

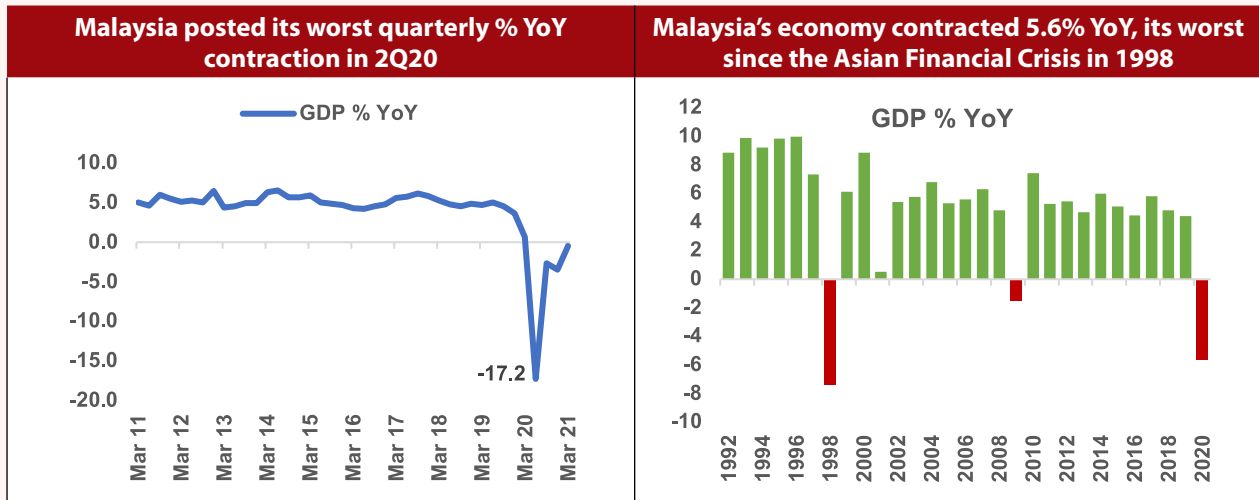
CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of AT Systematization Berhad ("ATS" or the "Company"), I hereby present the Annual Report and Audited Financial Statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2021 ("FY2021").

Overview

It has been a challenging operating environment in Malaysia over the last one year amidst the COVID-19 pandemic which has led to an unprecedented global lockdown to contain the spread of infections. This has caused the Malaysia's GDP to decline by 17.2% YoY in the second quarter of the year 2020 ("2Q20") when the Movement Control Order ("MCO") was first imposed. For the whole year of 2020, the Malaysia GDP contracted by 5.6% YoY, its worst annual economic performance since the 7.4% decline in 1998 during the Asian Financial Crisis period. The service sector is among the worst-hit sectors from the COVID-19 pandemic. The manufacturing sector was also affected by the pandemic especially during the initial period of the lockdown. However, we have seen an improvement in the manufacturing activities at the beginning of this year, driven by the gradual reopening of the economies globally. Strong demand for exports goods has support the recovery as seen during the 2Q21 but the post-COVID-19 recovery remains uneven and uncertain especially with the resurgence of COVID-19 cases and the mutated Delta variant which is more infectious and fatal. At the moment, the surge in demand for electrical and electronic goods have supported the recovery during the 1H21 and we expect to see some of the momentum continue into the 2H21. The Malaysia economy rebounded strongly in the 2Q21 as GDP grew 16.1% YoY although it contracted 2% on a quarter-on-quarter ("QoQ") basis. We are however cautious over the recovery for the year given the lingering pandemic impact that persist. The Malaysia's vaccination programme will be a key component to ensure that recovery is sustainable going into 2022.



