

THIS CIRCULAR TO SHAREHOLDERS OF AT SYSTEMATIZATION BERHAD (“ATS” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. This Circular has been reviewed and approved by Mercury Securities Sdn Bhd, being the Principal Adviser to the Company for the for the Proposals (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



AT SYSTEMATIZATION BERHAD
Registration No. 200401006297 (644800-X)

AT SYSTEMATIZATION BERHAD

Registration No. 200401006297 (644800-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

- (I) **PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF ATS AND ITS SUBSIDIARIES TO INCLUDE THE GLOVES BUSINESS (“PROPOSED DIVERSIFICATION”); AND**
- (II) **PROPOSED PRIVATE PLACEMENT OF UP TO 795,924,000 NEW ORDINARY SHARES IN ATS, REPRESENTING 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF ATS, TO INDEPENDENT THIRD-PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”)**

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

***Principal Adviser for the Proposals and
Placement Agent for the Proposed Private Placement***



MERCURY SECURITIES SDN BHD

Registration No. 198401000672 (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting of the Company (“EGM”) to be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor on Tuesday, 15 September 2020 at 11.00 a.m. or at any adjournment thereof, is enclosed together with the Form of Proxy in this Circular.

You are requested to complete, sign and return the enclosed Form of Proxy and deposit it at share registrar’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or submitted by electronics means through TIH online at <https://tih.online> not less than 48 hours before the time and date appointed for holding the EGM. The completion and lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last date and time for lodging the Form of Proxy	: Sunday, 13 September 2020 at 11.00 a.m.
Date and time of the EGM	: Tuesday, 15 September 2020 at 11.00 a.m.
Venue of the EGM	: Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor

This Circular is dated 28 August 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

2017 Private Placement	- Private placement exercise previously undertaken by the Company which involved issuance of 86,600,000 Shares, which was completed on 17 May 2017
2018 Private Placement	- Private placement exercise previously undertaken by the Company which involved issuance of 42,189,000 Shares, which was completed on 3 July 2018
2020 Rights Issue	- Rights issue with warrants exercise previously undertaken by the Company which involved issuance of 991,176,200 new Shares at an issue price of RM0.035 each together with 743,382,150 Warrants C, which was completed on 22 May 2020
Acquisition of PGSB	- Proposed acquisition by AGESB, a wholly-owned subsidiary of the Company, of the entire equity interest in PGSB from the PGSB Vendors
Act	- Companies Act, 2016 of Malaysia, as amended from time to time and any re-enactment thereof
AGESB	- AT Glove Engineering Sdn Bhd [Registration No. 202001014272 (1370592K)]
ATS or the Company	- AT Systematization Berhad [Registration No. 200401006297 (644800-X)]
ATS Group or the Group	- Collectively, ATS and its subsidiaries
ATS Shares or Shares	- Ordinary shares in the Company
BNM	- Bank Negara Malaysia
Board	- Board of Directors of the Company
Bursa Depository	- Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-W)]
Bursa Securities	- Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
By-Laws	- Existing by-laws governing the SIS
CAGR	- Compound annual growth rate
CE Marking Certification	- A certification mark that indicates that a product has been assessed by the manufacturer and deemed to meet the European Union safety, health and environmental protection requirements. It is required for products manufactured anywhere in the world that are then marketed in the European Union
Circular	- This circular in relation to the Proposals
CMSA	- Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
Convertible Securities	- Collectively, the SIS Options and Warrants C

DEFINITIONS (CONT'D)

COVID-19	- Coronavirus disease 2019
Deed Poll C	- Deed poll constituting the Warrants C dated 26 February 2020
Directors	- Directors of the Company
E&E	- Electrical and electronics
EGM	- An extraordinary general meeting of the Company to be convened for the Proposals
EPS	- Earnings per Share
FDA Certification	- Certifications obtained from the Food and Drug Administration, a federal agency of the US Department of Health and Human Services, responsible for the safety of food, dietary supplements, human drugs, vaccines, blood products and other biologicals, medical devices, radiation-emitting electronics, cosmetics, veterinarian products and tobacco products being sold or manufactured in the US
FiT Programme	- Feed-in Tariff programme
FPE	- Financial period ended
FYE	- Financial year ended / ending, as the case may be
Gloves Business	- Business involving Manufacture and Sale of Rubber Gloves as well as Manufacture and Sale of Machines for Glove Industry
GP	- Gross profit
IMR Report	- The independent market research report dated 29 July 2020 prepared by Smith Zander
Interested Person	- A director, major shareholder or chief executive of the Company or a holding company of the Company
ISO 13485	- International standard that was specifically published to define the requirements of a quality management system for organisations within the medical device industry
kW	- Kilowatts
LAT	- Loss after taxation
LBT	- Loss before taxation
Listing Requirements	- ACE Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	- 29 July 2020, being the latest practicable date prior to the printing of this Circular
LPS	- Loss per Share
Manufacture and Sale of Machines for Glove Industry	- Provision of design, engineering and technology works, fabrication as well as installation of machines for the manufacture of gloves and other rubber-related products

DEFINITIONS (CONT'D)

Manufacture and Sale of Rubber Gloves	- Manufacture and sale of rubber gloves with plans to install and commission up to 20 production lines within 36 months to manufacture medical grade nitrile examination gloves which is expected to yield a production capacity of over 3.2 billion pieces of gloves per annum
MARGMA	- Malaysian Rubber Glove Manufacturers Association
Market Day(s)	- Any day on which Bursa Securities is open for trading in securities
Maximum Scenario	- Assuming full granting and/or exercise of the Convertible Securities into new Shares and prior to the implementation of the Proposed Private Placement
MCO	- Movement control order issued by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
Mercury Securities or Principal Adviser or Placement Agent	- Mercury Securities Sdn Bhd, the Principal Adviser for the Proposals and the Placement Agent for the Proposed Private Placement
Minimum Scenario	- Assuming that none of the Convertible Securities are granted and/or exercised into new Shares and prior to the implementation of the Proposed Private Placement
NA	- Net assets
New BPA	- Basic purchase agreement dated 5 July 2019 between AT Precision Tooling Sdn Bhd (a wholly-owned subsidiary of the Company) and Rieter for the supply and delivery of high-quality machined components such as aluminium profiles by AT Precision Tooling Sdn Bhd to Rieter, which is effective for a period of 3 years with an automatic renewal for a further year
Old BPA	- Basic purchase agreement dated 24 March 2016 between AT Technology Solution Sdn Bhd (a wholly-owned subsidiary of AT Precision Tooling Sdn Bhd) and Fong's Engineering & Manufacturing Pte Ltd, which has been terminated on 5 July 2019, as detailed in Section 12.3(ii) of this Circular
PAT	- Profit after tax
PBT	- Profit before tax
PGSB	- Pearl Glove (Malaysia) Sdn Bhd [Registration No. 200801036197 (837536-D)]
PGSB Vendors	- Hai Hong Capital Sdn Bhd [Registration No. 198001005768 (59552-H)], P'ng Sim Guan, P'ng Lai Heng, Hai Hong Holdings Sdn Bhd [Registration No. 199501018448(347651-P)] and Aaron Khoo Teng Soon
Placement Shares	- Up to 795,924,000 new Shares to be issued pursuant to the Proposed Private Placement
Proposals	- Collectively, the Proposed Diversification and Proposed Private Placement

DEFINITIONS (CONT'D)

Proposed Diversification	- Proposed diversification of the existing business of the ATS Group to include the Gloves Business
Proposed Private Placement	- Proposed private placement of up to 795,924,000 Placement Shares, representing 30% of the total number of issued shares of ATS, to independent third-party investor(s) to be identified later at an issue price to be determined later
Record of Depositors	- A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
RE Quota	- Renewable energy quota allocation
Rieter	- Maschinenfabrik Rieter AG (also known as Rieter Machine Works Ltd)
RM and sen	- Ringgit Malaysia and sen respectively
Rules of Bursa Depository	- Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, as amended from time to time
SEDA	- Sustainable Energy Development Authority Malaysia
Shareholders	- Registered holders of the Shares
SIS	- Share issuance scheme of the Company which took effect on 29 October 2015
SIS Options	- Options granted or which may be granted under the SIS pursuant to the By-laws where each option holder can subscribe for 1 new Share for every 1 SIS Option held
Smith Zander	- Smith Zander International Sdn Bhd [Registration No. 201301028298 (1058128-V)], an independent market researcher
TNB	- Tenaga Nasional Berhad
US	- United States of America
USD	- US dollars
VWAP	- Volume-weighted average market price
Warrants B	- ATS warrants 2016/2019 issued by the Company pursuant to the deed poll constituting the Warrants B dated 5 September 2016 which have expired on 17 October 2019
Warrants C	- ATS warrants 2020/2025 issued by the Company pursuant to the Deed Poll C and expiring on 17 May 2025
WHO	- World Health Organisation

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DEFINITIONS (CONT'D)

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysia time, unless otherwise stated. Any discrepancies in the tables included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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AT SYSTEMATIZATION BERHAD

Registration No. 200401006297 (644800-X)
(Incorporated in Malaysia)

Registered Office

35, 1st Floor
Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Penang

28 August 2020

Board of Directors

Dato' Nik Ismail Bin Dato' Nik Yusoff (*Independent Non-Executive Chairman*)
Choong Lee Aun (*Managing Director*)
Mak Siew Wei (*Executive Director*)
Dr. Ch'ng Huck Khoon (*Independent Non-Executive Director*)
Tan Lay Chee (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam,

- (I) **PROPOSED DIVERSIFICATION**
- (II) **PROPOSED PRIVATE PLACEMENT**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 10 August 2020, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 25 August 2020, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter on even date, granted its approval for the listing and quotation of the Placement Shares.

The approval of Bursa Securities is subject to the conditions as set out in Section 9.1 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH ITS APPENDIX BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED DIVERSIFICATION

2.1 Details of the Proposed Diversification

The Group is principally involved in the fabrication of industrial and engineering parts (e.g. precision tools, moulds, dies, jigs and fixtures) as well as the design and manufacture of industrial automation systems and machinery. The Group serves customers in various sectors including semiconductor industry, hard disk drives manufacturing industry, medical industry, textile industry and other manufacturing industries.

Since year 2015, the Group also derives other revenue from the sale of solar energy under the FiT Programme pursuant to the installation of solar photovoltaic panels at the Group's manufacturing plants. As at FYE 31 March 2020, revenue from the sale of solar energy contributes to approximately 4.03% of the Group's revenue.

The Group has also optimised its production facility layout for better production process and was able to derive rental income from the letting of approximately 22,000 square feet of excess factory space at the Group's production facility to third-party business owners.

Despite the various efforts by the Group to improve its financial condition, such as entering into the new BPA with Rieter, commencing a new production line in the fabrication of sheet metal and construction of solar photovoltaic plants as further set out in Section 12.3 of this Circular. Notwithstanding the above, due to various reasons such as lower orders received for the Group's product offerings as well as the changing consumption trends, the Group has recorded LAT for the past 3 financial years/period as shown below:-

	Audited		
	⁽¹⁾ 13-month FPE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019
	RM'000	RM'000	RM'000
Revenue	18,242	23,086	20,613
LAT	(10,319)	(5,985)	(9,095)

Note:-

(1) On 7 February 2017, the Company announced that its Board has approved the change of financial year end of the Company from 28 February to 31 March. Following the change, the financial statements of the Company will be from 1 March 2016 to 31 March 2017 covering a period of 13 months. Thereafter, the financial year end of the Company shall end on 31 March for each subsequent year.

Further details on the Group's financial performance are set out in Section 12.1 of this Circular.

Given the above, the Group has been actively identifying other alternatives to improve its financial performance, further details are set out in Section 12.3 of this Circular. After taking into consideration the current market demand for rubber gloves following the COVID-19 pandemic and the Group's existing resources and expertise in the manufacturing segment, the Group has resolved to diversify its existing businesses to include the Gloves Business.

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Rubber gloves are personal protective equipment used to cover the hands from the wrist to the fingertips of wearers from hazards. Rubber gloves includes both industrial gloves and medical gloves. Industrial gloves are typically worn by workers involved in industrial production of the manufacturing sector. Meanwhile, medical gloves include examination gloves and surgical gloves. Medical gloves are typically worn by healthcare professionals and workers in the medical industry as a safety measure to safeguard against infection and exposure to potential viruses, bacteria and contaminants. Medical gloves are also widely used in laboratory works to protect against contaminants and harmful chemicals.

