MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS

ATS is an investment holding company and provides management services to its subsidiary companies.

The subsidiary companies are principally involved in the fabrication of industrial and engineering parts, sheet metal, as well as the design and manufacture of industrial automation systems and machinery, collectively reported under Fabrication and Automation segment. The Group owns and operates three (3) manufacturing plants which are strategically located within the area of Bayan Lepas Industrial Park, Penang, serving customers from various sub-sectors including hard disk drive manufacturing, contract manufacturers, textile, medical and other manufacturing industries.

Since year 2015, the Group tapped into renewable energy sources through successful bid for the renewable energy quota allocations from SEDA Malaysia and accorded licences to construct Solar PV Plant under the FiT Programme at the Group's manufacturing plants in Penang. We have completed our maiden Solar PV Plant with capacity of 425kW in December 2015 and another Solar PV Plant with capacity of 300kW in December 2016. The Group has also optimised the production facility layout for better production process and let out the excess area to earn recurring rental income. Both businesses for solar renewable energy and property letting are now reported under Renewable Energy and Property segment.

In year 2020, the Group ventured into glove business, focusing on manufacture and sale of medical gloves which is now reported under Gloves segment. The Group commenced its maiden glove manufacturing facility at Chemor, Perak since January 2021 and has now completed Phase 1 comprising 6 glove dipping production lines. The Group target to complete Phase 2 comprising 4 glove dipping lines by September/ October 2021, with the remaining 3 glove dipping lines through Phase 3 by December 2021. The Group has also completed acquiring industrial land measuring 72,770 square metres in Kamunting, Perak on 26 March 2021 for future glove business expansion.

OBJECTIVES AND STRATEGIES

Our Group strives to be a leading strategic partner for precision engineering solutions and integrated designer & manufacturer of industrial automation systems to customers worldwide. It is the Group's objective to build mutually beneficial business relationship with all its shareholders and stakeholders. In meeting various expectations of our shareholders and stakeholders, we are guided by the following principles:-

- To maintain sustainable growth in revenue and profits and to maximise value for shareholders;
- To adopt a continuous improvement approach towards products' quality and reliability in order to exceed our customer expectations;
- To produce highly skilled and committed workforce to achieve manufacturing excellence and to realise their potential by trusting, empowering and rewarding them;
- To promote responsibility and respect when dealing with business partners.

The Group believes effective growth is a key aspect for business expansion and sustainable returns to shareholders, hence the Group is constantly innovating and developing new revenue streams by expanding type and range of products & solutions to customers. In pursuing recognition of the management system and products quality, ATS Group has obtained ISO 9001 and ISO 13485 certifications in respective business segments. This represents our commitment to comply with industry standards for quality. Our focus will continue to be on the following:-

- Penetrate into business and industry with good prospect such as health care industry to maintain growth and maximize value of shareholders;
- Provide our customers with faster response, better support and services to enhance customers satisfaction.

We believe that these focus areas will enable us to build mutually beneficial business relations with all our shareholders and stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

REVIEW OF FINANCIAL RESULTS AND POSITIONS

Our Financial Performance

Strong Revenue Growth as Gloves Operations Commenced

Over the last 12-months, ATS has achieved a new milestone as revenue for FY2021 breached the RM30 million level for the first time since FY2013. The strong revenue growth of 56.4% YoY to RM30.93 million recorded in FY2021 was driven mainly due to the additional revenue from the glove segment. The Group's factory commenced its gloves operations towards the end of last year and started to see contribution in earnings during the 4QFY2021.

