



AT SYSTEMATIZATION BERHAD
200401006297 (644800-X)

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

ADDENDUM TO THE CIRCULAR TO SHAREHOLDERS DATED 28 AUGUST 2020 (“CIRCULAR”) (“ADDENDUM”) 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”)

(For consistency, the abbreviations used hereunder shall have the same meanings as defined in the Circular, where applicable, unless stated otherwise or defined herein.)

To all shareholders of ATS,

We refer to the Circular which was despatched to the Shareholders on 28 August 2020. We wish to notify the Shareholders of the insertion of the following new section under Section 2.1 of the Circular to include information pertaining to the Acquisition of the Chemor Property (as defined herein), being a material development subsequent to the printing of the Circular, as follows:-

“2.1.1 Manufacturing locations for the Gloves Business

The Group’s proposed venture into the Gloves Business entails the acquisition, installation and commission of up to 20 glove-dipping lines in stages over the course of 36 months. As a start, under the Minimum Scenario, the Group intends to commission 1 single former glove-dipping line and 5 double former glove-dipping lines; under the Maximum Scenario, the Group intends to commission 1 single former glove-dipping line and 7 double former glove-dipping lines.

To accommodate the glove-dipping lines, the Group has entered into the following agreements:-

- (i) 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”**).

Subject to completion of the Acquisition of PGSB, the Group intends to install up to 6 glove-dipping lines at PGSB’s existing manufacturing facilities in Sungai Petani, Kedah (**“PGSB Facility”**), 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.

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. As at the date of this Addendum, the Group is in the midst of performing the necessary due diligence exercises on PGSB; and

- (ii) the Company had on 27 August 2020 announced that AGESB had entered into a sale and purchase Agreement (“SPA”) with Ripcol Industries Sdn. Bhd. (“RISB” or the “Vendor”) for the purchase of 2 adjoining parcels of leasehold industrial lands, together with industrial premises (“Chemor Property”) (“Acquisition of Chemor Property”), for a total cash consideration of RM10,300,000 (“Purchase Price”), upon the terms and conditions as stipulated in the SPA. The Purchase Consideration was arrived at on a “willing buyer-willing seller” basis after taking into consideration the market value as appraised by Rahim & Co International Sdn. Bhd, being the independent registered valuer appointed by AGESB (“Independent Valuer”).

The Purchase Price is expected to be financed through the following sources of funds:-

Bank borrowings	RM 2,060,000
Internally generated funds and/or funds arising from exercise of Convertible Securities	RM 8,240,000
	<u>RM10,300,000</u>

The Group intends to install and commission its glove-dipping lines at the Chemor Property which is able to house up to 12 single former and/or double former glove-dipping lines. For information, double former glove-dipping lines are generally taller in height as compared to single former glove-dipping lines but are approximately the same in width and length. As at the date of this Addendum, the Acquisition of Chemor Property is pending completion. Further details on the Chemor Property is set out below:-

Postal address and identification : No. 9, Jalan Chepor 11/7, Kawasan Perusahaan Seramik Chepor, 31200 Chemor, Perak Darul Ridzuan

Brief description : 2 adjoining parcels of leasehold industrial lands erected with a single-storey office building, two units of single-storey detached factory, a single-storey detached warehouse, male & female toilets area and a guard house

The total usable area of the two units of single-storey detached factory which will be used for setting up the glove-dipping lines is approximately 74,000 square feet.

Age of the buildings : Approximately 6 years

Title no. : PN Nos. 115509 & 115510

Lot no. : Lot Nos. 207448 & 207449, both in Mukim of Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan

Total land area : 16,211 square metres (about 174,494 square feet)

Land tenure : 60-year leasehold interest expiring on 26 October 2053, i.e. having an unexpired leasehold interests of about 33 years, in respect of both lots

Encumbrances : The title was charged to PUBLIC BANK BERHAD vide Presentation No. 32238/2014 registered on 17 July 2014, in respect of both lots

Existing use and proposed use : Industrial land with factory buildings

Appraised value : The market value of the Chemor Property as appraised by the Independent Valuer via its valuation report dated 26 August 2020 is RM10,300,000.00. The value was arrived at using the comparison method of valuation on the following basis:-

- (i) the Chemor Property comprises an industrial premises;
- (ii) the Chemor Property is valued based on redevelopment basis. No value is attributed to site improvements, buildings/structures erected on site; and
- (iii) the Chemor Property is valued with vacant possession.

The Independent Valuer has adopted the cost method approach as the main method of valuation since the Chemor Property comprises industrial premises.

The Chemor Property is currently free from all encumbrances save and except for charge created in favour of a bank⁽¹⁾ and there is a restriction in-interest endorsed on the said Property as *“Tanah ini tidak boleh dipindahmilik atau dipajak tanpa kebenaran Menteri Besar Perak. Sekatan ini dikecualikan selagi tanah ini dimiliki oleh Perbadanan Kemajuan Negeri Perak.”*

Note:-

(1) The charge will be lifted upon completion of the Acquisition of Chemor Property.

None of the Directors, major shareholders and/or chief executives of ATS and/or persons connected to them have any interest, direct or indirect, in the Acquisition of Chemor Property.

The Board of Directors, after having considered all aspects of the Acquisition of Chemor Property, including but not limited to the Purchase Price and the rationale, and after careful deliberation, is of the opinion that the Acquisition of Chemor Property is in the best interest of the Group.

The Acquisition of Chemor Property is subject to the consent of the Perak State Authority. Other than State Authority’s consent, the Acquisition of Chemor Property is not subject to approval of Shareholders or other regulatory authorities. Barring any unforeseen circumstances and subject to the obtainment of consent from the Perak State Authority, the Board expects that the Acquisition of Chemor Property to be completed within 3 months from 2 September 2020.

The Group expects to be able to house a total of 18 new glove-dipping lines at the PGSB Facility and Chemor Property as follows:-

	Existing number of glove-dipping lines	Additional new glove-dipping lines⁽¹⁾ for the proposed Gloves Business	Total glove-dipping lines that the premise is able to accommodate
PGSB Facility	3	6	9
Chemor Property	-	12	12
Total	3	18	21

Note:-

(1) *The exact breakdown for the number of single former/double former glove-dipping line to be housed in which premises cannot be ascertained by the Group at this juncture as the Acquisition of PGSB and Acquisition of Chemor Property are pending completion.*

Subject to the completion of the Acquisition of PGSB and Acquisition of Chemor Property, the Group may identify other suitable locations/premises for the installation of all 20 new glove-dipping lines.”

This Addendum is dated 7 September 2020.