Since the outbreak of the COVID-19 pandemic, the demand for personal protective equipment to curb the pandemic has boosted the demand for medical gloves. As at the LPD, COVID-19 has affected 215 countries and territories, infecting more than 16.56 million persons and causing 656,093 deaths.

According to the WHO, an estimated 76 million pieces of examination gloves are required for the COVID-19 response each month. Hence, the need for medical gloves as personal protective equipment during the COVID-19 pandemic will boost the demand for rubber gloves, especially in countries that are severely affected.

The MARGMA expects exports of rubber gloves from Malaysia to reach 220 billion pieces in 2020, an increase of 17.65% from 2019 to support the surge in demand for medical gloves globally due to the on-going COVID-19 pandemic.

If the COVID-19 infection rates globally remain high, the global demand for rubber gloves is expected to continue rising in the near term. Additionally, moving forward, demand for rubber gloves is also expected to be driven by growth in the global industrial production activities and the healthcare services.

(Source: IMR Report prepared by Smith Zander)

Further details on the prospects for the gloves industry are set out in Sections 6.3, 6.4 and 6.5 of this Circular.

Premised on the above, the Proposed Diversification allows the Group to capitalise on the burgeoning demand for gloves while making the most out of the opportunities created by the COVID-19 pandemic. Moreover, the Proposed Diversification will provide an alternative source of income to the Group's current core business.

In order to undertake the Gloves Business, the Group had on 15 June 2020 incorporated a new wholly-owned subsidiary, namely AGESB. Further information on AGESB is set out in Section 2.3.

As part of the Group's venture into the Gloves Business, the Company had on 26 June 2020 announced the proposed acquisition by AGESB of the entire equity interest in PGSB from the PGSB Vendors ("**Acquisition of PGSB**"). PGSB is principally involved in the research and development, manufacturing, export and sale of work gloves. The Group expects that the Acquisition of PGSB will ease the Group's venture into the gloves industry through its skills, expertise and experience in manufacturing of gloves. Subject to completion of the Acquisition of PGSB, the Group also intends to install the glove-dipping lines at PGSB's existing manufacturing facilities and/or other premises to be identified.

As at the LPD, the Group is in the midst of performing the necessary due diligence exercises on PGSB. On 30 July 2020, the Company announced that AGESB and the PGSB Vendors have mutually agreed to extend the period to fulfil the conditions precedent as stated in the share sale agreement for the Acquisition of PGSB for a period of 2 months from 27 July 2020 as the parties have yet to obtain / fulfil the said conditions precedent.

Depending on the demand for medical gloves, moving forward, the Group intends to acquire, install and commission up to 20 glove-dipping lines gradually over a period of 36 months. The estimated capital expenditure required to install and commission all the 20 glove-dipping lines as well as related facilities is approximately RM150 million. Upon completion, the combined production capacity of 20 glove-dipping lines is expected to be approximately 3.2 billion pieces of gloves per annum.

To expedite the expansion plan and to meet the demand for gloves, on 10 August 2020, the Group announced that it had on even date negotiated and secured a contract with a Malaysian machine maker for the supply of the first batch of the glove-dipping lines and related facilities. The first batch shall include the design, fabrication, installation, testing and commissioning of the first 6 automated glove-dipping lines, i.e. 1 single former and 5 double former glove-dipping lines and related manufacturing facilities.

Based on the agreed delivery schedule, the first single former glove-dipping line is expected to be delivered, installed and commissioned in November 2020. The production is expected to commence by end of November 2020. Subsequently, the machine maker is expected to install and commission 1 double former glove-dipping line per month up to April 2021.

The supply contract is conditional upon obtaining the necessary approvals for the Proposed Diversification from the Shareholders. A definitive facility set up agreement shall be executed within 3 days from date of approval of the Shareholders. Further details on the capital expenditure requirements for the Gloves Business are set out in Section 3.6 of this Circular.

The Gloves Business is anticipated to contribute 25% or more of the NA and/or net profits of the Group. Pursuant to Rule 10.13(1) of the Listing Requirements, the Company is required to obtain Shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25% or more of the NA of the listed corporation to an operation which differs widely from those operations previously carried on by the listed corporation; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed corporation.

In view thereof, the Board will be seeking the approval from the Shareholders for the Proposed Diversification at an extraordinary general meeting to be convened. Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing businesses in the same manner.

2.2 Details of the Gloves Business

In addition to the Acquisition of PGSB which was announced on 26 June 2020, the Group intends to carry out the following business activities:-

(i) Manufacture and Sale of Rubber Gloves

The Group plans to install and commission up to 1 single former and 19 double former glove-dipping lines in phases over the course of 36 months to manufacture medical graded nitrile gloves which is expected to yield a production capacity of over 3.2 billion pieces per annum. The estimated capital expenditure required to install and commission all the 20 glove-dipping lines as well as related facilities is approximately RM150 million.

The Group intends to fund the capital expenditure through a combination of the Company's internally generated funds, bank borrowings, proceeds from the conversion of the Company's convertible securities (i.e. Warrants C and SIS Options), proceeds from the Proposed Private Placement as well as any other future fundraising exercises to be undertaken by the Company. At this juncture, the Group is unable to determine the breakdown of the funds.

As at the LPD, the Group has yet to identify any distribution channels to market and sell rubber gloves. Notwithstanding the above, the Group has already received enquiries from prospective customers, both local and overseas to place orders for rubber gloves.

As a start, the Group intends to utilise the proceeds from the Proposed Private Placement to acquire, install and commission up to 1 single former and 7 double former glove-dipping lines under the Maximum Scenario. This is expected to yield a production capacity of up to 1.3 billion pieces of gloves per annum. The actual number of glove-dipping lines to be acquired shall depend on, amongst others, the proceeds that the Group is able to raise, the cost to acquire the glove-dipping lines and other related facilities as well as the demand for gloves at the relevant time.

Aside from the planned capital expenditure as set out in Section 3.6 of this Circular, the Group shall take into consideration the performance of the Gloves Business and the level of demand for medical gloves at the relevant time prior to commissioning additional glove-dipping lines.

Subject to the completion of the Acquisition of PGSB, the Group intends to install the glove-dipping lines at the existing premises of PGSB which is located in Sungai Petani, Kedah and/or other suitable locations to be identified by the Group. The identification of premises for the installation of the glove-dipping lines are subject to the Group's assessment of the commercial and financial viability of such locations.

At this stage, the Group is in the midst of identifying suppliers / distributors for the supply of raw materials required for the production of rubber gloves. The raw materials are expected to be sourced locally and/or overseas. Subject to the lead time for the glove-dipping lines and availability of raw materials, the production of the rubber gloves is expected to commence by the end of November 2020.

In terms of target markets, the Group intends to export the rubber gloves to countries with high COVID-19 infection rates such as the US and European countries, Africa, South America and India to capture the demand of rubber gloves in those countries. To facilitate the export of the rubber gloves to the said countries, the Group will also apply for the necessary certifications. For the export to the European region, the Group intends to obtain the CE Marking Certification (typically recognised in the European region). For the export of gloves to the US region, the Group intends to obtain the FDA Certification (typically recognised in the US). Further details are set out in Section 3.6 of this Circular.

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In Malaysia, the Group is currently preparing the necessary applications and liaising with the following local authorities to obtain the relevant regulatory approval for the Gloves Business:-

- (i) Department of Environment
- (ii) Fire and Rescue Department Malaysia
- (iii) Local district council
- (iv) Department of Occupational Safety and Health
- (v) Malaysia Investment Development Authority
- (vi) Malaysian Rubber Board
- (vii) Medical Device Authority
- (viii) Ministry of International Trade and Industry of Malaysia

The Group intends to obtain the approvals from the above authorities / regulatory bodies by November 2020.

(ii) Manufacture and Sale of Machines for Glove Industry

To further capitalise on the long-term growth of the rubber gloves industry, the Group also plans to venture into the provision of design, engineering and technology works, fabrication as well as installation of machines for the manufacture of gloves and other rubber related products in the medium term (i.e. within 2 – 3 years).

The manufacturing of the glove-dipping lines is an extension of the Group's current core business of fabrication of industrial machines and parts and in furtherance to the venture into the Manufacture and Sale of Rubber Gloves.

Subject to the completion of the Acquisition of PGSB, the Group intends to leverage on PGSB's existing employees' experiences and expertise in manufacturing of gloves for the Group's Gloves Business. In addition, the Group currently has a total of 16 in-house engineers. To undertake the Gloves Business, the Group intends to assemble a team comprising 3 in-house engineers with the relevant manufacturing and technical know-how coupled with the recruitment of approximately 200 employees with relevant glove manufacturing experience to undertake various roles (e.g. production, quality control, research and development and etcetera).

The Group intends to run the production of rubber gloves on 2 shifts, i.e. day shift and night shift. The Group shall hire managers and executives for finance, human resources, sales and marketing as well as administrative roles. The Group also intends to hire supervisors and production workers to handle the compounding of chemicals, production of raw gloves, packing of final product and waste water treatment processes. As at the LPD, the Group is unable to ascertain the breakdown of number of staff for each role and intends to recruit the staff in stages and in accordance to the number of glove-dipping lines being installed.

At this juncture, the Group has identified Mr Choong Lee Aun, who is also the Managing Director of ATS, and Dr Tuan Noraihan Azila binti Tuan Rahim to lead the venture in to the Gloves Business. Their profiles are set out below:-

(i) Choong Lee Aun

Choong Lee Aun, aged 54 years, is the Managing Director of ATS since 2017. He graduated from Lethbridge College, Canada with an Advanced Diploma in Electronics Engineering Technology (Honors).

He joined the Company since 2017 and has vast experience in leadership and managerial roles. He is primarily responsible for spearheading business development and corporate strategies of the Group and he will also lead the Group's venture into the Gloves Business. Additionally, his past experience in marketing and sales will be crucial in setting up of the distribution channels to market gloves.

Prior to joining the Company, he was previously a head of marketing for the Asia Pacific region and global brand ambassador of RS Components (Shanghai) Co., Ltd., a global distributor of electrical, electronic and industrial supplies from May 2007 to June 2014. Prior to that, he was the vice president of Arrow Electronics China Ltd, a global distributor of products, services and solutions to the electronics component market across the Asia Pacific region from 1996 to April 2007. During his past employment in these 2 companies, he is mainly responsible for overseeing the sales and marketing units. He is currently an Independent and Non-Executive Director of PNE PCB Berhad, a company listed on the Main Market of Bursa Securities.

(ii) Dr Tuan Noraihan Azila binti Tuan Rahim

Dr Tuan Noraihan Azila binti Tuan Rahim, aged 35 years, joined AGESB as a research and development engineer in early July 2020.

She graduated in 2008 from Universiti Sains Malaysia (“**USM**”) with a Bachelor of Polymer Engineering. She subsequently obtained Masters in Science (Dentistry) in Biomaterial from USM in 2012 and PhD in Polymer Composite from USM in 2018.

She was previously a new product introduction engineer at Penchem Technologies Sdn Bhd, where she was primarily involved in driving new product development spanning from the research and development stage to production and commercialisation of the new product. She was involved in various facets of the production chain including production planning and procurement, quality control, process design as well as training technicians and production personnel.

Additionally, nitrile gloves are made out of synthetic rubber, which is produced using petroleum-based materials through a polymerisation process. Different chemical formulae and process can produce gloves of different specifications and properties. Thus, her academic background and technical knowledge in polymer composites and polymer engineering is expected to contribute greatly to the Group's venture into the Gloves Business, specifically in new product development, research and development and commercialisation.

2.3 Information on AGESB

2.3.1 History and principal activities

AGESB was incorporated in Malaysia under the Act on 15 June 2020 as a private limited company. The intended principal activities of AGESB are as follows:-

- (i) manufacture and sale of gloves including medical gloves;
- (ii) investment holding; and
- (iii) provision of design, engineering and technology works, fabrication as well as installation of machines for the manufacture of gloves and other rubber-related products.

2.3.2 Share capital

As at the LPD, the issued share capital of AGESB is RM2.00 comprising two ordinary shares.

2.3.3 Director

As at the LPD, the director of AGESB are Mr. Choong Lee Aun, Mr. Mak Siew Wei and Mr. Yong Man Chai, who are the Company's Managing Director, Executive Director and Chief Financial Officer respectively.

2.3.4 Shareholder

As at the LPD, AGESB is a wholly-owned subsidiary of the Company.

