

**Questions and Answers**

The following questions from the Minority Shareholders Watch Group (“MSWG”), which were received on 23/08/2024, and the answers were expressed therein.

**Q1. For the financial year ended 31 March 2024, the Group recorded a revenue of RM399.8 million, representing a 56.3% reduction from last financial year, as last year, the Group was still disposing stocks from the previous customer (page 10 of AR2024).**

- (a) What percentage of revenue in FY2024 was derived from the previous customer?**
- (b) The Group revenue has significantly dropped from RM4.3 billion in FY2021 to RM399.8 million in FY2024 after the termination of the agreement with a major customer, Dyson, in 2021 and 2022. What are the challenges faced in securing new customers?**
- (c) Aside from streamlining operations, will the Board consider restructuring its business model to turnaround the current loss-making situation?**

**Board’s Response:**

- (a) The revenue derived from the previous customer for FY2024 was not significant, it represented only approximately 4% of the Group’s revenue.
- (b) Business development to secure a new customer takes significant effort and time, as we need to find potential customers that require our capabilities and manufacturing solutions, followed by successful completion of the necessary audit and qualifications, as well as discussions and negotiations of quotations and business terms, before confirmation of supply agreement, and then finally receipt of sales orders which further require procurement and production lead time.

Our continuous intensive business development efforts have seen successful engagements with several new and potential customers. A few new customers have already entered in to supply contracts and placed orders with the Group, but the volume will grow as we strengthen the business relationship over time.

- (c) Apart from streamlining operations to control costs, the Group has invested in strengthening our engineering team to improve the Group's capabilities, so as to offer potential new and existing customers a wider suit of product design and manufacturing solutions. Procurement and business development teams have also been expanded to cater to a broader scope of industries and widen our customer reach.

Collaboration with other Companies through joint venture arrangements or other forms of tie-ups are also one of the avenues.

**Q2. The Group recently announced a joint venture agreement with Shanghai-listed Jinhua Chunguang Technology Co Ltd to venture into the household and electrical appliances sector.**

- (a) **What is the estimated timeline for establishing the joint venture company and becoming operational?**
- (b) **What brands and types of electrical appliances will the joint venture company manufacture?**

Board's Response:

- (a) It is anticipated that the joint venture company should be operational by end of the year.
- (b) We are not able to disclose brands due to confidentiality, but the joint venture company will mainly be manufacturing consumer electronic equipment.

**Q3. During the year, the Group transferred RM87.5 million of property, plant and equipment to assets held for sale and is actively seeking buyers for the assets. As of the end of FY2024, assets held for sale amounted to RM92.8 million (FY2023: RM15.5 million) (page 128 of AR2024).**

- (a) **Please provide a breakdown of these assets held for sale.**
- (b) **How has the market responded to the lands and buildings the Group sells?**
- (c) **How does the Board intend to utilise the proceeds from the sale of these assets?**

- (d) The Group has mentioned that it can scale up its production capacity within a relatively short period of time if there is a significant increase in customers' business volume (page 10 of AR2024). Following the sale of these assets, does the Group still have the capability to scale up production capacity with the remaining factories and machineries?**

**Board's Response:**

- (a) Plant & Machinery accounted for approximately 45%, while Land & Buildings accounted for 55%.
- (b) To date, two buildings and some plant and machinery have been sold, which will be reported in our quarterly interim financial report, and there has been further interest from different parties for the remaining assets.
- (c) Any proceeds from assets disposals will be used for the Group's working capital.
- (d) We anticipate that the assets held for sale will be disposed in stages over the course of the year, therefore the Group may be able to utilise any unsold property, plant and equipment to scale up its operations to capitalise on any business opportunities which may arise during the year.

- Q4. Please provide an update on the Writ of Summons and Statement of Claims filed by Intag Industrial Supplies Sdn Bhd against the Group's subsidiaries in 2023, claiming RM30.1 million collectively.**

**Board's Response:**

For the Intag Industrial Supplies Sdn Bhd ("Intag") case against Jabco Filter System Sdn Bhd ("Jabco"), the original claim was RM27.5 million, however over the year, Intag had progressively sold most of the stocks to other manufacturers. Therefore, through a letter from Intag to Jabco dated 29 July 2024, Intag informed that the claim has been revised to RM4,090,165.25.

Intag filed for summary judgement and the case had been heard on 15 August 2024. The High Court has fixed 30 October 2024 for a decision.

For the Intag case against ATA Industrial (M) Sdn Bhd (“AIM”), summary judgement had been awarded to Intag and AIM had paid the claim. However, AIM has filed an appeal and the case management to hear the appeal has been fixed for 12 November 2024.

