

AT SYSTEMATIZATION BERHAD (“ATS” OR THE “COMPANY”)
Registration No. 200401006297 (644800-X)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTIETH GENERAL MEETING OF THE COMPANY CONDUCTED ON A VIRTUAL BASIS FROM THE BROADCAST VENUE AT LOT 4.1, LEVEL 4, MENARA LIEN HOE, NO. 8 PERSIARAN TROPICANA, TROPICANA GOLF & COUNTRY RESORT, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON TUESDAY, 24 SEPTEMBER 2024 AT 2:00 P.M.

Upon the company secretary’s confirmation of a quorum being present the meeting commenced. The company secretary informed all present that in line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, voting on all the resolutions set out in the notice of the Annual General Meeting will be carried out by way of poll. The polling will be conducted electronically via the remote participation and voting (“RPV”) facility provided by InsHub Sdn. Bhd. The Shareholders and proxy holders were informed that they could pose their questions in real time during the meeting by using the query box in the RPV facility. She further informed that Workshire Share Registration Sdn. Bhd. has been appointed as the poll administrator and Symphony Corporate Services Sdn. Bhd. has been appointed as the independent scrutineer (“Scrutineer”) for the polling process. The system administrator showed a presentation on how to vote through RPV facility.

The company secretary informed all present that the Company has received a letter dated 18 September 2024 from Minority Shareholders Watch Group (“MSWG”) wherein MSWG sought clarification on certain matters and the Company has replied to MSWG accordingly. The said questions raised by MSWG and the Company’s response as set out below were also displayed on screen for ease of reading by the shareholders.

Operational & Financial Matters

Q1. In reply to MSWG’s question dated 25 September 2023, it was mentioned that the Company had implemented or planned to implement key strategies such as expanding market share and market reach by developing new products, entering new segments and exploring new opportunities.

(a) What action has the Company taken to increase its market share and market reach? Has the Company secured any new customers during the FYE 2024?

In increasing its market share and market reach, the Company has prioritised enhancing customer engagement and support by providing tailored solutions to meet specific needs of customer. This strategy has not only strengthened existing relationships but also attracted new customers.

We have expanded our capabilities to include engineering plastic fabrication & die fabrication and sheet metal for electrical panel, in addition to aluminium. As a result of these initiatives, we have successfully secured several new customers in the vacuum valve, medical, and electrical panel industries.

(b) Despite the efforts to increase efficiency and increase customer satisfaction and loyalty, the Group reported a loss before tax of RM85.47 million (FYE 2023: RM82.70 million). What is the Board’s view on the overall effectiveness of these strategies?

The table below shows the loss before tax by respective business segments for the past two (2) financial years:

Business segment	FY2024	FY2023	Variance	
			RM	%
Fabrication & Automation	(7.62)	(8.44)	0.82	10%
Renewable Energy & Property	0.61	0.69	(0.08)	-12%
Gloves	(39.41)	(56.31)	16.90	30%
Others	(39.05)	(18.64)	(20.41)	-109%
	<u>(85.47)</u>	<u>(82.70)</u>	(2.77)	3%

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- Further to the response given in Q1 (a) above, the above table shown that fabrication segment has improved by 10%, indicating the strategies adopted by the Group starting to show favorable results. The Group shall monitor and continue the on-going evaluation of the measures taken and make necessary changes if required.
- The glove segment has been loss making for the past 3 years. After due consideration, the Group has decided to cease its glove-making business, and this resulted in an improvement of 30%.
- Other segment's loss before tax increased by RM20.4 million mainly due to impairment loss on quoted investment in D'nonce Technology Berhad (“D'nonce”). The impairment loss in D'nonce was mainly arising from its lower market prices, hence the Group shall continue to monitor the overall performance of D'nonce and market conditions.

Q2. “In recent years, the Group has successfully entered the medical and healthcare industry, particularly in the field of medical gloves. This strategic penetration allows the Group to contribute to healthcare advancements while ensuring sustainable growth and maximising shareholder value.” (Page 10 of Annual Report 2024).