3. PROPOSED PRIVATE PLACEMENT

3.1 Size of placement

The Proposed Private Placement involves the issuance of up to 795,924,000 new Shares, representing 30% of the total number of issued Shares (after rounding down to the nearest 1,000 Shares), at an issue price to be determined later.

As at the LPD, the Company has an issued share capital comprising 1,862,540,008 Shares as well as the following Convertible Securities:-

- (i) 255,703,000 granted SIS Options with an exercise price of RM0.075 each, which have not been exercised;
- (ii) up to 40,509,902 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS; and
- (iii) 494,328,650 outstanding Warrants C, which have an exercise price of RM0.035 each and are expiring on 17 May 2025.

Based on the total number of 1,862,540,008 issued Shares as at the LPD and assuming full exercise of the Convertible Securities as set out above, the Proposed Private Placement would entail the issuance of up to 558,762,000 and 795,924,000 Placement Shares under the Minimum Scenario and Maximum Scenario respectively, representing 30% of such enlarged total number of issued Shares (after rounding down to the nearest 1,000 Shares).

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued Shares on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement.

The effects of the Proposed Private Placement based on the Minimum Scenario and Maximum Scenario are illustrated in Section 7 of this Circular.

3.2 Placement arrangement

The Placement Shares are intended to be placed to independent third-party investor(s) to be identified later. Such investor(s) shall be party(ies) which qualify under Schedules 6 and 7 of the CMSA. The Placement Shares are not intended to be placed to the following persons:-

- (i) Interested Person;

- (ii) a person connected with an Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in 1 or more tranches (as the places may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

3.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such Placement Shares.

3.4 Listing of the Placement Shares

The Placement Shares to be issued will be listed on the ACE Market of Bursa Securities.

3.5 Basis and justification of the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-day VWAP of the Shares immediately preceding the price-fixing date, to be determined by the Board after taking into consideration prevailing market conditions.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price-fixing dates and issue prices.

For illustrative purposes only, based on an illustrative issue price of RM0.0802 per Placement Share, the issue price of the Placement Shares would represent a discount of 9.89% to the 5-day VWAP of the Shares up to and including the LPD of RM0.0890 (*Source: Bloomberg*).

3.6 Utilisation of proceeds

Based on an illustrative issue price of RM0.0802 per Placement Share, the Group expects to utilise the gross proceeds to be raised from the Proposed Private Placement in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Proposed Private Placement	Minimum Scenario ⁽¹⁾⁽²⁾ (RM'000)	Maximum Scenario ⁽¹⁾⁽²⁾ (RM'000)
(i) Capital expenditure for the Gloves Business	Within 12 months	41,360	57,440
(ii) Working capital	Within 12 months	1,823	4,193
(iii) Estimated expenses for the Proposals	Immediate	⁽³⁾ 1,630	⁽³⁾ 2,200
Total		⁽⁴⁾ 44,813	⁽⁴⁾ 63,833

Notes:-

- (1) Any proceeds raised will be allocated up to its respective maximum allocation in the following order:-
- (i) estimated expenses for the Proposals;
 - (ii) capital expenditure for the Gloves Business; and
 - (iii) working capital.
- (2) Pending the utilisation of proceeds for its earmarked purposes, the unutilised proceeds shall be placed in interest-bearing deposits.
- (3) If the actual expenses incurred for the Proposals are higher than the budgeted amount under the respective scenarios, the deficit will be funded via the amount earmarked for working capital. Conversely, any surplus of funds following payment of expenses will be utilised in the order set out in Note (1) above.
- (4) Any additional proceeds raised in excess of the RM63.8 million under the Maximum Scenario will be allocated for additional capital expenditure for the Gloves Business. Conversely, if the proceeds raised are less than RM44.8 million under the Minimum Scenario, the amount earmarked for working capital will be reduced accordingly.

(i) Capital expenditure for the Gloves Business

The Group intends to utilise proceeds of up to RM57.4 million from the Proposed Private Placement to channel towards the Gloves Business as follows:-

Estimated cost	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Acquisition, installation and commission of automated glove-dipping lines for the manufacture of medical graded nitrile gloves ⁽¹⁾	33,160	44,400
Installation and commission of related facilities ⁽²⁾	8,000	12,840
Certification expenditure ⁽³⁾	200	200
Total	41,360	57,440

Notes:-

- (1) The automated glove-dipping line consists of dipping tanks, ovens, motors, conveyor system, as well as the ancillary facilities and components to equip the glove-dipping lines such as formers and online chlorination system to treat gloves, amongst others.

Under the Minimum Scenario, the Group intends to acquire, install and commission 1 single former glove-dipping line and 5 double former glove-dipping lines which is expected to cost approximately RM28.0 million. The remaining balance of RM5.16 million shall be used to acquire the ancillary facilities and components to equip the glove-dipping lines.

Under the Maximum Scenario, the Group intends to acquire, install and commission 1 single former glove-dipping line and 7 double former glove-dipping lines which is expected to cost approximately RM37.8 million. The remaining balance of RM6.6 million shall be used to acquire the ancillary facilities and components to equip the glove-dipping lines.

The costs of these machines will be subject to the prevailing market price of the machines at the time of order and payment as well as any further negotiations with the machine suppliers from time to time.

- (2) The other related facilities include, amongst others, building systems which enable the supply of utilities (i.e. electricity and water) and chlorination system to treat wastewater arising from the manufacture of gloves, ovens and dipping tanks.

- (3) *Certifications include ISO13485, CE Marking Certification (typically recognised in the European region), FDA Certification (typically recognised in the US), registration with the Medical Device Authority (MDA) and certifications and/or licensing-related expenditure.*

The production capacity of the respective glove-dipping lines under the Minimum Scenario and Maximum Scenario are as follows:-

Type of dipping line	Estimated output per annum (pieces) ('000)	Minimum Scenario		Maximum Scenario	
		Number of lines	Total pieces per annum ('000)	Number of lines	Total pieces per annum ('000)
Single former dipping line	103,000	1	103,000	1	103,000
Double former dipping line	165,000	5	825,000	7	1,155,000
Total			928,000		1,258,000

Based on the above, under the Minimum Scenario, the production capacity is estimated to be 0.9 billion pieces of gloves per annum; under the Maximum Scenario, the production capacity is estimated to be 1.3 billion pieces of gloves per annum. Upon confirmation of the order and machine specifications, the lead time for the production of each dipping line is expected to take approximately 4 months.

Any shortfall in the Group's funding requirement for the Gloves Business is expected to be met via internally generated funds, bank borrowings to be obtained and/or future fund raising exercises to be undertaken, if required. The funding breakdown is unable to be determined at this juncture as it will depend on, amongst others, the cash to be generated from the initial operations of the Gloves Business as well as the availability and suitability of other funding alternatives at the relevant time. Conversely, any surplus proceeds will be allocated for the Group's working capital.

In view that the COVID-19 pandemic impacts certain regions (e.g. the Americas and the European continent) more severely, the demand for the medical graded nitrile gloves are expected to continue to be sustained in these regions. As such, the Group intends to obtain the quality certifications that are recognised globally such as the ISO 13485, CE Marking Certification and FDA Certification for its medical graded nitrile gloves to cater for the export of the gloves globally.

PGSB's existing manufacturing facilities have a gross build-up area of approximately 79,000 square feet which is capable of housing up to 9 glove-dipping lines. Currently, PGSB's existing manufacturing facilities houses 3 single former glove-dipping lines which are used for the manufacture of work gloves. Subject to the completion of the Acquisition of PGSB, the Group intends to install the glove-dipping lines and other related facilities for the manufacture of medical gloves at the remaining space of the existing premises of PGSB which is located in Sungai Petani, Kedah and/or other suitable locations to be identified by the Group. The identification of premises for the installation of the glove-dipping lines are subject to the Group's assessment of the commercial and financial viability of such locations.

Based on current quotations obtained from machine suppliers, the acquisition cost for a single former glove-dipping line is estimated to be approximately RM3.5 million and the cost to acquire a double former glove-dipping line is estimated to be approximately RM4.9 million (excluding the ancillary facilities and components to equip the dipping lines such as formers and online chlorination system). Depending on, amongst others, the demand for the medical graded nitrile gloves moving forward and the performance of the Gloves Business, the Group plans to gradually expand the production capacity to up to 20 glove-dipping lines, which is expected to yield a production capacity of over 3.2 billion pieces of gloves per annum over the course of 36 months.

Based on the Group's overall plan to install and commission 20 glove-dipping lines, the production capacity is as follows:-

Type of dipping line	Estimated output per annum (pieces) ('000)	Number of lines	Total pieces per annum ('000)
Single former dipping line	103,000	1	103,000
Double former dipping line	165,000	19	3,135,000
Total			3,238,000

In this regard, the Group may undertake bank borrowings, future funding raising exercises and/or internally generated funds to finance the expansion of the Gloves Business in the future.

(ii) Working capital

The Group intends to utilise part of the proceeds to be raised from the Proposed Private Placement for working capital purposes in the following manner:-

Utilisation	Percentage allocation %	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Purchase of raw materials required for the production of rubber gloves ⁽¹⁾ (e.g. raw nitrile, packing materials and chemicals such as calcium nitrate, potassium hydroxide and liquid chlorine and etcetera)	70	1,276	2,935
Staff salaries ⁽²⁾	30	547	1,258
Total	100	1,823	4,193

Notes:-

(1) *The actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual production requirements of the Group at the relevant time.*

(2) *The Group intends to recruit up to 200 employees to undertake various roles (e.g. production, quality control, research and development and etcetera) required to put the Gloves Business on-stream.*

Any shortfall between the actual proceeds raised and the Group's working capital requirements shall be funded via internally generated funds and/or bank borrowings.

(iii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals is illustrated below:-

Estimated expenses	Minimum Scenario (RM'000)	Minimum Scenario (RM'000)
Professional fees ⁽¹⁾	1,560	2,110
Fees to relevant authorities	20	20
Printing, despatch and advertising expenses	30	30
Miscellaneous expenses and contingencies	20	20
Total	1,630	2,200

Note:-

(1) *These include advisory fees payable to the Principal Adviser, management fees and placement commission payable to the Placement Agent for the management of the placement process and identification of placees respectively, and other professional fees payable to the Company Secretary, Share Registrar, Solicitors and Independent Market Researcher in relation to the Proposals.*

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Diversification

As set out in Section 2.1 of this Circular, the Proposed Diversification allows the Group to capitalise on a booming segment with favourable long-term prospects while making the most out of the opportunities created by the COVID-19 pandemic. Moreover, the Proposed Diversification will provide an alternative source of income to the Group's current core business. This represents part of the Group's business turnaround plan to improve its financial performance.

4.2 Proposed Private Placement

As detailed in Section 3.6 of this Circular, the proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly for the Gloves Business. As set out in Section 2 of this Circular, the Gloves Business is expected to contribute positively to the future earnings of the Group. Meanwhile, the additional working capital funds will help to facilitate the Group's existing day-to-day operations as it focuses on establishing the Gloves Business.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing the Company to preserve its cash flow.

On the other hand, other fundraising exercises such as a rights issue may not be suitable as it will involve a cash call from existing Shareholders. Moreover, it will also require the Company to identify certain Shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or, alternatively, procure underwriting arrangements (which will incur additional cost), in order to achieve a minimum subscription level. In addition, a rights issue exercise is likely to take a longer time to complete as compared to a private placement exercise.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company.

5. RISK FACTORS IN RELATION TO THE PROPOSED DIVERSIFICATION

5.1 Business diversification risks

The Proposed Diversification may expose the Group to risks inherent to the rubber gloves industry, in which the Group has not been participating in the past. These may include, amongst others, general economic downturn in the global and regional economies, competition from existing players, socio-political instability, changes in the legal and environmental framework within which this industry operates and changes in demand of rubber gloves.

The demand for gloves is also dependent on factors such as the severity of the COVID-19 pandemic, the availability of a vaccine and the commercial viability to make available such a vaccine to the masses. While the discovery of a vaccine is expected to cause a decrease in the usage of medical gloves among healthcare professionals, the demand for rubber gloves is still expected to be sustained as demonstrated by the growth in demand pre-COVID-19. According to the IMR Report, pre-COVID-19, global demand for rubber gloves increased from 233 billion pieces in 2017 to 296 billion pieces in 2019 at a CAGR of 12.71%.