Segment Revenue	31 March 2021 (RM'000)	31 March 2020 (RM'000)	Changes (RM'000)	Variance (%)
Fabrication & Automation	22,077	18,974	3,103	16
Gloves	8,092	-	8,092	100
Renewable Energy & Property	759	796	(37)	(5)
Total	**30,928**	**19,770**	**11,158**	**56**

(I) Fabrication & Automation Segment

Fabrication & Automation	31 March 2021 (RM'000)	31 March 2020 (RM'000)
Fabrication:		
i) Fabrication of customised parts	19,666	17,955
ii) Servicing charges	157	371
Sheet metal & Automation:		
i) Sheet metal fabrication	516	628
ii) Design & assembly	1,738	20
Total	**22,077**	**18,974**

Fabrication and automation segment posted higher revenue of 16.4% YoY to RM22.08 million in FY2021 versus RM18.97 million recorded in FY2020. This segment remains as the main revenue contribution to the Group, contributing 71.4% of total revenue in FY2021. Under this business segment, the fabrication for customised parts has seen an increase of 9.5% to RM19.67 million in FY2021 as compared to RM17.96 million in FY2020. The higher revenue was mainly due to the higher number of orders from contract manufacturers and textile machines maker, offset with lower orders from disk drive manufacturer. On the other hand, design & assembly for sheet metal & automation services provided also saw an addition of RM1.74 million during the financial year. The increase was attributable to higher number of orders from the vending machines delivered in sheet metal & automation business.

Analysis by industries are as follows:-

Top 3 Industries	31 March 2021 RM'000	Group Revenue %	31 March 2020 RM'000	Group Revenue %	Variance RM'000
Contract Manufacturers	11,887	38.4	10,353	52.4	1,534
Hard Disk Drives	2,732	8.8	3,733	18.9	(1,001)
Textile	3,361	10.9	2,003	10.1	1,358

(II) Gloves Segment

The gloves segment contributes RM8.09 million to the Group's total revenue in FY2021, representing 26.2% of the total revenue despite only being in operation for one quarter during the entire financial year. The Group has completed the commissioning of 3 production lines in its Chemor plant during FY2021. Since then, ATS has further completed additional 3 production lines and is currently running on 6 glove dipping lines with estimated annual capacity of 0.88 billion pieces of gloves. The Group is currently building 4 production lines concurrently and scheduled for completion progressively between now and the end of September or October 2021. With the completion of these additional lines, ATS would have a total 10 production lines with estimated annual capacity of 1.5 billion pieces of medical gloves.

(iii) Renewal Energy & Property Segment

Renewable energy segment continues to contribute recurring passive income from the sale of solar energy totalling RM0.76 million in FY2021 as compared to RM0.79 million recorded in the previous financial year. The Group's sale of solar energy to Tenaga Nasional Berhad under FiT Programme was lower by 5% due to unfavorable weather condition during the financial year.

Cost and Expenses

Total costs and expenses before finance cost was significantly higher in FY2021 at RM71.22 million as compared to RM35.56 million in FY2020, mainly due to RM32.09 million other operating expense (FY2020: RM8.61 million) recorded during the financial year under review. This is on account of the higher depreciation and impairment loss coupled with the recognition of RM10.01 million mark-to-market loss on quoted investments, RM13.43 million fair value adjustment on share options, RM6.72 million impairment loss on investment in associate, RM1.92 million impairment loss on property, plant and equipment and RM0.84 million impairment loss on right-of-use assets. Excluding the other operating expense, the Group's costs and expenses would have been only at RM39.13 million for FY2021 (FY2020: RM26.95 million). On the other hand, the Group's gross profit margin for FY2021 has increased to 15.4% as compared to 6.9% in FY2020.

Other Income

The Group's other income recorded at RM20.60 million in FY2021, RM19.40 million higher as compared to RM1.20 million in previous FY2020. The significant increase was mainly attributable to RM15 million gain on bargain purchase from investment in associate, RM1.75 million reversal of impairment loss on receivables and RM0.96 million reversal of impairment loss on property, plant & equipment.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Finance Cost

The Group's finance cost decreased to RM0.50 million in FY2021 from RM0.80 million in previous FY2020 due to lower interest on term loans following the settlement using proceeds from rights issue in May 2020.