- (a) Please clarify how the Group’s venture into the glove industry has enabled it to contribute to advancements in healthcare. Please provide some examples of such contributions.
- (b) The table below sets forth the revenue and results for the glove segment for the past four (4) financial years:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Revenue (RM)	8,091,595	41,871,554	9,761,339	1,627,422
Segment (loss)/ profit (RM)	325,950	(46,876,353)	(56,305,576)	(39,417,160)

The glove segment has not reported any profits since its inception, except for FYE 2021. Please clarify how the venture into the glove segment has contributed to sustainable growth and shareholders’ value.

Response to the Q2 (a) & (b) as follows:

- The Group started venturing into glove industry since year 2020 and throughout these years, the Group has set up 10 production lines in its glove manufacturing plant at Chemor, Perak.
- During the pandemic era, the Group has obtained relevant qualifications and certifications including ISO 9001, ISO 13485, CE marking certification and US FDA 510(k) certification, ensuring our commitment to quality and safety in the advancement of healthcare.
- The Group also secured the Halal certificate from JAKIM and this certification provides added confidence level to Muslim community on how we handle control in all aspects of manufacturing, from strategy planning to research & development to raw material sourcing until delivery of the gloves, ensuring our commitment to the compliance of Shariah laws.
- Throughout these periods, the Group has completed the production of more than 5 million boxes of gloves and created more than 400 employment opportunities for glove workers of various categories. Furthermore, as highlighted, the glove segment reported profit in Year 1 of production (FY2021).
- Unfortunately, subsequent to Year 1, the glove business outlook turns to be challenging in view of the normalisation of gloves demand, declining glove average selling prices and rising production cost structure. The Group has not been able to secure sufficient orders from customers to sustain its operation.
- In view of this, the Group has decided to cease its glove-making operation in FY2024 to prevent further operation losses from the glove segment.

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- (c) **“The Group has since refocused efforts on optimising its production facilities through rental arrangements.”**

Has the Group secured any tenants or lease agreements for its production facilities? If the Group has yet to secure any lease arrangements, please provide an update on the Group’s effort in this regard. What other alternatives has the Group explored to date?

For update, the Group has yet to secure tenant for its production facilities. No other alternatives are being explored by the Group for now.

Q3. The Group’s other segment experienced a loss before tax of RM39.05 million in FY2024, compared to a loss before tax of RM18.64 million in FY2023. This change was primarily driven by several factors, including a higher mark-to-market loss on quoted investments of RM35.05 million (FY2023: RM Nil), a higher share of losses in associates amounting to RM13.08 million (compared to a share of losses in associates of RM2.75 million in FY2023).

- (a) **In view of the losses incurred from various investments undertaken by the Group, please elaborate on the measures the Company has in place to assess and manage risks associated with its investments**

- For information, the mark-to-market loss on quoted investment of RM35.05 million is in relation to the investment in D’nonce Technology Berhad (“D’nonce”).
- D’nonce was previously an associate of the Group and during the year, following the dilution of equity interest in D’nonce to 14.6%, the Group changed its accounting treatment from associate to normal investment. Accordingly, the Group recognised one-off mark-to-market loss based on the quoted market price of D’nonce.
- In terms of managing risks associated with investments, the Group continuously monitors the overall performance of its associates. This includes exercising influence through board representation, allowing for proactive engagement in decision-making and strategic direction. By maintaining close oversight, the Group can better identify potential issues early and take appropriate measures to mitigate risks.

- (b) **An investment committee has been set up to assist the Board in fulfilling its oversight responsibilities. In addition to Mr Chong Lee Aun and Mr Mak Siew Wei, who are the other members of the said investment committee? Please provide the name, position, years of experience in investment and the specific contributions each member brings to the Group as a part of the investment committee**

The Group’s Investment Committee comprises Mr. Mak Siew Wei as chairman of the Committee while Mr. Choong Lee Aun serves as a member of the Committee. The previous chief financial officer Mr. Yong Man Chai was a member of the Committee but he has resigned on 10 May 2024. The Group is still in the midst of looking for a new member to join the Committee to enhance its strategic decision-making process.