Moving forward, the demand for rubber gloves is expected to continue to be driven by the growth in the global and domestic healthcare industry, demand for rubber gloves arising from other end-user markets such as manufacturing industry, growth in the global economy and demand for rubber gloves from emerging markets due to changes in healthcare requirements.

Although the Group will seek to limit these risks through, *inter-alia*, leveraging on the expertise of the existing management of the Group as well as key operations personnel with related experiences in the manufacturing and trading of rubber gloves, no assurance can be given that any occurrence of the aforementioned events will not have a material adverse effect on the Group's business and earnings in the future pursuant to the Proposed Diversification.

5.2 No prior experience in the manufacturing of rubber gloves

The Group is principally involved in the fabrication of industrial and engineering parts as well as the design and manufacture of industrial automation systems and machinery. While the Group has existing expertise and resources in the manufacturing line, the Group does not have any prior experience specifically in the manufacturing of rubber gloves. In particular, the production processes and marketing strategies that may be required for the success of the manufacturing and sale of rubber gloves may be relatively unique and distinct from the Group's existing business.

Notwithstanding the above, the Group's background in the manufacturing of precision components puts the Group in an advantageous position to embark on the Gloves Business as its existing business already requires relatively higher technical expertise when compared to other manufacturing activities. Coupled with the fact that the manufacturing of rubber gloves does not require a high degree of technical expertise, the Group is confident that it will be able to learn quickly to ensure the smooth running of the Gloves Business.

5.3 No prior experience in applying for medical certifications for the sale of rubber gloves

The Group has no prior experience in the application for any medical certifications such as the certifications required from MDA, FDA Certification and CE Marking Certification with local and foreign authorities for the sale of rubber gloves at the relevant countries / regions under their jurisdiction.

There is no assurance that the rubber gloves to be manufactured by the Group can comply with all of the said certifications or that the said certifications can be obtained in a timely manner. In the event of any adverse development or delay in the application of the relevant certifications, the export of rubber gloves to the target markets may be delayed or some target markets may even be off limits to the Group. In turn, this may severely limit the Group's ability to sell / export rubber gloves on a wider scale, thus limiting the Group's revenue potential.

Notwithstanding the above, the Group is in the midst of liaising closely with the relevant local and foreign authorities on the necessary steps needed to obtain the relevant certifications. With proactive measures, the Group intends to commence the application progress as soon as practicable in order to avoid any unforeseen delays.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.1 Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020. At 0.7%, this was the lowest growth since the third quarter of 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the MCO in Malaysia.

Domestic demand registered a modest growth of 3.7% in the first quarter of 2020 (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was mainly attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence, given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag to growth during the quarter. Nonetheless, growth was supported by continued expansion in private and public consumption. During the quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%).

Private investment growth registered its first contraction since the fourth quarter of 2010 (1Q 2020: -2.3%; 4Q 2019: 4.3%), as subdued external conditions and heightened uncertainty affected business sentiments and investment intentions. Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter.

Reflecting the longer duration of the MCO, followed by the Conditional MCO from 4 May to 9 June 2020, the Malaysian economy is expected to contract in the second quarter. However, economic activity is expected to gradually pick up in the second half of 2020, following the lifting of the MCO, support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, BNM)

2020 is an exceptionally challenging year for the global economy. Confronted with an unprecedented health crisis, global growth is expected to contract. As an open economy, Malaysia will not be spared. Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestic.

While the MCO and measures to promote social distancing will dampen economic activity temporarily, they are necessary to contain the spread of the virus. The Government of Malaysia's ("**Government**") stimulus package will help to cushion the economic fallout. Both Pakej Rangsangan Ekonomi 2020 and Pakej Rangsangan Ekonomi Prihatin Rakyat as well as BNM's financial measures will provide sizable support to households and businesses.

These measures are expected to add 2.8 percentage points to 2020 GDP growth. Also supporting growth is the ongoing large-scale infrastructure projects, which are expected to provide an additional 1 percentage point lift to growth in 2020.

There remain significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stems from more prolonged and wider spread of Covid-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than expected global economy, arising from the various stimulus measures. BNM expects the Malaysian economy to rebound in 2021, in line with the projected global recovery.

(Source: BNM's press statement dated 3 April 2020: "Bank Negara Malaysia Publishes Annual Report 2019, Economic and Monetary Review 2019 and Financial Stability Review for Second Half 2019")

6.2 Manufacturing industry in Malaysia

In 2020, the performance of the export-oriented industries is anticipated to improve in tandem with the uptick in electronics cycle, especially during the second half of the year. Manufacturers in Malaysia are also expected to benefit from the changes in the global electronics supply chain following the US-China trade and technology dispute. Furthermore, expanding demand for artificial intelligence (AI), Internet of Things (IoT), big data analytics (BDA) and fifth-generation cellular network (5G) is anticipated to support the E&E subsector. Likewise, production of petrochemicals and oleochemicals is expected to increase with the commencement of Refinery and Petrochemical Integrated Development (RAPID). The domestic-oriented industries are expected to be driven by both consumer- and construction-related clusters.

In the consumer-related cluster, food subsector will continue to expand due to higher demand from households as well as tourists amid Visit Malaysia 2020 (VM2020). Outlook for the construction-related clusters is expected to rebound with higher demand for non-metallic mineral products, basic metal and fabricated metal products. The higher production will be supported by the implementation of new and on-going infrastructure projects such as the East Coast Rail Link (ECRL), Mass Rapid Transit Line 2 (MRT2), Light Rail Transit Line 3 (LRT3), Klang Valley Double Tracking 2 (KVDT2) as well as Pan Borneo Highway and Central Spine Road.

(Source: Economic Outlook 2020, Ministry of Finance Malaysia)

The manufacturing sector registered an annual growth rate of 3.8% and 1.5% in 2019 and the first quarter of 2020 respectively. The Malaysian economy is expected to contract in the second quarter. This reflects the longer duration of containment measures both globally and domestically. As these containment measures are eased and the domestic MCO is lifted, economic activity is expected to gradually improve in 2H 2020. The sizable fiscal, monetary and financial measures and progress in transport-related public infrastructure projects will provide further support to growth in 2H 2020. In line with the projected improvement in global growth, the Malaysian economy is expected to register a positive recovery in 2021.

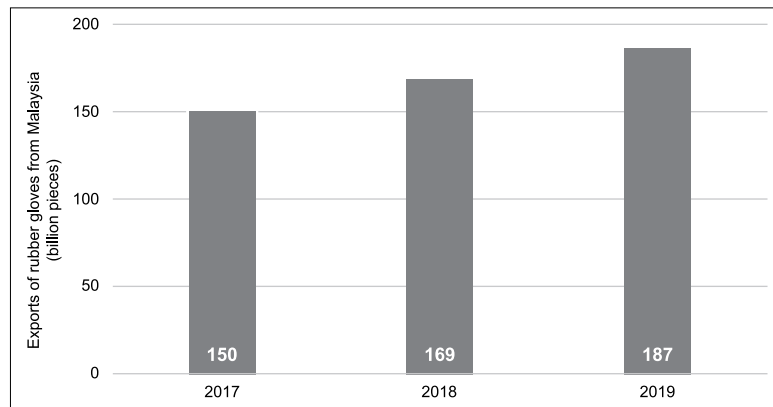
(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, BNM)

6.3 Outlook and prospects of the rubber glove exports in Malaysia

In 2019, Malaysia is the world’s largest exporter of rubber gloves, where exports of rubber gloves from Malaysia contributed to 63.18% of total global demand for rubber gloves.

To cater to the demand for rubber gloves globally, exports of rubber gloves from Malaysia increased from 150 billion pieces in 2017 to 187 billion pieces in 2019 at CAGR of 11.65%.

Exports of rubber gloves from Malaysia, 2017 - 2019

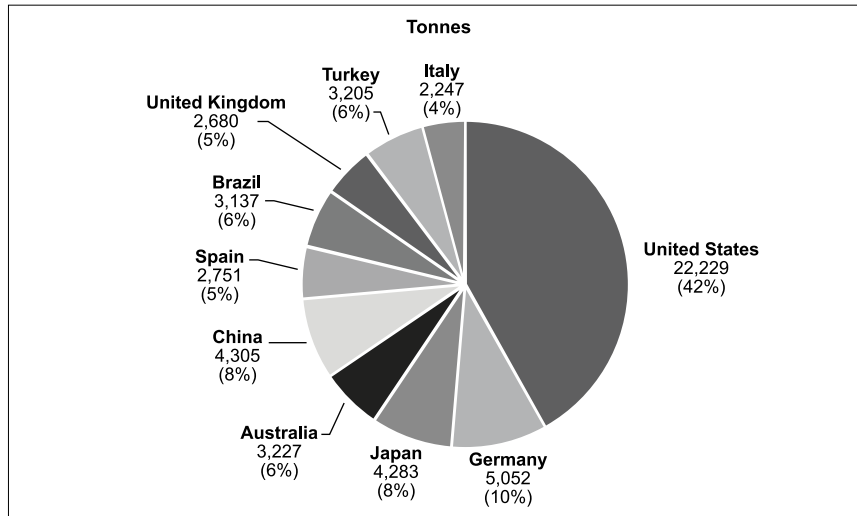


The MARGMA expects exports of rubber gloves from Malaysia to reach 220 billion pieces in 2020, an increase of 17.65% from 2019 to support the surge in demand for medical gloves globally due to the on-going COVID-19 pandemic.

Based on latest available data, in May 2020, the top export countries of rubber gloves from Malaysia in terms of tonnage is US (42%) followed by Germany (10%).

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Top 10 export countries of rubber gloves from Malaysia (May 2020)



Malaysia is a major producer of rubber gloves with approximately 68 rubber glove manufacturing companies. The manufacturing activities of rubber gloves have been increasing to support the increasing exports of rubber gloves from Malaysia to cater for the increasing global demand for rubber gloves.

The growth of rubber glove manufacturing activities in Malaysia is attributed to low production costs, easy access to raw materials and stringent testing to meet international standards, making Malaysian-produced rubber gloves reliable and cost-effective.

Further, rubber glove manufacturing activities in Malaysia grows significantly during epidemic and pandemic disease outbreaks such as Severe Acute Respiratory Syndrome (SARS) in 2003, Ebola virus disease (Ebola) in 2014-2016, Middle East Respiratory Syndrome (MERS) in 2015 and the recent COVID-19 in 2020, as demand for rubber gloves primarily in the healthcare industry, rises substantially during these times. The increase in demand due to the COVID-19 pandemic has led to rising utilisation rates to nearly 100% of production capacity among rubber glove manufacturers in Malaysia.

As such, rubber glove manufacturers seek continuous technological upgrades of rubber glove manufacturing processes and glove-dipping lines to meet rising demand through improved efficiencies such as time, speed, quality, energy usage and cost of glove manufacturing. The need for continuous upgrades of glove-dipping lines grows with increasing demand for rubber gloves.

One of the aspects of technological upgrades in rubber glove manufacturing activities is the increase in automation of glove-dipping lines. Increased automation during the manufacturing of rubber gloves will speed up production, thus increasing the production volume of rubber gloves manufactured in a given time. In line with the increase in automation to replace manual labour, rubber glove manufacturers will be able to reduce reliance on manual labour required to transfer semi-finished rubber gloves from one machine to another.

According to MARGMA, the rubber glove manufacturers have already taken an oversold position prior to the widespread outbreak of the COVID-19 pandemic, thus resulting in new order deliveries of rubber gloves to take between 90 to 120 days. In addition, as a result of the oversold position and surge in demand for medical gloves globally due to the on-going COVID-19 pandemic, rubber glove manufacturers are experiencing higher sales for their rubber gloves and at higher average selling prices.

(Source: IMR Report prepared by Smith Zander)

6.4 Outlook and prospects of the global rubber glove market

The global rubber glove market size, as represented by the global demand for rubber gloves, increased from 233 billion pieces in 2017 to 296 billion pieces in 2019, at a CAGR of 12.71%.

As a result of the surge in demand for medical gloves globally due to the on-going COVID-19 pandemic, MARGMA expects global demand for rubber gloves to reach 330 billion pieces in 2020, an increase of 11.49% from 2019.