Taxation

The Group's effective tax rate was lower than the statutory tax rate in FY2021 mainly due to losses suffered by certain subsidiaries as well as the availability of tax allowances to offset the taxable income of certain subsidiaries.

Loss Attributable to Owners of the Company

Despite of the operational improvement in the Group's fabrication and automation segment as well as the additional revenue coming from the gloves manufacturing business, the Group saw its loss attributable to owners of the Company widened to RM20.5 million in FY2021 from RM15.3 million in FY2020. It is worth noting that higher losses were mainly due to the mark-to-market loss on investment in quoted shares, impairment loss on investment in associate and the fair value adjustment on share options. Loss per share however has decreased to 0.78 sen per share in FY2021 from 3.26 sen per share following the enlarged share base of the Company.

Liquidity and Capital Resources

As at 31 March 2021, the Group's cash and cash equivalents has increased significantly to RM150.68 million as compared to RM1.02 million a year ago mainly due to the net effects of the following:-

(a) Net cash used of RM7.30 million from operating activities;

(b) Net cash used in investing activities of RM162.91 million mainly for:-

- The investment to build glove manufacturing facility of RM105.76 million, acquisition of specialised machineries of RM3 million to expand the production capacity for fabrication business and deposit of RM4.4 million in respect of proposed acquisition of Pearl Glove (Malaysia) Sdn. Bhd.;
- In addition to this, the Group has invested RM33 million to take up the strategic interest in associate, namely Trive Property Group Berhad and invested RM15.65 million in marketable securities, namely AE Multi Holdings Berhad;
- To better manage the Group's cash management, the Group has made placement with money market funds to yield a better return. Distribution income from money market funds during the year recorded at RM0.63 million;

(c) Net cash of RM318.98 million generated from financing activities mainly from due to the proceeds raised from corporate exercises, including private placements (RM159.49 million), rights issue (RM34.69 million), exercise of share options (RM130.07 million) and conversion of warrants (RM9.6 million). This was offset by the net repayment of the Group's term loans of RM10.67 million and hire purchase financing of RM1.68 million.

Financial Position and Gearing

Total assets have increased by more than 5 times to RM393.0 million on 31 March 2021 from RM72.45 million on 31 March 2020. This was mainly due to the sharp increase in the cash and bank balances as well as placement of fund in money market instruments following the cash generated from the completed rights issue, private placements, conversion of warrants and exercise of share options. Another significant increase is in the property, plant & equipment and right-of-use assets as the Group channelled the funds for the expansion of glove manufacturing business. In addition, the increase in total assets is also attributable to the Group's investment in associate, namely Trive Property Group Berhad as well as investment in quoted security, namely AE Multi Holdings Berhad. The Group also channelled the funds to pay down the Group's borrowings. As a result, total liabilities have decreased slightly by 2.3% from RM23.78 million a year ago to RM23.23 million on 31 March 2021.

Following the completion of fund raising exercises, the Group is in a better position financially on 31 March 2021. The strong foundation would provide the impetus for growth going into FY2022. This is seen by the Group's improved ability to meet its short term financial and debt obligations as at 31 March 2021 as current ratio improved to 16.92 times (FY2020: 3.05 times). Similarly, quick ratio has increased to 9.76 times on 31 March 2021 as compared to 1.13 times a year ago. The Group's gearing position as measured by the debt-to-equity ratio has also come down significantly to 1.7% as at 31 March 2021 versus the 31.0% in FY2020.

Risks Assumed in Business Operations

1. Business risks

The Group may be subject to risks inherent in the industries in which the Group operates. These include shortages of raw materials, constraints in labour supply, increase in labour costs, changes in law and tax legislation affecting the industry, increase in costs of new machinery, changes in business and credit conditions, equipment failure and factory accidents.

The Group seeks to mitigate these risks through prudent management policies, maintaining good business relationships with customers and suppliers, diligent cost controls, expansion of customer base and business by increasing the range of products and services offered as well as the range of markets or industries served, stringent quality controls, close production and capacity supervision as well as careful planning, effective human resources management and regular equipment maintenance and renewal.