Mr. Mak Siew Wei is an Executive Director of the Group and he has been with the Group for past 11 years and his contribution to the Committee includes:

- review the potential projects and investments proposed by the management to achieve the Group’s strategic plan including any corporate exercises, change of business model, restructuring plans, major capital expenditure, funding requirements and the salient terms of agreements of the proposed acquisitions/disposals;
- Identify and mitigate risks within the investment proposals;
- assess the performance of the Group’s investments in the context of business and operational performance as well as changing market environment.

Mr. Choong Lee Aun is the Managing Director of the Group and he has been with us for past 6 years and his contribution to the Committee includes:

- analyse market trends to identify high growth opportunity and due diligence on potential investments;
- review progress of due diligence and implementation of the potential investments/divestments;
- review emerging risks and opportunities, market outlook (i.e. market study and market analysis), economic indicators, currency market, industry / regulatory developments as well as key business developments.

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Corporate Governance Matters

Q4. Practice 5.9 of the Malaysian Code on Corporate Governance (“MCCG”) stipulates that the Board comprises at least 30% women directors.

The Board currently comprises five (5) male Directors and one (1) female Director.

According to the CG Report 2024, the Nominating Committee (“NC”) plans to identify additional female candidates and the Board has affirmed that in the event any board seat becomes available, gender diversity shall be one of the criteria to be considered by the NC during its evaluation process on the potential candidate(s) for Board’s membership.

(a) Does the Company intend to adopt Practice 5.9 of the MCCG? If so, what is the timeframe for the Company to adopt Practice 5.9?

The Company intends to adopt Practice 5.9 of the MCCG. However, no prescribed timeframe has been set and its outcome will be very much depending on the availability of the board seat and the availability of additional female candidate.

Sustainability Matters

Q5. AT has invested in solar photovoltaic plants since 2015. Does the Company have any further plans to expand its sustainability initiatives and how this contributes to the Company's sustainability targets?

No further plans to expand the sustainability initiatives. Nevertheless, the Group can potentially look into matter related to carbon credit by taking advantage of the existing solar photovoltaic plants

The shareholders of the Company have also raised the questions using the query box in the RPV facility and the Board of Directors provided the answers as set out below.:

Q1. Page 12 to the Annual Report - It is stated that there has been a drop in demand in the textile market which has resulted in excess inventory at Rieter, leading to a postponement of demand fulfilment to FY2025. How much worth of orders had been postponed to FY2025 and whether the Group can demand for any compensation thereon?

Postponement amount is approximately RM2.1 million. No demand for any compensation by the Group as we are receiving order back from the customer, ie approximately 60 crates per month with an estimated revenue of RM1.2 million per month.

Q2. Page 12 to the Annual Report - It is stated that there was no vending machine delivered in FY2024. As of current, is there any revenue from this stream for FY2025, and any order in hand for fabricating the vending machines?

The vending project has ended last year, and we are now focusing on the EMS business, aligning with current trends in the Penang market. We are currently collaborating with several contract manufacturing companies in the semiconductor and hard disk sectors. Additionally, we are providing support for jigs and fixtures in the medical industry. All of this is made possible through utilising our sheet metal machines.

Q3. Please further explain about the RM2.06 million gain on waiver from settlement with a previous gas supplier. Why did the supplier waive such amounts and why did the Group not pay for such amounts?

- In previous years, as part of the initiatives to bring down the glove production costs, the Group has changed its gas supplier in year 2022. Arising from this, the ex-gas supplier is seeking claims from the Group due to early termination of the gas supply contract.
- The gain on waiver arose when ex gas supplier is willing to waive the remaining claims after several rounds of close negotiations.