(Source: IMR Report prepared by Smith Zander)

6.5 Demand for the rubber gloves

If the COVID-19 infection rates globally remain high, the global demand for rubber gloves is expected to continue rising in the near term. Moving forward, the outlook of the global rubber glove market is positive, premised on the following:-

- (i) The growth in the global industrial production activities in the manufacturing sector drives the demand for industrial gloves. The global manufacturing sector, as measured by manufacturing value added, grew from USD13.03 trillion (RM56.04 trillion) in 2017 to USD13.84 trillion (RM57.33 trillion) in 2019, registering a CAGR of 3.06%. Industrial gloves are a form of protective wear used during industrial production activities of the manufacturing sector to cover and protect the hand from hazardous chemical, metal cuts, glass cuts and high-temperature sources. In addition, strict government regulations for workplace safety and increasing incidence of accidents in workplaces globally are expected to continue driving the demand for industrial gloves as a form of protective wear.

Premised on the above, Smith Zander forecasts the global manufacturing sector, as measured by manufacturing value added to increase by 1.88% from USD13.84 trillion (RM57.33 trillion) in 2019 to USD14.10 trillion (RM58.41 trillion) in 2020. In addition, the global manufacturing sector is expected to experience a slower growth in 2020 due to the imposition of lockdowns, temporary closure or disruption in manufacturing operations in the respective countries to curb the spread of COVID-19.

- (ii) The demand for personal protective equipment to curb the spread of COVID-19 pandemic boosts the demand for medical gloves. As of 29 July 2020, COVID-19 has affected 215 countries and territories, infecting more than 16.56 million persons and causing 656,093 deaths.

According to the WHO, an estimated of 76 million pieces of examination gloves are required for the COVID-19 response each month. Hence, the need for medical gloves as personal protective equipment during the COVID-19 pandemic will boost the demand for rubber gloves, especially in countries that are severely affected.

- (iii) The growth in healthcare services drives the demand for medical gloves. Medical gloves are used by healthcare professionals who attend to patients during the provision of healthcare services. They protect healthcare professionals against infection and exposure to potential viruses, bacteria and contaminants in the form of aerosols and liquid droplets carried in patients' body fluids or blood, which subsequently eliminate or reduce the chances of cross-contamination among healthcare professionals and patients. As such, the increase in the demand for healthcare services will drive the demand for rubber gloves including medical gloves.

The global healthcare services industry grew in terms of global healthcare expenditure, which increased from USD7.33 trillion (RM28.64 trillion) in 2015 to USD7.97 trillion (RM34.28 trillion) in 2017, at a CAGR of 4.27%.

The demand for healthcare services is driven by various factors including growing accessibility to healthcare services, rising population and growing aging population and rising prevalence of chronic and contagious diseases.

Smith Zander forecasts global healthcare expenditure to increase from USD7.97 trillion (RM34.28 trillion) in 2017 to USD9.05 trillion (RM37.49 trillion) in 2020, at a CAGR of 4.33%.

(Source: IMR Report prepared by Smith Zander)

6.6 Prospects and future plans for the Group

The Proposed Private Placement is proposed to be undertaken to raise funds mainly for the Gloves Business and working capital. The diversification into the Gloves Business is aimed at providing an additional stream of income to the Group while capitalising on the acute surge in global demand of gloves resulting from the COVID-19 pandemic. Meanwhile, the additional working capital funds will help to facilitate the Group's existing day-to-day operations as it focuses on establishing the Gloves Business.

The Group is hopeful that the Proposed Diversification can help to mitigate potential downside risk of the Group arising from the wide-ranging effects of the COVID-19 pandemic to the local and global economy. Subject to the global demand of gloves, the Group may from time to time assess the manufacturing capacity of its glove-dipping lines and may expand the glove-dipping lines of up to 20 lines as and when required, as detailed in Section 2.1 of this Circular.

Following the Manufacture and Sale of Rubber Gloves, the Group will be able to acquire experiences and technical know-how on the rubber gloves industry over time. Coupled with its existing manufacturing experiences, the Group intends to venture into the Manufacture of Machines for Glove Industry. Looking into the long-term demand growth of rubber gloves, the manufacturers of rubber gloves will need to acquire additional glove-dipping lines and other related facilities to fulfil demand.

While diversifying to include the Gloves Business, the Group also intends to turnaround its existing core business of fabrication of industrial and engineering parts as well as the design and manufacture of industrial automation systems and machinery. Due to the COVID-19, the Group anticipates the demand for products and/or services from its customers (i.e. customers from semiconductor, hard disk drive industry, etc) to remain relatively weak when compared to the pre-COVID-19 level.

Moving forward, the Group will focus on improving its business strategy by streamlining its operations, reassessing the efficiency and productivity of the existing production lines as well as broadening its customer base. The Group also intends to continue to market and create brand awareness in domestic as well as international market.

Premised on the above as well as the outlook and prospects of the rubber glove exports in Malaysia, outlook and prospects of the global rubber glove market and demand for the medical rubber gloves set out in Sections 6.3, 6.4 and 6.5 above, the management is optimistic about the Group's future prospects.

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7. EFFECTS OF THE PROPOSALS

7.1 Share capital

7.1.1 Proposed Diversification

The Proposed Diversification is not expected to have any effect on the share capital of the Company.

7.1.2 Proposed Private Placement

The pro-forma effects of the Proposed Private Placement on the share capital of the Company are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	Share capital (RM)	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	1,862,540,008	99,832,314	1,862,540,008	99,832,314
New Shares to be issued assuming full exercise of Warrants C	-	-	494,328,650	⁽¹⁾ 17,301,503
New Shares to be issued assuming full exercise of the SIS Options granted as at the LPD	-	-	255,703,000	⁽²⁾ 19,177,725
New Shares to be issued assuming full grant and exercise of the SIS Options	-	-	40,509,902	⁽³⁾ 3,244,843
After full granting and/or exercise of the Convertible Securities that may be granted pursuant to the maximum allowable amount under the SIS	1,862,540,008	99,832,314	2,653,081,560	139,556,385
New Shares to be issued pursuant to the Proposed Private Placement	558,762,000	⁽⁴⁾ 44,812,712	795,924,000	⁽⁴⁾ 63,833,105
Enlarged issued share capital	2,421,302,008	144,645,026	3,449,005,560	203,389,490

Notes:-

- (1) Assuming all the Warrants C are fully converted into new Shares based on an exercise price of RM0.035 each and after accounting for the reversal of warrant reserve.
- (2) Assuming all the SIS Options which have been granted but unexercised as at the LPD are exercised into new Shares at the exercise price of RM0.075 each and after accounting for the reversal of share option reserve.
- (3) Assuming all the 40,509,902 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS are fully granted and exercised based on the illustrative exercise price of RM0.0801 per SIS Option (based on 10% discount to the 5-day VWAP of Shares up to and including the LPD of RM0.0890) and after accounting for the reversal of share option reserve.
- (4) Based on the illustrative issue price of RM0.0802 per Placement Share (based on 9.89% discount to the 5-day VWAP of the Shares up to and including the LPD of RM0.0890).

7.2 NA and gearing

7.2.1 Proposed Diversification

The Proposed Diversification is not expected to have any immediate effect on the NA and gearing of the Group.

7.2.2 Proposed Private Placement

The pro-forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

Minimum Scenario

	Audited as at 31 March 2019 (RM'000)	(I) After subsequent events ⁽¹⁾ (RM'000)	(II) After (I) and the Proposed Private Placement ⁽²⁾ (RM'000)
Share capital	55,545	106,458	151,271
Warrant reserve	6,496	3,719	3,719
SIS reserve	569	1,211	1,211
(Accumulated losses) / Retained earnings	(1,051)	2,838	⁽³⁾ 1,208
Shareholders' equity	61,559	114,226	157,408
Non-controlling interests	(835)	(835)	(835)
Total equity	60,724	113,390	156,573
No. of Shares in issue ('000)	464,083	1,862,540	2,421,302
NA per Share (RM)	0.13	0.06	0.07
Total borrowings (RM'000)	13,660	2,932	2,932
Gearing (times)	0.22	0.03	0.02

Notes:-

(1) After accounting for the following:-

- (i) lapsing of 34,890,000 SIS Options with an exercise price of RM0.047 each from 1 April 2019 up to the LPD;
- (ii) granting of 1,300,000, 33,600,000 and 379,030,000 SIS Options with exercise prices of RM0.040, RM0.035 and RM0.075 each respectively from 1 April 2019 up to the LPD;

- (iii) issuance of 1,300,000, 33,600,000 and 123,327,000 new Shares arising from the exercise of SIS Options at the exercise price of RM0.04, RM0.035 and RM0.075 each respectively from 1 April 2019 up to the LPD;
- (iv) expiry of 72,176,471 Warrants B on 17 October 2019;
- (v) issuance of 991,176,200 new Shares at an issue price of RM0.035 each together with 743,382,150 Warrants C pursuant to the 2020 Rights Issue on 22 May 2020;
- (vi) repayment of outstanding amount of borrowings of RM10.73 million from the proceeds raised from the 2020 Rights Issue; and
- (vii) issuance of 249,053,500 new Shares arising from the exercise of Warrants C at the exercise price of RM0.035 each from 24 June 2020 up to the LPD.
- (2) Based on the issuance of 558,762,000 Placement Shares at an illustrative issue price of RM0.0802 each (based on 9.89% discount to the 5-day VWAP of the Shares up to and including the LPD of RM0.089).
- (3) After deducting estimated expenses incidental to the Proposals of RM1.63 million.

Maximum Scenario

	Audited as at 31 March 2019 (RM'000)	(I) After subsequent events⁽¹⁾ (RM'000)	(II) After (I) and assuming full exercise of the Convertibles⁽²⁾ (RM'000)	(III) After (II) and the Proposed Private Placement⁽³⁾ (RM'000)
Share capital	55,545	106,458	152,631	216,464
Warrant reserve	6,496	3,719	-	-
SIS reserve	569	1,211	-	-
(Accumulated losses) / Retained earnings	(1,051)	2,838	1,319	⁽⁴⁾ (881)
Shareholders' equity	61,559	114,226	153,950	215,583
Non-controlling interests	(835)	(835)	(835)	(835)
Total equity	60,724	113,390	153,114	214,748
No. of Shares in issue ('000)	464,083	1,862,540	2,653,082	3,449,006
NA per Share (RM)	0.13	0.06	0.06	0.06
Total borrowings (RM'000)	13,660	2,932	2,932	2,932
Gearing (times)	0.22	0.03	0.02	0.01

Notes:-

- (1) After accounting for the following:-
- (i) lapsing of 34,890,000 SIS Options with an exercise price of RM0.047 each from 1 April 2019 up to the LPD;
- (ii) granting of 1,300,000, 33,600,000 and 379,030,000 SIS Options with exercise prices of RM0.040, RM0.035 and RM0.075 each respectively from 1 April 2019 up to the LPD;
- (iii) issuance of 1,300,000, 33,600,000 and 123,327,000 new Shares arising from the exercise of SIS Options at the exercise price of RM0.04, RM0.035 and RM0.075 each respectively from 1 April 2019 up to the LPD;

- (iv) expiry of 72,176,471 Warrants B on 17 October 2019;
- (v) issuance of 991,176,200 new Shares at an issue price of RM0.035 each together with 743,382,150 Warrants C pursuant to the 2020 Rights Issue on 22 May 2020;
- (vi) repayment of outstanding amount of borrowings of RM10.73 million from the proceeds raised from the 2020 Rights Issue; and
- (vii) issuance of 249,053,500 new Shares arising from the exercise of Warrants C at the exercise price of RM0.035 each from 24 June 2020 up to the LPD.
- (2) Assuming the following:-
- (i) 494,328,650 outstanding Warrants C as at the LPD are exercised at the exercise price of RM0.035 each; and
- (ii) 255,703,000 outstanding SIS Options are exercised at the exercise price of RM0.075 each and 40,509,902 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS are granted and exercised at an illustrative exercise price of RM0.0801 (based on 10% discount to the 5-day VWAP of Shares up to and including the LPD of RM0.0890).
- (3) Based on the issuance of 795,924,000 Placement Shares at an illustrative issue price of RM0.0802 each (based on 9.89% discount to the 5-day VWAP of the Shares up to and including the LPD of RM0.089).
- (4) After deducting estimated expenses incidental to the Proposals of RM2.20 million.

7.3 Substantial Shareholders' shareholdings

7.3.1 Proposed Diversification

The Proposed Diversification is not expected to have any effect on the substantial Shareholders' shareholdings in the Company.