2. Dependency on selected industries

The Group designs and manufactures precision components and fabricates precision tools, moulds, dies, jigs and fixtures for use in precision engineering applications primarily for the hard-disk drive, medical industry and contract manufacturers. For the FY2021, the hard-disk drive, contract manufacturing, and medical industries contributed 8.8%, 38.4% and 0.5% of the Group's revenue respectively.

Recognising that the Group may be susceptible to concentration risk in terms of its dependency on certain key industries, the management of the Group is continuously seeking to increase its customer base by expanding the scope of solutions as well as the range of products that it can offer. The strategic partnership entered with Rieter Group, which is the world's leading supplier of systems for short-staple fibre spinning, has helps to bring in more fabrication job orders from textile industry. For the FY2021, 10.9% (FY2020: 10.1%) of the Group's revenue was contributed by the textile industry.

Following the successful venture into the glove manufacturing business, the Group has further reduced its reliance on the fabrication & automation business segment in the FY2021. The gloves manufacturing operations commenced towards the end of last year and has contributed about 26.2% of the Group's revenue for the financial year under review despite only being in operation for one quarter during the entire financial year.

3. Dependency on experienced management and key personnel

The Group's continued success depends, to a significant extent, on the abilities and continuing efforts of the key management and key technical personnel. The loss of any key management, and/or key technical personnel could adversely affect the Group's continued ability to manage the operations effectively and competitively. The Group's future success will also depend upon the ability to attract and retain skilled personnel.

As such, the Group has made continuous efforts to develop a dynamic management team and groom younger management personnel to ensure continuity of the quality and dynamism in the management team. Efforts have been made by the Group to promote opportunities and develop program in all key functions of the Group's operations. The Group also continuously reviews the remuneration packages to ensure competitiveness and takes appropriate measures and implement programs for talent acquisition as well as to retain existing staff. Such programs implemented are incentives-based with aims to rewards staff for their ability to improve efficiency and effectiveness. However, there is no assurance that the above measures will be successful in attracting and retaining key management personnel or ensuring a smooth transition should changes occur.

4. Inconsistent production of solar energy

The amount of solar energy that can be extracted by the Solar PV Plant is dependent on the availability of sunlight, which in turn is dependent on various factors such as the unpredictable weather conditions throughout the year. Prolonged cloudy or rainy days may lead to fewer hours of sunlight being received. There is no assurance that the changes in the amount of sunlight received due to erratic weather conditions will not materially affect the production of electricity by the Solar PV Plant or that the Solar PV Plant will be able to generate a consistent amount of electricity all year round.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Review of Operating Activities

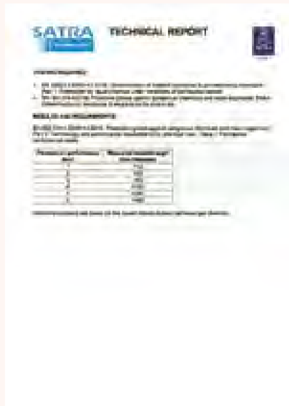
Successful Venture into the Glove Manufacturing Business

One of the key focus areas of the Group over the last one year is setting up our glove manufacturing facility. The Group has demonstrated its commitment and capability to meet the tight timeline of just over five months to get our manufacturing facility to start running in December 2020. On 23 February 2021, the Group celebrated the Grand Opening of AT Glove's maiden manufacturing facility in Chemor, Perak. The opening ceremony was graced by the then Minister in the Prime Minister's Department (Special Functions) Yang Berhormat Datuk Seri Mohd Redzuan bin Md Yusof, together with the honourable guests and key management of the Group. Built on a four-acre land, the manufacturing facility in Chemor, Perak is equipped with manufacturing executive system to provide real time production monitoring and control, output control and monitoring, record retention to comply with standard regulations. In line with the Group's core business of designing and manufacturing industrial automation systems and precision engineering solutions, we believe we are able to synergise automation and precision technology with the gloves business. The Group's ultimate goal is to implement a completely digitalize manufacturing and operation processes to deliver quality and cost-effective medical gloves globally.