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Q4. Page 16 to the Annual Report - The Group has a total market capitalisation of RM35.06 million as at 31 March 2024. Comparing the market capitalisation to the total equity of RM161.9 million as at 31 March 2024, the total equity is almost five times higher than the market capitalisation. Whilst the share price is determined by the market forces, it is clearly indicating that the Group's assets are not as worth as per stated in the accounts. Question to the Board, Management, and Auditors - How robust had the various impairment assessments being carried out to appropriately write-down the value of assets to their recoverable amount as the market valuation of the Group is way below the book amount?

- The impairment assessment has been carried out consistently with the applicable accounting standards.
- Impairment loss was made to write-down the value of assets when there is indication of impairment. During the year, impairment loss of RM34.9 million was in respect of the assets of the glove business based on valuation determined by independent valuer. The write-down of the glove assets value was in line with the non-favourable performance and outlook of the glove business.

Q5 Why did the auditors' remuneration for statutory audit increase so significantly (increased by RM117k for the Group and RM129k for the Company)? What are the additional scope, work done, or audit procedures performed by the auditors that commensurate the increase in audit fees?

The increase mainly relates to the:

- Under provision of audit fee of RM32K in prior year as this amount has contributed to the current increase as it needed to be adjusted.
- Cost overrun in prior year due to the scope of work in relation to the additional work performed at the Group level on the associate components; additional time cost incurred and internal specialist to review the impairment of the Glove Segment. Thus, this year auditor had revised the fee based on the actual time cost spent.

Q6. Please give us some door gifts/e-vouchers/e-wallet for attending this RPV as token of appreciation.

Company will be giving out the door gifts for all shareholders who attended the AGM. The door gifts are:-

- 1 pieces XOX prepaid Sim Card
- Product vouchers worth RM80 from online Shopee store (Pack 'n' Back).

On behalf of the Chairman, the Secretary tabled all the items on the agenda as set out in the notice of the Twentieth Annual General Meeting.

The meeting proceeded to voting by poll on all the resolutions on the agenda and all the resolutions were duly passed by the shareholders.

There being no further matters to discuss, the Meeting concluded at 2:56 p.m. with a vote of thanks to the Chair.

Poll results of the Twentieth Annual General Meeting is attached for reference.

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Poll results of the Twentieth Annual General Meeting

Resolutions	Vote For			Vote Against			Results
	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
<u>Ordinary resolution 1</u> To approve the payment of Directors’ fees of up to RM260,000.00 for the financial year ending 31 March 2025 to the Directors of the Company and its subsidiaries	17	39,133,757	97.9948	21	800,755	2.0052	Carried
<u>Ordinary resolution 2</u> To approve the payment of benefits other than Directors’ fees of up to RM28,000.00 to the Non-Executive Directors of the Company from 25 September 2024 until the next Annual General Meeting of the Company.	16	39,133,591	97.9944	22	800,921	2.0056	Carried
<u>Ordinary resolution 3</u> To re-elect Dr. Ch’ng Huck Khoon retiring under Clause 131 of the Company’s Constitution and who, being eligible, offers himself for re-election.	25	39,166, 285	98.0190	14	791,560	1.9810	Carried
<u>Ordinary resolution 4</u> To re-elect Mr. Tan Lay Chee retiring under Clause 131 of the Company’s Constitution and who, being eligible, offers himself for re-election.	25	39,166,285	98.0190	14	791,560	1.9810	Carried

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Poll results of the Twentieth Annual General Meeting (Continued...)

Resolutions	Vote For			Vote Against			Results
	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
<u>Ordinary resolution 5</u> To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	26	39,168,919	98.0256	13	788,926	1.9744	Carried
<u>Ordinary resolution 6</u> To retain Dato’ Nik Ismail Bin Dato’ Nik Yusoff as an Independent Non-Executive Director of the Company.	<u>Tier 1</u> 1	12,933,000	100.00	0	0	0	Carried
	<u>Tier 2</u> 20	26,209,130	97.0672	16	791,882	2.9328	
<u>Ordinary resolution 7</u> To empower the Directors to issue and allot up to 10% of the total number of issued shares of the Company.	23	39,165,434	98.0169	16	792,411	1.9831	Carried