7.3.2 Proposed Private Placement

The pro-forma effects of the Proposed Private Placement on the substantial Shareholders' shareholdings based on the Record of Depositors of the Company as at the LPD are as follows:-

Minimum Scenario

Substantial Shareholders	As at the LPD				(I) After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Asiabio Capital Sdn Bhd	421,600,000	22.64	-	-	421,600,000	17.41	-	-
Fintec Global Berhad	-	-	(3)421,600,000	(3)22.64	-	-	(3)421,600,000	(3)17.41
Mak Siew Wei	348,645,666	18.72	-	-	348,645,666	14.40	-	-

Notes:-

- (1) Based on the issued share capital of 1,862,540,008 ATS Shares as at the LPD.
 (2) Based on the enlarged issued share capital of 2,421,302,008 ATS Shares.
 (3) Deemed interest pursuant to Section 8 of the Act by virtue of its interest in Asiabio Capital Sdn Bhd.

Maximum Scenario

Substantial Shareholders	As at the LPD				(I) Assuming full exercise of the Convertible Securities			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(¹)%	No. of Shares	(¹)%	No. of Shares	(²)%	No. of Shares	(²)%
Asiabio Capital Sdn Bhd	421,600,000	22.64	-	-	421,600,000	15.89	-	-
Fintec Global Berhad	-	-	(³)421,600,000	(³)22.64	-	-	(³)421,600,000	(³)15.89
Mak Siew Wei	348,645,666	18.72	-	-	348,645,666	13.14	-	-

Substantial Shareholders	(II) After (I) and the Proposed Private Placement			
	Direct		Indirect	
	No. of Shares	(⁴)%	No. of Shares	(⁴)%
Asiabio Capital Sdn Bhd	421,600,000	12.22	-	-
Fintec Global Berhad	-	-	(³)421,600,000	(³)12.22
Mak Siew Wei	348,645,666	10.11	-	-

Notes:-

- (1) Based on the issued share capital of 1,862,540,008 ATS Shares as at the LPD.
 (2) Based on the enlarged issued share capital of 2,653,081,560 ATS Shares.
 (3) Deemed interest pursuant to Section 8 of the Act by virtue of its interest in Asiabio Capital Sdn Bhd.
 (4) Based on the enlarged issued share capital of 3,449,005,560 ATS Shares.

7.4 Earnings and EPS

7.4.1 Proposed Diversification

The Proposed Diversification is expected to contribute positively to the consolidated earnings of the Group for the FYE 31 March 2021 as well as the future earnings of the Group as the Gloves Business is expected to be operational by the fourth quarter of 2020.

7.4.2 Proposed Private Placement

The Board expects the Proposed Private Placement to contribute positively to the future earnings of the Group via the utilisation of proceeds as set out in Section 3.6 of this Circular.

Subsequent to the completion of the Proposed Private Placement, the EPS shall be correspondingly diluted as a result of the increase in the number of Shares arising from Proposed Private Placement.

The potential effects of the Proposed Private Placement on the consolidated earnings of the Company moving forward will depend on, amongst others, the number of Placement Shares to be issued and the benefits to be derived from the utilisation of the proceeds to be raised from the Proposed Private Placement. In turn, this would depend on the performance of the Gloves Business, which is expected to contribute positively to the future earnings of the Group in view of the prospects for the gloves industry as set out in Sections 2.1, 6.3, 6.4 and 6.5 of this Circular.

7.5 Convertible Securities

Save for the following, the Company does not have any other outstanding convertible securities as at the LPD:-

- (i) 255,703,000 granted SIS Options with an exercise price of RM0.075 each, which have not been exercised;
- (ii) up to 40,509,902 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS; and
- (iii) 494,328,650 outstanding Warrants C, which have an exercise price of RM0.035 each and are expiring on 17 May 2025.

In accordance with the provisions of the By-Laws and the Deed Poll C, the Proposals will not result in any adjustment to the exercise price and/or number of granted SIS Options and outstanding Warrants C respectively.

8. TENTATIVE TIMELINE

The tentative timeline of events leading to the completion of the Proposals is as follows:-

Date	Events
15 September 2020	EGM for the Proposals
December 2020	Listing and quotation of the Placement Shares and completion of the Proposed Private Placement

9. APPROVALS REQUIRED AND CONDITIONALITY

9.1 Approvals required

The Proposals are subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for the listing and quotation of the Placement Shares. The approval by Bursa Securities for the above was obtained via its letter dated 25 August 2020, subject to the following conditions:-

Conditions		Status of compliance
(a)	ATS and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement	To be complied
(b)	ATS and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Private Placement	To be complied
(c)	ATS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed	To be complied

- (ii) the approval of Shareholders at the forthcoming EGM; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

9.2 Conditionality

The Proposed Private Placement is not conditional upon the Proposed Diversification and *vice versa*.

The Proposals are not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

On 26 June 2020, the Company announced the Acquisition of PGSB. AGESB had on even date entered into a share sale agreement to acquire the entire equity interest in PGSB from the PGSB Vendors to facilitate the Group's plan to venture into the Gloves Business. On 30 July 2020, the Company announced that AGESB and the PGSB Vendors mutually agreed to extend the period to fulfil the conditions precedent as stated in the share sale agreement for a period of 2 months from 27 July 2020 as the parties have yet to obtain/fulfil the said conditions precedent.

Save for the above, there are no other corporate exercises which have been announced by the Company but are pending completion before the printing of the Circular.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors and/or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposals.

12. ADDITIONAL INFORMATION

12.1 Commentary on the financial performance and financial position of the Group

The following table sets out a summary of the financial performance and financial position of the Group for the FYE 31 March 2018, FYE 31 March 2019, FYE 31 March 2020 and unaudited 3-month FPE 30 June 2020:-

	Audited			Unaudited
	FYE 31 March 2018	FYE 31 March 2019	FYE 31 March 2020	3-month FPE 30 June 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	23,086	20,613	19,770	5,055
Cost of sales	(20,057)	(19,650)	(18,399)	(4,647)
GP	3,029	963	1,371	408
Other income	2,341	1,750	1,202	357
Administrative and general expenses	(10,598)	(12,364)	(16,986)	(3,987)
Selling and distribution expenses	(93)	(142)	(173)	(9)
Finance costs	(636)	(726)	(798)	(93)
(LBT)	(5,956)	(10,519)	(15,384)	(3,324)
Tax income / (expense)	(29)	1,423	1	-
(LAT)	(5,985)	(9,095)	(15,383)	(3,324)
LAT attributable to:-				
- owners of the Company	(5,628)	(8,746)	(15,348)	(3,324)
- non-controlling interests	(357)	(349)	(35)	-
(LAT)	(5,985)	(9,095)	(15,383)	(3,324)
GP margin (%)	13.12	4.67	6.93	8.07
LAT margin (%)	(25.93)	(44.12)	(77.81)	(65.76)
Weighted average no. of Shares in issue ('000)	684,326	453,334	470,585	935,244
LPS				
- basic (sen)	(0.82)	(1.93)	(3.26)	(0.36)
- diluted (sen)	(1) ₋	(1) ₋	(1) ₋	(1) ₋
Dividend (sen)	-	-	-	-

Note:-

(1) As the Group has been recording losses, diluted LPS is not presented as the conversion of the Company's Convertible Securities would be anti-dilutive, i.e. result in decrease in LPS.

(i) 3-month FPE 30 June 2020 vs FYE 31 March 2020

Based on the annualised revenue for 3-month FPE 30 June 2020 and FYE 31 March 2020 of RM20.2 million and RM19.8 million respectively, the Group recorded a marginal increase in revenue by RM0.4 million or 2.0%. The higher revenue on an annualised basis for 3-month FPE 30 June 2020 was mainly contributed by higher orders received from its customers that provides contract manufacturing services as well as customers in the textile industry.

The annualised GP increased from RM1.4 million (GP margin of 6.9%) in FYE 31 March 2020 to RM1.6 million (GP margin of 8.1%) in 3-month FPE 30 June 2020, representing an increase in GP by RM0.2 million or 14.3%. In addition to higher revenue, the higher GP on an annualised basis was mainly due to lower direct labour cost resulting from subsidies received from the Economic Stimulus Packages introduced by the Malaysian Government to reduce the impact arising from COVID-19.

The annualised LAT for 3-month FPE 30 June 2020 was RM13.3 million as compared to the FYE 31 March 2020 of RM15.4 million. The improvement in the Group's annualised LAT was due to the absence of losses arising from impairment loss on its solar plants and buildings and loss on fair value revaluation on the Group's investments in quoted shares. This is in view that the Group only assess the impairment and the marking-to-market of quoted securities annually and at the end of the financial year (i.e. 31 March).

(ii) FYE 31 March 2020 vs FYE 31 March 2019

The Group's revenue for the FYE 31 March 2020 decreased by 4.09% to RM19.77 million from RM20.6 million in the previous corresponding year. This was mainly due to lower fabrication orders from customers in the hard disk drive, medical and automation industries. This is arising from a lower demand of parts and components from the Group's customers within these industries and increased awareness to save costs by reusing parts and components by the Group's customers.

The Group achieved a higher GP of RM1.37 million (GP margin of 6.93%) in FYE 31 March 2020 as compared to RM0.96 million (GP margin of 4.67%) in the previous corresponding period. Despite the lower revenue recorded in FYE 31 March 2020, the Group recorded higher GP and GP margin mainly due to lower cost of sales arising from the commission of new machineries which optimises production schedule planning, thereby contributing to better efficiency and lower machine cycle time.

The Group recorded a higher LAT of RM15.38 million in FYE 31 March 2020 as compared to a LAT of RM9.10 million in the previous corresponding year, representing an increase of 69.14%. The higher LAT was mainly due to the following:-

- (a) loss on fair value revaluation on the Group's investment in quoted shares, namely ordinary shares in Trive Property Group Berhad, of RM1.07 million. In FYE 31 March 2019, there was a gain on fair value revaluation in the quoted shares of RM0.28 million;
- (b) higher allowance for impairment loss on its solar plants and buildings, totalling to RM1.65 million. In FYE 31 March 2019, there was a lower allowance on impairment loss (plant, machinery, tools and equipment and leasehold lands) of RM0.35 million;

- (c) RM1.42 million of tax income recorded in FYE 31 March 2019 as compared to RM0.001 million of tax income recorded in FYE 31 March 2020. This is mainly due to the reversal of deferred tax liabilities arising from the impairment loss on revalued properties in FYE 31 March 2019; and
- (d) lower other income by RM0.6 million recorded in the FYE 31 March 2020 from RM1.8 million in the FYE 31 March 2019. The Group recorded a higher rental income of RM1.28 million as compared to RM0.7 million in FYE 31 March 2020.

(iii) FYE 31 March 2019 vs FYE 31 March 2018

The Group's revenue for FYE 31 March 2019 decreased by 10.74% to RM20.61 million as compared to RM23.09 million in the previous financial year. This was mainly attributable to lower fabrication orders from customers in the hard disk drive, semiconductor and medical industries. This is mainly due to lower demand for products that the Group manufactures and sell, i.e. semiconductor-based products and hard disk drives due to a switch in consumers' preferences and increased adoption towards usage of solid-state drives which is not part of the Group's offerings.

The Group recorded a lower GP of RM0.96 million (GP margin of 4.67%) in FYE 31 March 2019 as compared to a GP of RM3.03 million (GP margin of 13.12%) in the previous financial year. Apart from lower revenue, the lower GP was due to higher cost of sales following higher depreciation and fixed overhead expenses for machineries that were acquired in October 2018 as well as expanded production space that was constructed in November 2018.

In 2018, the Group acquired specialised machineries and expanded its production space to set up a new production line in the fabrication of sheet metal. The production line commenced operation in December 2018. Subsequent to this, the sales generated from the sheet metal business were less than anticipated (due to the lack of interest from customers to place orders for sheet metal) and have not been sufficient to cover the depreciation and fixed overhead expenses associated with the new production line.

The Group recorded a higher LAT of RM8.70 million in FYE 31 March 2019 as compared to a LAT of RM5.99 million in the previous financial year, representing an increase of 45.24%. Apart from lower GP, the higher LAT was also contributed by the following:-

- (a) higher depreciation of property, plant and equipment of RM4.34 million (FYE 31 March 2018: RM3.79 million) following the acquisition of specialised machineries and expansion of production space for the new production line in the fabrication of sheet metal as set out above; and
- (b) higher write-off of property, plant and equipment of RM1.04 million (FYE 31 March 2018: RM0.02 million) arising from the demolition of old buildings / structures and covered car park at the Group's premises as part of renovations to accommodate the expansion of production space for the new production line in the fabrication of sheet metal as set out above.

