)	(282)	--	--
- Written down to net realisable value	276	--	--	--
(Reversal of)/Impairment loss on:				
- Trade receivables	(1,060)	--	--	--
- Investment in subsidiaries	--	--	--	6,642

16. Earnings per ordinary share

Basic earnings per ordinary share

Due to the business acquisitions during the financial year, the earnings per ordinary shares has been restated and reflects the results of IMS Group, till the date of the acquisition, and the results of the Group from the date of the acquisition.

16. Earnings per ordinary share (continued)

Basic earnings per ordinary share (continued)

The number of ordinary shares outstanding from the beginning of the year to the acquisition date for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company for the acquisition, and the number of ordinary shares outstanding from the acquisition date to the end of the year is the actual number of ordinary shares of the Company outstanding during the financial year. The number of ordinary shares issued by the Company for the acquisition is used in the calculation of weighted average number of ordinary shares for the financial year ended 31 March 2017.

	Group	
	2018 RM'000	2017 RM'000
Profit for the year attributable to owners	92,527	79,128

Weighted average number of ordinary shares are determined as follows:

	Group	
	2018 '000	2017 '000
Weighted average number of ordinary shares at 31 March	1,049,420	1,032,104
Basic earnings per ordinary share (sen)	8.82	7.67

Diluted earnings per ordinary share

The diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding.

17. Acquisition of property, plant and equipment

Acquisition of property, plant and equipment represent:

	Group	
	2018 RM'000	2017 RM'000
Current year's additions of property, plant and equipment	60,870	45,142
Less: Amount financed by hire purchase	(9,839)	(9,804)
Less: Balances in respect of acquisition of property, plant and equipment included in other creditors		
- at end of year	(33,555)	(14,313)
- at beginning of year	14,313	4,693
Cash used in acquisition of property, plant and equipment	31,789	25,718

18. Acquisition of subsidiaries

On 5 February 2018, the Company completed its acquisition of the entire equity interest in Integrated Manufacturing Solutions ("IMS") and its subsidiaries (collectively referred to as "IMS Group") via the issuance of 1,032,104,348 new ordinary shares of the Company to the shareholders of IMS Group. The acquisition of IMS Group was undertaken as part of the Company's plastic injection moulding business expansion strategy to grow its revenue and customer base as well as to expand its production capacity. This acquisition has been accounted for using reverse accounting as described in Note 2(a) basis of consolidation.

The consideration of the acquisition was determined in accordance with MFRS 3, Business Combinations on the basis of the fair value of IMS Group on the date of completion and the number of new ordinary shares IMS would have to issue to the equity holders of the Company to provide the same percentage ownership interest of the combined entity.

From the date of acquisition, accounting acquiree has contributed revenue of RM17,559,000 and net profit of RM605,000 to the Group. If the business combination had taken place at the beginning of the financial year, the consolidated revenue would have been RM2,409,301,000 and the consolidated net profit for the Group would have been RM85,707,000.

The fair value of the assets and liabilities arising from the acquisition are as follows:

Identifiable assets acquired and liabilities assumed

	2018 RM'000
Property, plant and equipment	60,712
Inventories	17,862
Trade and other receivables	37,508
Tax recoverable	241
Cash and cash equivalents	3,108
Trade and other payables	(34,782)
Loans and borrowings	(25,668)
Deferred tax liabilities	(3,242)
Net assets acquired	55,739
Goodwill on consolidation	76,414
Consideration effectively transferred	132,153
Net cash from arising from acquisition:	
Cash and cash equivalents acquired	3,108

The fair value of trade and other receivables is RM37,508,000 and includes trade receivables with a fair value of RM21,174,000. The gross contractual amount for trade receivables due is RM23,497,000, of which RM2,323,000 is allowance for impairment losses of trade receivables.

Included in property, plant and equipment is fair value of land and buildings amounting to RM43,400,000, derived based on valuation report by an independent professional valuer.

One of the acquired subsidiaries has unrecognised deferred tax assets amounting to RM6,156,000 (refer Note 6). The deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits therefrom.

18. Acquisition of subsidiaries (continued)

Acquisition-related costs of RM3,560,760 have been charged to other expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which they relate to.