As of to-date, the Group has completed the commissioning of 6 production lines in Chemor plant with estimated annual capacity of 0.88 billion pieces of gloves. The Group is currently in the midst of adding another 4 production lines concurrently and scheduled for progressive completion between now and the end of September or October 2021. Upon the completion of these additional 4 production lines, the Group will have a total 10 production lines with estimated annual capacity of 1.5 billion pieces of medical gloves. To compete with other glove players internationally, the Group has obtained the following certifications, licenses and qualifications: -

CE Marking Certification

Establishment Registration with Food and Drug Administration of the United States ("FDA")



EN374 Test Standard

Medical Device Authority license

ISO9001

ISO13485

The Group is in the midst of applying 510(K) approval from FDA and target to obtain it by 2021.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

There were some challenges within the Group's efforts to accelerate the expansion of its glove manufacturing business as seen by the abandoned planned purchase of Pearl Glove (Malaysia) Sdn. Bhd. as announced on 11 November 2020. In view of the termination of such planned purchase, the Group moved forward to focus on completing its own glove manufacturing facility at Chemor, Perak. The Group continues its expansion plan and completed the acquisition of an industrial land measuring 72,770 square metres in Kamunting, Perak on 26 March 2021. Depending on the availability of funds from time to time, the Group has set a target to install up to 50 production lines in the new factory. The Group is confident that the venture into the glove manufacturing business will help the turnaround of the Group as seen by the return to profitability during the 4QFY2021, led by the earnings contribution from the gloves business segment.

Design and Assembly Services Helps to enhanced Offerings for Sheet Metal Fabrication

As part of the Group's initiatives to further improve performance in the sheet metal fabrication segment, the Group has since last year expanded the product offerings to include the design and assembly services to its customers in addition to the regular sheet metal fabrication services. This improved strategy has helped to increase the revenue tremendously in FY2021. Among the key contributor from the portfolio offerings include smart vending machines powered by artificial intelligence technology which enable the display of digital contents in maximising revenue potentials for customers. While the business segment remains challenging following the impact of COVID-19 pandemic, the Group continues to leverage on the existing customers of its fabrication business to cross-sell its sheet metal products. In addition to this, the Group continues to offer innovative ideas to assist customers in




automating their processes, for example the Group is currently on pilot project to design and build cobots for customer in food and beverage industry. The cobots serves as the smart bartender and has the capability in serving up to over 20 cocktails. With its flexible arm, the cobots use cutting-edge technology, incorporating artificial intelligence to gather data, giving people a more precise and refined drinking experience.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Increasing Business Orders from Rieter Group

Revenue from the fabrication of textile parts continued to increase positively this year, approximately RM1.36 million higher than the preceding year FY2020. In view of the increasing orders, the Group had completed the rights issue in May 2020, raising total proceeds of RM34.7 million to fund the expansion of its production capacity in manufacturing high precision machine components to meet the forecasted annual requirement for machine parts from Rieter.

69 (FY2020: 37) profiles were approved by Rieter and turned into mass production stage which contributed RM 3.36 million in FY2021 (FY2020: RM 2 million). Another 23 profiles are expected to be submitted and approved by Rieter in FY2022. The Group is also in the midst of negotiating 19 new profiles for new model from Rieter.