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12.2 Details of fund-raising exercises undertaken by the Company in the past 3 years

12.2.1 2017 Private Placement

On 17 May 2017, ATS completed the private placement of 86,600,000 new Shares (representing 10% of the existing total number of issued Shares prior to the 2017 Private Placement), raising a total of RM3.6 million. The said proceeds have been utilised as follows:-

Utilisation of proceeds	Intended timeframe for utilisation from 17 May 2017 (RM'000)	Actual proceeds raised (RM'000)	Actual utilisation up to the LPD (RM'000)	Balance available for utilisation (RM'000)
(i) Acquisition of specialised machineries ⁽¹⁾	Within 12 months	2,411	2,411	-
(ii) Expansion of production space	Within 8 months	1,000	1,000	-
(iii) Expenses for the 2017 Private Placement	Immediate	150	150	-
Total		3,561	3,561	-

Note:-

(1) The Group has utilised proceeds of RM2.4 million for the acquisition of specialised machineries for the purpose of setting up a new production line for sheet metal fabrication.

12.2.2 2018 Private Placement

On 3 July 2018, ATS completed the private placement of 42,189,000 new Shares (representing 10% of the existing total number of issued Shares prior to the 2018 Private Placement), raising a total of RM2.4 million. The said proceeds have been utilised as follows:-

Utilisation of proceeds	Intended timeframe for utilisation from 3 July 2018 (RM'000)	Actual proceeds raised (RM'000)	Actual utilisation up to the LPD (RM'000)	Balance available for utilisation (RM'000)
(i) Acquisition of additional specialised machineries ⁽¹⁾	Within 12 months	2,344	2,344	-
(ii) Expenses for the 2018 Private Placement	Immediate	90	90	-
Total		2,434	2,434	-

Note:-

(1) The Group has utilised proceeds of RM2.3 million for the acquisition of additional specialised machineries to expand its production capacity for sheet metal fabrication.

12.2.3 2020 Rights Issue

On 22 May 2020, ATS completed a rights issue of shares with warrants exercise involving the issuance of 991,176,200 new Shares and 743,382,150 Warrants C, raising a total of RM34.7 million. The said proceeds have been utilised as follows:-

Utilisation of proceeds	Intended timeframe for utilisation from 22 May 2020 (RM'000)	Actual proceeds raised (RM'000)	Actual utilisation up to the LPD (RM'000)	Balance available for utilisation (RM'000)
(i) Expansion of production capacity ⁽¹⁾	Within 18 months	9,000	3,293	5,707
(ii) Repayment of bank borrowings	Within 3 months	10,728	10,728	-
(iii) Working capital	Within 24 months	14,313	3,136	11,177
(iv) Expenses for the 2020 Rights Issue	Immediate	650	650	-
Total		34,691	17,807	16,884

Note:-

(1) The Group has utilised proceeds of RM3.3 million for the installation of 3 specialised machineries as well as related operating expenses. These specialised machineries have the capability of manufacturing high precision machine components in accordance with the specifications set out in the New BPA, as well as related operating expenses.

12.3 Steps undertaken or to be undertaken to improve the financial condition of the Group

In the past few years, the Group has undertaken the following initiatives to improve its financial condition:-

(i) Diversification into the Gloves Business

Since the outbreak of the COVID-19 pandemic, the demand for personal protective equipment to curb the spread of the pandemic has boosted the demand for medical gloves. As a result of the surge in demand for medical gloves globally due to the on-going COVID-19 pandemic, the MARGMA expects global demand for rubber gloves to reach 330 billion pieces in 2020, an increase of 11.49% from 2019.

To capitalise on the burgeoning demand for gloves, the Group had on 26 June 2020 announced the Acquisition of PGSB to facilitate its plans to diversify into the Gloves Business. Subsequently, the Group had on 10 August 2020 awarded a contract to a machine maker for the supply of the first batch of the glove-dipping lines (i.e. 6 automated glove-dipping lines) and related facilities, subject to obtaining the necessary approvals for the Proposed Diversification.

The Proposed Private Placement was undertaken to raise funds mainly for the capital expenditure required for the Gloves Business which includes the installation of glove-dipping lines to kick start the manufacturing of medical graded nitrile gloves. Further details are set out in Section 3.6 of this Circular. As set out in Section 2 of this Circular, the Gloves Business is expected to contribute positively to the future earnings of the Group.

(ii) New BPA with Rieter

On 24 March 2016, AT Technology Solution Sdn Bhd (“**ATT**”) (which was then a 75%-owned indirect subsidiary of the Company had entered into the Old BPA with Fong’s Engineering and Manufacturing Pte Ltd (“**FEM**”) for the manufacture, supply and delivery of high precision machine components to Rieter⁽¹⁾ and its subsidiaries in accordance with the specifications set out in the Old BPA.

Note:-

(1) *Rieter, a listed company on the SIX Swiss Exchange, is a supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), Rieter develops and manufactures machinery, systems and components used to convert natural and man-made fibers and their blends into yarns.*

The Group has since terminated the Old BPA on 5 July 2019 following the completion of the acquisition of remaining 25% equity interest in ATT from FEM. The Group had also on even date entered into the New BPA with Rieter for the supply of high precision machine components to Rieter and its subsidiaries. ATT is now an indirect wholly-owned subsidiary of the Company.

The New BPA allows the Group to supply high precision machine components directly to Rieter without involving an intermediary. It represents a continuation of the Group’s supply relationship with Rieter following the disposal of FEM’s remaining 25% equity interest in ATT and termination of the Old BPA. In addition, without an intermediary, Rieter may be able to purchase high precision machine components directly from the Group at a cheaper cost while the Group may be able to reap a higher profit margin by selling directly to Rieter.

The Group had recently completed the 2020 Rights Issue, raising total proceeds of RM34.7 million to mainly fund the expansion of its production capacity in manufacturing high precision machine components to meet the forecasted annual requirement for machine parts from Rieter under the New BPA. Further details are as set out under Section 12.2.2 of this Circular.

(iii) New production line in the fabrication of sheet metal

Currently, apart from the manufacturing of high precision machine components for Rieter, the Group is involved in the fabrication of, amongst others, parts and components used in the hard disk drive industry as well as other industrial and engineering parts used in the E&E sector.

In December 2018, the Group via its wholly-owned subsidiary, AT Engineering Solution Sdn Bhd, commenced the operation of a new production line to fabricate sheet metal following the acquisition of specialised machineries and the expansion of production space of one of its existing manufacturing facilities in Bayan Lepas, Penang. These were funded via proceeds raised from the private placement exercises completed by the Company in 2017 and 2018 respectively as well as internally generated funds and bank borrowings.

Sheet metal products are widely used in various industries including, amongst others, the E&E, oil and gas, aerospace, automotive, telecommunication, consumer products and medical devices industries. Sheet metal products are used as, amongst others, parts, components and casings of machineries, vehicles, industrial tools, mechanical devices, electrical equipment and electronic appliances. Thus, the fabrication of sheet metal is targeted to complement the Group's existing fabrication capabilities, allowing the Group to provide multiple solutions for its customers.

Since the commencement of operation of the new production line in December 2018, the business performance of the sheet metal business has not been encouraging due to, amongst others, insufficient demand for sheet metal from customers. In response to the above, instead of purely providing fabrication of sheet metals, the Group also commenced marketing of additional design and assembly services to its customers for machines that requires the Group's raw sheet metals, e.g. vending machines and beer pong machines.

With the expansion of its product offering coupled with a change in business strategy as described above, the Group hopes to enhance its overall earnings moving forward.

(iv) Construction of solar photovoltaic plants

In December 2016, the Group had completed the construction of a 300kW solar photovoltaic plant on one of its existing manufacturing facilities in Bayan Lepas, Penang. The solar plant was constructed pursuant to RE Quota of 300kW obtained from SEDA under the FIT Programme.

The FIT Programme was established to promote renewable energy in Malaysia by inviting companies in the private sector to build photovoltaic installations for the contractual production and sale of renewable energy to TNB.

The construction of the 300kW solar plant was funded via proceeds raised from the rights issue with warrants exercise, which was completed on 25 October 2016 as well as bank borrowings.

Prior to this, the Group already has an existing 425kW solar photovoltaic plant on its other manufacturing facility in Bayan Lepas, Penang pursuant to RE Quota of 425kW obtained from SEDA under the FIT Programme earlier.

Through the RE Quota, the 300kW and 425kW solar plants will be supplying renewable energy to TNB over a concession period of 21 years (commencing from 31 December 2016 to 30 December 2037 and 29 January 2016 to 28 January 2037 for the 300kW and 425kW RE Quota respectively). Thus, these solar plants provide an alternative source of income to supplement the Group's earnings moving forward.

12.4 Impact of the Proposals to the Company and its Shareholders

As set out in Section 2.1 of this Circular, the Proposed Diversification allows the Group to capitalise on a booming segment with favourable long-term prospects while making the most out of the opportunities created by the COVID-19 pandemic. Moreover, the Group's venture into the Gloves Business through the Proposed Diversification will provide an alternative source of income to the Group's current core business. This is expected to contribute positively to the Group's financial performance.

The Proposed Private Placement will enable the Group to raise funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's cash flow. As set out in Section 3.6 of this Circular, the proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly to fund the capital expenditure for the Gloves Business and working capital. The Gloves Business is aimed at generating an additional stream of income to the Group thus contributing positively to the future earnings of the Group whereas the additional working capital funds will help to facilitate the Group's existing day-to-day operations as it focuses on establishing the Gloves Business.

Notwithstanding the above, the consolidated EPS of the Group shall be diluted as a result of the increase in the number of Shares arising from the Proposed Private Placement. Further details on the effects of the Proposed Private Placement on the NA and gearing as well as the earnings and EPS of the Group are set out in Section 7 of this Circular.

12.5 Value creation to the Company and its Shareholders

Despite the expected dilution in the consolidated EPS of the Company due to the Proposed Private Placement, the Proposals are expected to generate the benefits as disclosed in Section 12.4 of this Circular. The Proposed Diversification which entails the diversification into the Gloves Business is expected to provide additional income to the Group by capitalising on the burgeoning global demand for rubber gloves. This will aid the Company in its effort to continuously improve its financial performance and to enhance value for the Shareholders moving forward.

12.6 Adequacy of the Proposals in addressing the financial concerns of the Group

Premised on Sections 12.3, 12.4 and 12.5 above, the effects of the Proposals as set out in Section 7 of this Circular as well as the industry overview and future prospects as set out in Section 6 of this Circular, the Board is of the view that the Proposals are adequate to address the Group's current financial concerns. The Group will continuously assess its financial position and condition moving forward and address its financial concerns as required.

13. BOARD'S RECOMMENDATION

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation as well as taking into consideration the rationale, utilisation of proceeds, risk factors and all other aspects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

14. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor on the date and time indicated below or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution, with or without modifications, to give effect to the Proposals.

Date and time of the EGM	:	Tuesday, 15 September 2020 at 11.00 a.m.
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If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the share registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or submitted by electronics means through TIIH online at <https://tiih.online> not less than 48 hours before the date and time set for holding the EGM as indicated above or at any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

15. FURTHER INFORMATION

You are requested to refer to the enclosed appendix for further information.

Yours faithfully,
For and on behalf of the Board of
AT SYSTEMATIZATION BERHAD

MAK SIEW WEI
Executive Director

APPENDIX I – FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the completeness and accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS AND CONFLICT OF INTEREST

2.1 Mercury Securities

The written consent of Mercury Securities, being the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement, for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

Mercury Securities is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement.

2.2 Smith Zander

The written consent of Smith Zander, being the independent market researcher, for the inclusion of its name and extracts of its IMR Report referred to in Section 6 of this Circular in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

Smith Zander is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the independent market researcher for the Proposals.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Material commitments

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or position of the Group.