The goodwill is attributable mainly to the expected synergies to be achieved from integrating the Company and its subsidiaries into the existing business of IMS Group. None of the goodwill is expected to be deductible for income tax purposes.

19. Operating segments

The Group is principally involved in manufacturing and sales of precision plastic injection of moulded parts, secondary process, sub assembly, full assembly of the finished products to the electronic industry and are predominantly carried out in Malaysia. Segmental information is not prepared as the food trading segment has not met the quantitative thresholds for reporting segment in 2018 and 2017.

Major customers

The following is the major customer with revenue equal to or more than 10 percent of the Group's total revenue:

	Revenue RM'000
2018	
Customer A	1,912,672
2017	
Customer A	1,469,761

20. Capital commitments

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	46,174	4,242

21. Contingent liabilities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unsecured				
Corporate guarantees given to financial institutions for banking facilities of subsidiaries	--	--	29,775	27,230
Corporate guarantee given to financial institutions for banking facilities granted to a Company in which certain Directors have substantial financial interests	--	7,230	--	--

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL"); and
(c) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT").

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL -HFT RM'000
Group			
2018			
Financial assets			
Trade and other receivables	480,148	480,148	--
Cash and cash equivalents	154,828	154,828	--
	634,976	634,976	--
Financial liabilities			
Trade and other payables	(506,486)	(506,486)	--
Loans and borrowings	(158,553)	(158,553)	--
Derivative financial liabilities	(370)	--	(370)
	(665,409)	(665,039)	(370)
2017			
Financial assets			
Trade and other receivables	380,957	380,957	--
Cash and cash equivalents	153,149	153,149	--
	534,106	534,106	--
Financial liabilities			
Trade and other payables	(417,100)	(417,100)	--
Loans and borrowings	(116,350)	(116,350)	--
Dividend payable	(32,255)	(32,255)	--
	(565,705)	(565,705)	--
Company			
2018			
Financial assets			
Other receivables and deposits	7,922	7,922	--
Cash and cash equivalents	5	5	--
	7,927	7,927	--
Financial liabilities			
Trade and other payables	(1,065)	(1,065)	--

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

Company	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL -HFT RM'000
2017			
Financial assets			
Other receivables and deposits	767	767	--
Cash and cash equivalents	14	14	--
	781	781	--
Financial liabilities			
Trade and other payables	(452)	(452)	--

22.2 Net gains and losses arising from financial instruments

	Group 2018 RM'000	2017 RM'000
Net gains/(losses) on:		
Loans and receivables	3,955	2,220
Financial liabilities measured at amortised cost	10,238	(11,039)
Fair value through profit or loss		
- Held for trading	(370)	--
	13,823	(8,819)

22.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

The Group trades extensively with established customers which the Group has a long standing business relationship. As at the end of the reporting period, the Group's largest customer constitute approximately 76% (2017: 73%) of total trade receivables. The customer does not have any significant outstanding balances exceeding its normal credit terms as at the end of the reporting period.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2018			
Not past due	102,106	--	102,106
Past due 0 - 30 days	173,766	--	173,766
Pas due 31 - 90 days	169,640	(124)	169,516
Past due more than 90 days	3,272	(1,139)	2,133
	448,784	(1,263)	447,521
2017			
Not past due	303,049	--	303,049
Past due 0 - 30 days	64,223	--	64,223
Pas due 31 - 90 days	907	--	907
Past due more than 90 days	443	--	443
	368,622	--	368,622

22. Financial instruments (continued)

22.4 Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2018 RM'000	2017 RM'000
Group		
At 1 April	--	--
Through acquisitions of subsidiaries	2,323	--
Impairment loss reversed	(1,060)	--
At 31 March	1,263	--

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks and credit financing companies in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM29,774,779 (2017: RM27,229,708) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Balances due from a subsidiary

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to a subsidiary. The Company monitors the results of the subsidiary regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the amount due from a subsidiary is not recoverable.