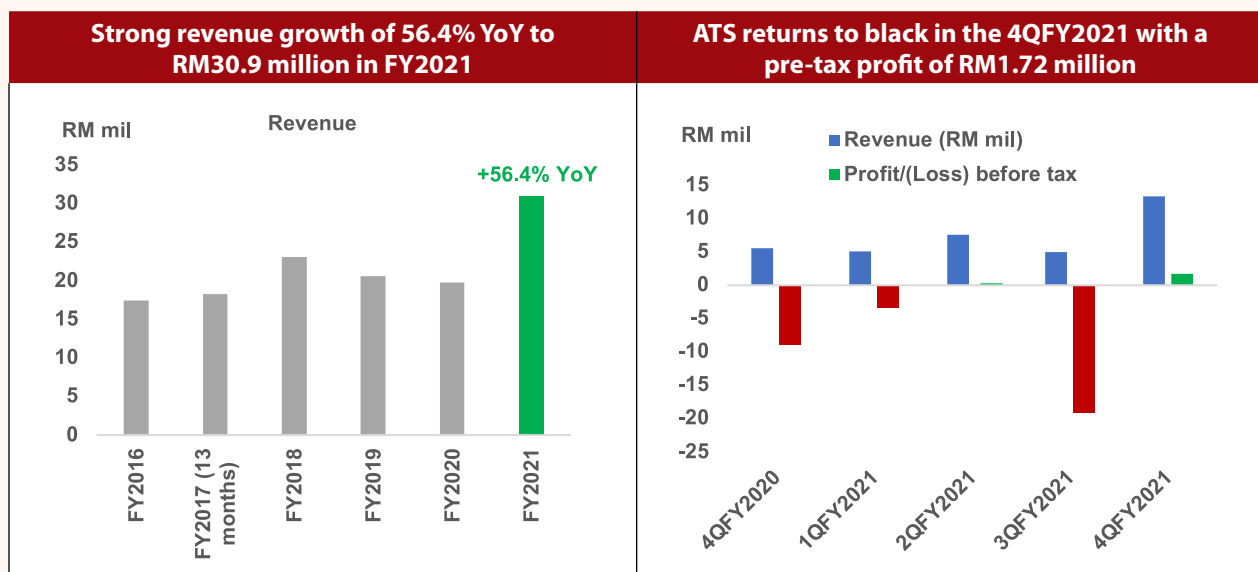
Financial Highlights

The Group's revenue for FY2021 has jumped by 56.4% YoY to RM30.93 million from RM19.77 million in the previous FY2020. This was mainly due to the commencement of the glove operations and contribution from sale of medical gloves in the fourth quarter of its financial year ended 31 March 2021 ("4QFY2021"). For FY2021, there is an addition of RM8.09 million of revenue coming from the gloves' operation while the fabrication and automation segment has also recorded a higher revenue of 16.4% YoY to RM22.08 million during the same period. Despite the much higher revenue recorded in FY2021, the ATS' loss before tax ("LBT") widened to RM20.61 million in FY2021 as compared to RM15.38 million recorded in the previous FY2020. The LBT was mainly due to the mark-to-market loss on

CHAIRMAN'S STATEMENT

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investments in quoted shares and the fair value adjustment on share options. In terms of operational performance, the Group's fabrication and automation segment has seen an improvement while the newly commenced glove operations are already seeing pre-tax profit even after offsetting its manufacturing and operating costs incurred. It is also worth mentioning that the Group is starting to see a turnaround in the 4QFY2021 as it recorded a pre-tax profit of RM1.72 million during that period.



Key Corporate Developments

1. Completion of Rights Issue with Warrants

The Group has successfully completed the above and raised cash proceeds of RM34.69 million. The said cash proceeds were mainly utilised for the expansion of the production capacity in manufacturing high precision machine components for textile industry, repayment of bank borrowings and on-going working capital requirements.

2. Diversification into the Glove Business and Completion of Private Placements

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. Pursuant thereto, the Group had on 15 September 2020, obtained the approval from its Shareholders to diversify the existing business of the Group to include the Glove Business.