### **Sustainability Matters**

***Q.1 To expedite climate change initiatives within the Group’s operations, ATA IMS has implemented a Climate Risk Policy to guide the Group in effectively integrating climate actions throughout its business operations (page 40 of AR2024). What are the key initiatives under the Climate Risk Policy in addressing climate change issues within the Group’s operations, and what progress was made in FY2024?***

#### **Board’s Response:**

The Climate Change Initiatives by ATA IMS aligned with the Group’s Climate Risk Policy include the following:

(a) Climate Risk Identification and Reporting

In FY2024, ATA IMS identified potential physical and transitional climate risks along with their impacts and opportunities to guide the Group in managing its impacts. The Group has also commenced reporting in line with the Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations.

(b) CHG Emissions Monitoring and Reporting

In FY2024, the Group began monitoring and reporting its Scope 1 and Scope 3 greenhouse gas (“CHG”) emissions in compliance with Bursa Malaysia’s disclosure requirements. Previously, only Scope 2 emissions were reported in FY2023.

(c) Energy Reduction Targets

ATA IMS sets a target to reduce energy consumption by 5% and achieved a 31% reduction in FY2024.

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**The Board responded to and addressed the following key questions that were put forth from the floor:**

**Questions raised by Mr Ong Leong Huat:**

1. ***Despite the Company taking the initiatives to streamline, downsize and rationalize the operations, even in the recent quarters, the gross profit (“GP”) margin continued to be in the red. Does it imply that there is a very thin margin for business from the existing customers? The GP margin has particularly worsened in the fourth quarter.***

**Board’s Response:**

The facilities and factories that the Company had with the previous customer are able to cater for revenue of around RM four billion in size. Even when the business genuinely shrinks, it will take some time to absorb all of the fixed costs and overheads after the Company reduces its operations in a matter of two or three years. The Company's simultaneous strategies include increasing revenue, bringing new clients, and selling off some factories. Nonetheless, there is depreciation of the factories regardless of whether they are utilized or not. Rather than the margin narrowing, all of these things constitute the reason for the gross loss position. The EMS industry has a margin, so the challenge today is how to optimize the facilities to deal with the current sales.

There was additional impairment on the assets during the quarter, as the announcement of the fourth quarter results demonstrates. The inventories, provisions for onerous contracts, and the net value of the assets in the assets list are all still assessed by the Auditor for impairment. Reselling raw materials to the previous customer accounted for about 4% of the Company’s turnover in the previous quarter.

The Board and Management are constantly looking for ways to increase the GP and GP margins, such as creating joint ventures, diversification of business or looking into other avenues for business growth and new customer acquisition.

2. ***Mr Ong would see the new joint venture (“JV”) as a digression from the Company’s existing business operations because, in the JV, the Company becomes a partner, produces the goods, and owns the brand for sales – a departure from the Company’s previous practice of producing goods for third parties.***

**Board's Response:**

Dato' Sri Chairman clarified that the JV partner is operating a contract manufacturing business same to ATA IMS, since they are also producing the goods for their own clients.

3. ***With the downsizing of business operations ongoing, then how fast can the Company catch up its capacities if business starts to build up again.***

**Board's Response:**

For business sustainability, the Company must downsize when over-capacity, expand as business grows. Everything would rely on opportunities and timing; the Company has to apply the most appropriate strategies at the most advantageous times. The new JV is seen as a strategy to build on each other's capacities and advance business objectives.

4. ***Are the intended products remain as consumer products such as appliances?***

**Board's Response:**

The Company is open to any kind of products, from basic appliances to more complex/sophisticated items, contingent on opportunity conditions and customers' needs that manifest at varying times. The Company will be motivated by finding the fastest paths to a business recovery while also seizing any chance to grow its operations.

**Questions raised by Ms Chan Thing Yee:**

5. ***Based in China, the new JV is presently engaged in contract manufacturing similar to that of ATA IMS. Does this new JV partner sell to all of its Chinese clients? Do they also engage in contract manufacturing in Malaysia following the JV?***

**Board's Response:**

Some of their clients would like to start manufacturing in Malaysia as well.

- 6. *After China, does the Company have any plan to set up JV for contract manufacturing business in Europe? If yes, would there be any obstacles as the Company had ever tried to venture into the European countries in the past.***

Dato' Sri Chairman emphasized that the new JV in China has a new entity; the partnership was not formed at the ATA IMS level, nor does ATA IMS hold majority interest in the JV, therefore it should not affect ATA IMS's operations. The Company doesn't believe in one-size-fits-all approaches, thus it employs a variety of tactics to address various business scenarios.

For the rest of the items on the Agenda, there were no questions raised by the shareholders and proxies of the 35<sup>th</sup> Annual General Meeting of the Company.