22. Financial instruments (continued)

22.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2018							
Non-derivative financial liabilities							
Secured bank overdraft	956	7.95	956	956	--	--	--
Secured bankers' acceptances	91,802	4.17 - 4.68	91,802	91,802	--	--	--
Secured revolving credits	5,000	5.61 - 6.06	5,000	5,000	--	--	--
Secured finance lease liabilities	35,469	2.46 - 5.00	37,901	18,618	13,121	6,119	43
Secured term loans	25,326	4.85 - 7.42	33,851	3,224	3,201	9,520	17,906
Trade and other payables	506,486	--	506,486	506,486	--	--	--
	665,039		675,996	626,086	16,322	15,639	17,949
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	370	--	43,541	43,541	--	--	--
Inflow	--	--	(43,171)	(43,171)	--	--	--
	665,409		676,366	626,456	16,322	15,639	17,949

	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Non-derivative financial liabilities							
Secured bankers' acceptances	74,674	3.81 - 4.89	74,674	74,674	--	--	--
Secured term loans	18,827	4.85 - 5.25	20,038	1,263	1,359	4,908	12,508
Secured finance lease liabilities	22,849	2.46 - 3.60	24,048	14,702	7,855	1,491	--
Trade and other payables	417,100	--	417,100	417,100	--	--	--
Dividend payable	32,255	--	32,255	32,255	--	--	--
Financial guarantee	7,230	--	7,230	7,230			
	572,935		575,345	547,224	9,214	6,399	12,508
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	--	--	65,559	65,559	--	--	--
Inflow	--	--	(65,559)	(65,559)	--	--	--
	572,935		575,345	547,224	9,214	6,399	12,508

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Company	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2018							
Non-derivative financial liabilities							
Trade and other payables	1,065	--	1,065	1,065	--	--	--
Financial guarantees*	--	--	29,775	29,775	--	--	--
	1,065		30,840	30,840	--	--	--
2017							
Non-derivative financial liabilities							
Trade and other payables	452	--	452	452	--	--	--
Financial guarantees*	--	--	27,230	27,230	--	--	--
	452		27,682	27,682	--	--	--

* The amount represents the outstanding banking facilities of a subsidiary as at the end of the reporting period.

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts from time to time to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

22. Financial instruments (continued)

22.6 Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
	USD RM'000	SGD RM'000	JPY RM'000
Group			
2018			
Trade and other receivables	10,650	259	--
Cash and cash equivalents	3,843	152	--
Trade and other payables	(100,779)	(3,851)	(2,379)
	(86,286)	(3,440)	(2,379)
2017			
Trade and other receivables	16,735	117	--
Cash and cash equivalents	4,056	4	3
Trade and other payables	(185,950)	(2,551)	(1,787)
	(165,159)	(2,430)	(1,784)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of Ringgit Malaysia against the following currencies at the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2018 RM'000	2017 RM'000
Group		
USD	6,558	12,552
SGD	261	185
JPY	181	136
	7,000	12,873

A 10% (2017: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

22. Financial instruments (continued)

22.6 Market risk (continued)

Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

Exposure to interest risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

Exposure to interest rate risk, credit quality and collateral

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group/Company	
	2018	**2017**
	RM'000	**RM'000**
Fixed rate instruments		
Financial assets	26,712	26,303
Financial liabilities	(132,271)	(97,523)
	(105,559)	(71,220)
Floating rate instruments		
Financial liabilities	(26,282)	(18,827)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by RM200,000 (2017: RM143,000) This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

22.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of floating rate term loan approximates fair value as its effective interest rate changes accordingly to movements in market interest rate.

22. Financial instruments (continued)

22.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2018				
Financial liabilities				
Finance lease liabilities	--	(35,756)	(35,756)	(35,469)
Forward exchange contracts	(370)	--	(370)	(370)
	(370)	(35,756)	(36,126)	(35,839)
2017				
Financial liabilities				
Finance lease liabilities	--	(22,606)	(22,606)	(22,849)

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract provided by the bank.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

23. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal capital and liquidity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its shareholders, subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group are shown below. The balances related to the below transactions are shown in Notes 8 and 12.

	Group	
	2018 RM'000	**2017 RM'000**
A. Companies in which the Directors of the Company have substantial financial interest		
Sales	955	–
Purchases	12,826	1,759

24. Related parties (continued)

Significant related party transactions (continued)

	Group 2018 RM'000	Group 2017 RM'000
B. Key management personnel		
Directors		
- Remuneration	6,392	4,051
- Contribution to state plans	686	487
Total short-term employee benefits	7,078	4,538
Other key management personnel		
- Wages, salaries and others	2,278	3,402
- Contributions to state plans	274	339
	2,552	3,741
	9,630	8,279

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

25. Change of name

On 24 July 2018, the Company changed its name from Denko Industrial Corporation Berhad to ATA IMS Berhad.