Concurrently with the diversification into the Glove Business, the Group had also undertaken the 30% Private Placement and 20% Private Placement to raise the funds required for setting up glove manufacturing plant and facilities as well as working capitals for glove business. Towards the last quarter of 2020, the Group completed 2 private placement exercises in stages and successfully raised proceeds of RM45.71 million on 10 November 2020 and RM113.78 million on 16 December 2020, respectively. The timely completion of funds raised has helped to escalate the commencement of the glove manufacturing plant in Chemor, Perak.



CHAIRMAN'S STATEMENT

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Outlook

The resurgence of COVID-19 cases in Malaysia and the region is a sign that the fight against COVID-19 pandemic persists despite the restrictions on movement. COVID-19 cases have breached 20,000 cases daily and Malaysia continues to see increase in cases despite the government's attempt to accelerate the vaccination program in the country. The silver lining to the uncertainties on the recovery from COVID-19 pandemic is the strong global demand that has helped to drive exports growth during the 1H2021. In June 2021, Malaysia's trade performance continued its growth momentum as exports recorded the 10th consecutive month of YoY expansion since September 2020, registering a strong growth of 27.2% to RM105.47 billion. The strong double-digit growth was contributed by strong demand for petroleum products, electrical and electronic ("E&E") products mainly electronic integrated circuits used in production of smartphones, cars, computers and home appliances as well as rubber products. Exports to all major markets such as ASEAN, China, United States, the European Union and Japan, recorded double-digit expansion. Imports In June also increased by 32.1% YoY to RM83.23 billion, pointing to a sustained demand in the near-term. During the 2Q21, Malaysia economy rebounded strongly with GDP grew by 16.1% YoY but it contracted 2.0% on a QoQ basis. While the recent enhanced MCO ("EMCO") and full MCO ("FMCO") imposed in the country to contain the spread of infections will drag on the recovery of the manufacturing sector, the impact will be milder than what we saw during the MCO 1.0 at the beginning of last year. Despite the cautious optimism, the Board and Management is aware of the downside risks posed by the prolonged COVID-19 pandemic as seen by the downward revision of 2021 GDP forecast by Bank Negara Malaysia to between 3.0% and 4.0%, from the previous forecast of between 6% and 7.5%.

The Board and the management however is confident that the Group's exposure in the gloves industry is likely to benefit from the sustained strong demand for gloves as well as its average selling price ("ASP") will help ATS's earnings to grow in the upcoming financial year. While there have been concerns over the gloves industry as the world gradually reopen its economy amidst the rollout of the vaccination program, the Malaysian Rubber Glove Manufacturers Association ("MARGMA") projects that there will still be a shortfall of 80 billion pieces of rubber gloves in 2021 as demand continues to outstrip supply.

Moreover, outlook for the construction-related clusters is expected to rebound with higher demand for nonmetallic mineral products, basic metal and fabricated metal products. The higher production will be supported by the implementation of new and on-going infrastructure projects.

With the macroeconomic recovery in sights and the commencement of the Group's venture into the Glove Business, ATS is cautiously optimistic of a stronger and better FY2022.

Appreciations

Lastly, on behalf of the ATS Board, I would like to thank our shareholders for their continuous support and trust with us over the years. The Board expresses its heartfelt gratitude to its management and staff for their commitment despite the challenges faced during the COVID-19 pandemic. The successful venture into the Glove Business in FY2021 and the ability to turnaround it business in the 4QFY2021 is a testimony to the resilience and agility in surmounting the hurdles in 2020. I want to thank our loyal consumers for your ongoing support for ATS.

And to the Board, I wish to thank all of you for the dedication in discharging your duties in leading and guiding the Group. The Board and I look forward to achieving greater height of success with the current leadership and add values to our shareholders.

Stay safe and healthy especially as the world is facing with a health crisis. Let us all come out from the pandemic stronger and even more resilient than ever before.

Yours sincerely,

Dato' Nik Ismail bin Dato' Nik Yusoff
Chairman

27 August 2021