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APPENDIX I – FURTHER INFORMATION (CONT'D)

Contingent liabilities

Save as disclosed below, as at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:-

Contingent liabilities	Amount (RM'000)
<u>Corporate guarantees given</u>	
- to financial institutions for credit facilities	17,130
- to suppliers for credit terms granted to subsidiaries	365
Total	17,495

4. MATERIAL LITIGATION

As at the LPD, the Board confirmed that neither the Company nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and the Board confirmed that there are no proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Shares as transacted on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:-

	High	Low
	RM	RM
<u>2019</u>		
August	0.055	0.045
September	0.050	0.040
October	0.080	0.045
November	0.095	0.055
December	0.075	0.035
<u>2020</u>		
January	0.055	0.035
February	0.050	0.035
March	0.040	0.015
April	0.045	0.020
May	0.065	0.030
June	0.195	0.065
July	0.115	0.070
Last transacted market price on 7 August 2020, being the last Market Day immediately prior to the first announcement of the Proposals	0.10	
Last transacted market price on the LPD	0.09	

(Source: Bloomberg)

APPENDIX I – FURTHER INFORMATION (CONT'D)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the EGM of the Company:-

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 March 2019 and FYE 31 March 2020 as well as the unaudited consolidated financial statements of the Company for the 3-month FPE 30 June 2020;
- (iii) letters of consent referred to in Section 2 of this Appendix I; and
- (iv) IMR Report referred to in Sections 2.1, 6.3, 6.4 and 6.5 of this Circular.

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AT SYSTEMATIZATION BERHAD
200401006297 (644800-X)

AT SYSTEMATIZATION BERHAD

Registration No. 200401006297 (644800-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of AT Systematization Berhad (“**ATS**” or the “**Company**”) will be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor on Tuesday, 15 September 2020 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:-

ORDINARY RESOLUTION 1

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF ATS AND ITS SUBSIDIARIES TO INCLUDE THE GLOVES BUSINESS (AS HEREIN DEFINED) (“PROPOSED DIVERSIFICATION”)

“**THAT** subject to the necessary approvals of the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to implement the diversification of the existing business of ATS and its subsidiaries to include the provision of design, engineering and technology works, fabrication, installation of machines for the manufacture of gloves and other rubber-related products as well as the manufacture and sale of rubber gloves (“**Gloves Business**”) (“**Proposed Diversification**”);

AND THAT the Board be and is hereby empowered and authorised to do all such acts, deeds and things to execute, sign and deliver on behalf of the Company all such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as it may deem fit, necessary or expedient or appropriate in order to give full effect to the Proposed Diversification with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Board in the best interest of the Company.”

ORDINARY RESOLUTION 2

PROPOSED PRIVATE PLACEMENT OF UP TO 795,924,000 NEW ORDINARY SHARES IN ATS, REPRESENTING 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF ATS, TO INDEPENDENT THIRD-PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”)

“**THAT** subject to the approval of all the relevant authorities, approval be and is hereby given to the Board to allot and issue up to 795,924,000 new ordinary shares in the Company (“**ATS Shares**” or “**Shares**”) (“**Placement Shares**”) by way of private placement to independent third party investor(s) to be identified later in 1 or more tranches at an issue price for each tranche to be determined at a later date by the Board (“**Price-Fixing Date**”) upon such terms and conditions as disclosed in the Circular to the shareholders of the Company (“**Shareholders**”) dated 28 August 2020 (“**Circular**”).

THAT the issue price for each tranche of the Placement Shares will be determined based on a discount of not more than 10% to the 5-day volume-weighted average market price of the Shares up to and including the Price-Fixing Date.

THAT the Board of the Company be and are hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company.

THAT such Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividend, rights, allotment and/or other distribution which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

THAT this Ordinary Resolution constitutes specific approval for the issuance of securities in the Company contemplated herein and approval is hereby given for the Company to make or grant an agreement, option or offer for the Placement Shares and for such Placement Shares to be allotted and issued after the conclusion of the annual general meeting held next after this approval is given.

AND THAT the Board of the Company be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors of the Company may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.”

By Order of the Board

AT SYSTEMATIZATION BERHAD

LIM KIM TECK
(SSM PRACTISING CERTIFICATE NO. 202008002059)
(MAICSA 7010844)

ADELINE TANG KOON LING
(SSM PRACTISING CERTIFICATE NO. 202008002271)
(LS 0009611)
Company Secretaries

Penang
28 August 2020

Notes:-

- (1) *Only a member whose name appear in the Record of Depositors as at 8 September 2020 shall be regarded as a member entitled to attend, speak and vote or to appoint a proxy or proxies to attend, speak and vote at the Extraordinary General Meeting.*
- (2) *A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.*
- (3) *Subject to Paragraph (4) below, a member entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote instead of him. Where a member appoints more than 1 proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.*
- (4) *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- (5) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised. Alternatively, the proxy form may be submitted by electronics means through TIIH online at <https://tiih.online>.*
- (6) *The instrument appointing a proxy must be deposited at the Share Registrar’s Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or submitted by electronics means through TIIH online at <https://tiih.online> not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*



AT SYSTEMATIZATION BERHAD
200401006297 (644800-X)

AT SYSTEMATIZATION BERHAD

Registration No. 200401006297 (644800-X)

(Incorporated in Malaysia)

**ADMINISTRATIVE GUIDE
FOR THE AT SYSTEMATIZATION BERHAD EXTRAORDINARY GENERAL MEETING (“EGM”)**

Day and Date : Tuesday, 15 September 2020
Time : 11.00 a.m
Venue : Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

SAFEGUARD MEASURES DUE TO COVID-19 PANDEMIC

1. In light of the Corona Virus Disease 2019 (COVID-19) pandemic, shareholders/proxies are encouraged to take all the necessary precautions and preventive measures issued and directed by the Malaysia Government, the Ministry of Health, the Malaysian National Security Council and other relevant authorities before attending the EGM.
2. If you have travelled overseas to the affected countries in the past 14 days or if you are unwell with sore throat/fever/flu/cough/shortness of breath, you are required to comply with the directives issued by the Malaysia Government to self-quarantine or seek medical advices and strongly encouraged not to attend the EGM.
3. All attendees which were screened and tested positive or is believed to be suffering from pneumonia symptoms (which include fever, cough and breathlessness) would be advised by our personnel to leave the premise and seek medical attention immediately.
4. Shareholders are encouraged to keep abreast with the latest news released by the authorities regarding travelling, self-quarantine, other health and safety precautions from time to time.

ONLINE PRE-REGISTRATION TO ATTEND THE EGM

5. According to Guidance and FAQs on the Conduct of General Meetings for Listed Issuers revised 15 July 2020 issued by Securities Commission Malaysia, shareholders are required to register ahead of the EGM to allow the Company to make the necessary arrangements in relation to the meeting infrastructure, logistics and venue to accommodate the meeting participants. In order to allow the Company to make the necessary arrangements, shareholders/proxies who wish to attend in person are required to pre-register your attendance with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at <https://tiih.online>.
6. Please do read and follow the following procedures to pre-register your physical attendance at the EGM via the TIIH Online website at <https://tiih.online>:
 - 6.1 Login in to TIIH Online website with your user name (i.e. e-mail address) and password under the “e-Services”. If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the TIIH homepage for assistance to sign up.
 - 6.2 Select the corporate event: “**(REGISTRATION) AT SYSTEMATIZATION BHD EGM**”.
 - 6.3 Read and agree to the Terms & Conditions and confirm the Declaration.

- 6.4 Select "Register for Physical Attendance at Meeting Venue".
 - 6.5 Review your registration and proceed to register.
 - 6.6 System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
 - 6.7 After verification of your registration against the General Meeting Record of Depositors, the system will send you an e-mail after 13 September 2020 to approve or reject your registration to attend physically at the Meeting Venue.
7. Please note that only a depositor whose name appears on the Record of Depositor as at 8 September 2020 shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf at the EGM.

REGISTRATION AT THE MEETING VENUE

8. Registration will commence at 10.00 a.m. on Tuesday, 15 September 2020 and will end at a time directed by the Chairman of the Meeting. Shareholders/proxies are encouraged to be punctual.
9. Given that your safety is the Company's priority, the Company has taken below precautions measures and control for the well-being of the all the attendees as well as enable the Company to comply with the Government's and/or relevant authorities' directives and guidelines on public gatherings or events which may be issued from time to time:-
- 9.1 To practice safe social distancing at all times;
 - 9.2 To fill up/complete the Health Declaration Form;
 - 9.3 To go through temperature check;
 - 9.4 To sanitise hand; and
 - 9.5 To wear face mask at all times.
- The Company reserves the right to reject entrance of any attendee who does not meet the health standard operating procedures as mentioned above.
10. Please present your original National Identify Card (IC)/passport during registration for verification purpose. Upon verification of your IC/passport and subject to conditions as set out in **Note 9** above being satisfactory met, you will be given an identification wristband to be secured around your wrist. Please be reminded that you will not be allowed to enter the EGM meeting room without wearing the identification wristband.
11. Please note that you will not be allowed to register on behalf of another person even with the original IC/passport of that person.
12. For precautionary and safety measures, the door to the EGM meeting room will be closed sharp at 11.00 a.m. All attendees are encouraged to be punctual.

APPOINTMENT OF PROXY AND SUBMISSION OF PROXY FORM ONLINE

13. As a shareholder, you are entitled to appoint proxy to attend and / or vote on your behalf at the AGM by submitting the Proxy Form by hand or online. Submission of proxy form shall be complete **NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME APPOINTED FOR HOLDING EGM**. The steps are described below:
- 13.1 Login in to TIIH Online website with your user name (i.e. email address) and password under "e-services". If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
 - 13.2 Select the Corporate Event "**SUBMISSION OF PROXY FORM**".
 - 13.3 Read and agree to the Terms and Conditions and confirm the declaration.
 - 13.4 Insert your CDS account number and indicate the number of shares for your proxy to vote on your behalf.

- 13.5 Appoint your proxy and insert the required details of your proxy or appoint Chairman as your proxy.
- 13.6 Indicate your voting structure – For or AGAINST, otherwise your proxy will decide your vote.
- 13.7 Review and confirm your proxy appointment.
- 13.8 Print proxy form for your record.

GENERAL MEETING ARRANGEMENTS

- 14. Due to the constant evolving COVID-19 situation in Malaysia, the Company reserves the right to change the meeting arrangements of EGM in accordance to the latest directives to be issued by related to the COVID-19 including to impose limitation to the number of attendees as set by the authorities, if any, to be physically present at the meeting venue. Kindly check the Company's website or announcement from time to time for the latest updates on the status or changes to the EGM arrangement.

NO REFRESHMENTS OR DOOR GIFTS

- 15. To ensure social and physical distancing as well as a measure to reduce the number of crowd or attendees at the EGM in accordance with the guidelines issued relevant authorities related to the COVID-19, there will be NO refreshments or door gifts to shareholders, proxies and invited guests who attend the EGM.

ENQUIRY

- 16. If you have any enquiry prior to the EGM please contact the Share Registrar during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General/Fax No/Email : +603 - 2783 9299 / +603 - 2783 9222 / is.enquiry@my.tricorglobal.com
Ms Lim Lay Kiow : +603 - 2783 9232 / Lay.Kiow.Lim@my.tricorglobal.com
Pn. Zakiah Wardi : +603 - 2783 9287 / Zakiah@my.tricorglobal.com
Mr Keith Lim : +603 - 2783 9240 / Keith.Lim@my.tricorglobal.com

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AT SYSTEMATIZATION BERHAD

Registration No. 200401006297 (644800-X)
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.
No. of Shares held

I/We, Tel. No.:
[Full name in block and NRIC No. / Registration No.]

of
[Address]

being a member/members of AT Systematization Berhad, hereby appoint:-

Full Name (in block)	NRIC/Passport/Registration No.	Proportion of Shareholdings	
		No. of Shares	%
and/or (delete as appropriate)			

or failing whom, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor on Tuesday, 15 September 2020 at 11.00 a.m. or any adjournment thereof, and to vote as indicated below:-

No.	Agenda	Resolution	FOR	AGAINST
1.	Proposed Diversification	Ordinary Resolution 1		
2.	Proposed Private Placement	Ordinary Resolution 2		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this.....

.....
Signature of Shareholder(s)/Common Seal

Notes:-

- Only a member whose name appear in the Record of Depositors as at 8 September 2020 shall be regarded as a member entitled to attend, speak and vote or to appoint a proxy or proxies to attend, speak and vote at the Extraordinary General Meeting.
- A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.
- Subject to Paragraph (4) below, a member entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote instead of him. Where a member appoints more than 1 proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised. Alternatively, the proxy form may be submitted by electronics means through TIH online at <https://tiah.online>.
- The instrument appointing a proxy must be deposited at Share Registrar's Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or submitted by electronics means through TIH online at <https://tiah.online> not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.



Please fold across the line and close

Stamp

The Share Registrar
AT SYSTEMATIZATION BERHAD
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Please fold across the line and close