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

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 54 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Dato' Sri Foo Chee Juan
Director

....
Dato' Fong Chiu Wan
Director

Date: 24 JUL 2018

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

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Loh Choo Shien**, the officer primarily responsible for the financial management of ATA IMS BERHAD (formerly known as DENKO INDUSTRIAL CORPORATION BERHAD), do solemnly and sincerely declare that the financial statements set out on pages 5 to 54 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Loh Choo Shien, NRIC: 741126-01-6517, MIA CA 22027, at Johor Bahru in the State of Johor on ......24 JUL 2018...........

....
Loh Choo Shien

Before me:

PESURUHJAYA SUMPAH
J246
LAU LAY SUNG
1/7/2018-31/12/2020
MALAYSIA

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Independent Auditors' Report to the members of ATA IMS Berhad (Formerly known as Denko Industrial Corporation Berhad)

(Company No. 190155-M)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ATA IMS Berhad (formerly known as Denko Industrial Corporation Berhad), which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 54.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Integrated Manufacturing Solutions Sdn. Bhd. and its subsidiaries ("IMS Group")

Refer to Note 2(a)(iii) - Significant accounting policies : Reverse accounting and Note 18 Acquisition of subsidiaries.

The key audit matter

During the year, the Group acquired the entire equity interest in IMS Group for a total consideration of RM1,186,920,000. The business combination is identified as a key audit matter because of the relative size and significance of the acquisition to the Group and the determination of fair values of the assets and liabilities assumed involves a significant degree of the Group's judgement, including identification and valuation of intangible assets, tangible fixed assets, liabilities and the attributable goodwill.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst others:

- We compared the accounting treatment with the requirements of MFRS 3 Business Combinations.
- We assessed the valuation methods adopted in determining the fair values of identifiable assets and liabilities assumed and evaluated the evidence to support the inputs by comparing with internal and external sources.
- We assessed the adequacy and appropriateness of the disclosures of the acquisition made in the financial statements.

Goodwill impairment assessment

Refer to Note 2(f) - Significant accounting policies: Intangible assets and Note 5 Goodwill on consolidation.

The key audit matter

Arising from the acquisition of IMS Group, the Group has recognised a significant amount of goodwill of RM76 million, predominantly allocated to the cash generating unit ("CGU") that is expected to benefit from synergies of the business combination.

The Group conducted an impairment assessment on the CGU to identify if the recoverable amount is less than the carrying amount, indicating that the goodwill may be impaired. The Group determined the recoverable amount of the CGU based on its value-in-use, using discounted cash flows projections in which the Directors made judgements over certain key inputs, including revenue growth rates, profit margin, discount rates and terminal value growth rates.

We identified this as a key audit matter because of the significance of the consideration paid for the acquisition of IMS Group, which resulted in the recognition of a significant amount of goodwill on acquisition in the financial statements. The estimation of the recoverable amount is based on forecasting and discounting future cash flows, which are inherently judgemental.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst others:

- We obtained the cash flows projections performed by the Group and considered whether there were material inconsistencies with the approved business plans and forecasts.
- We assessed the appropriateness of key assumptions used in particular those relating to revenue growth rates, profit margin, discount rates and terminal value applied to the cash flows projections, by comparing to the historical and current performance, internal business plans and forecasts and externally derived market data.
- We evaluated the Group's sensitivity analyses around the key assumptions including revenue growth rates, profit margin, discount rates and terminal value growth rates to the extent of the change that would result the assets to be impaired.
- We also assessed the Group's disclosures on the CGU's key assumptions used and sensitivity of the outcome of the impairment assessment to changes in key assumptions and determined whether the disclosures reflected the risks inherent in the valuation of goodwill.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

Other Matters

1. The financial statements of the Group and of the Company as at and for the year ended 31 March 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 10 July 2017.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Yen Ing
Approval Number: 03174/04/2019 J
Chartered Accountant

Johor Bahru

Date: 24 JUL 2018