Investment in Potential Growth Companies

The Group's strategies have been focusing on maintaining sustainable growth and this led to the Group's investment in companies that have growth prospect and potential business synergy. In September 2020, the Group has acquired 18.18% in AE Multi Holdings Berhad ("AEM") for RM15.6 million. AEM is a company listed on the Main Market of the Bursa Securities and together with its subsidiaries, AEM Group are principally involved in manufacturing, selling, sourcing and reselling of printed circuit board and related products, electronics and telecommunication components and related products. AEM Group has also diversified into the provision of glove turnkey solutions and glove supplementary services business. To date, AEM Group has successfully clinched few contracts in its glove business with estimated total gross development value of RM282 million. Our Group aims to benefit from economies of scale and possible synergies through collaboration and sharing of technical expertise between ATS Group and AEM Group.

On 23 February 2021, the Group has broadened its investments to include Trive Property Group Berhad ("Trive") via the subscription of rights and excess shares in Trive for RM33 million. Trive is a company listed on the Main Market of the Bursa Securities and together with its subsidiaries, Trive Group are principally involved in the trading of solar panels and related products as well as construction and property development & investment. Utilising the cash raised from its rights issue exercise, Trive Group completed the acquisition of its subsidiary, namely Avenue Escapade Sdn Bhd, which in turn owns the Menara Persoft, a commercial office building with MSC status strategically located at Persiaran Tropicana and near busy suburbs such as Damansara Jaya, Damansara Utama, Bandar Utama, Ara Damansara and Kota Damansara. Based on a valuation report dated 18 August 2020, Menara Persoft was valued at RM83.4 million as compared to the carrying amount of RM59.9 million. Our Group is confident that, Trive is on better position to enhance and extract the value of Menara Persoft, thus enjoy all the future benefits that may accrued from Menara Persoft, including rental income and potential capital appreciation in its market value.

Dividend Policy

The current focus of the Group is to create and enhance shareholders' value in the long run. We aim to re-invest the earnings to fund for the business growth. As such, the Group does not adopt any dividend policy in the short term but will consider distributing excess profits once we have stable earnings, after taking into consideration of the working capital requirements and planned capital expenditure in the future.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Prospects

The Group expects the coming financial year to remain challenging amidst the lingering COVID-19 pandemic impact. We have seen the resurgence of COVID-19 cases over the last few months in Malaysia and in the region. The COVID-19 cases continue to remain high despite the imposition of a more stringent restrictions on movement. This will have a near-term impact on the manufacturing sector, which has also seen a reduction in the workforce to comply with the standard operating procedures. Despite these challenges, ATS is likely to see improvement in the FY2022, led by earnings growth from its new business in glove manufacturing. The current market environment favours the Group's diversification effort seen in FY2021 as demand for gloves are likely to remain positive for the rest of 2021 and 2022. MARGMA has forecasted that the demand for gloves will continue to outstrip the global supply of gloves in 2021 and would see a shortfall of 80 billion pieces of gloves. As the Group has already obtained the relevant certifications and licenses, this will help the Group to have easy access to key export market in the developed markets such as the United States and European continent. Currently, the Group is applying for the 510(K) approval from FDA and target to obtain it by this year.

The strong growth momentum in the glove industry is expected to continue beyond 2021. While there are concerns over the supply of gloves with the entry of new players over the last one year, the COVID-19 pandemic has helped to create a new awareness on the importance of hygiene, especially among the emerging market, which would continue to support demand for gloves. MARGMA has expected to see a shortfall of 80 billion pieces of rubber gloves in 2021 as demand continues to outstrip supply. This is despite the global supply of gloves is expected to reach 420 billion pieces in 2021 as compared to 360 billion pieces in 2020.

The manufacturing sector is forecasted to rebound by 7.0% in 2021 driven by steady improvement in both the export and domestic-oriented industries. The Group will continue to adopt a cautious approach towards the manufacturing operations with focus on the operational efficiency to drive down cost and sustain growth momentum. As of the date of this Annual Report, the backlog orders to be delivered recorded at RM23 million, representing more than 100% of the 12-months audited revenue of RM22.08 million from fabrication and automation segment achieved in FY2021.

Barring any unforeseen situation, the Group expect to see a better financial performance in FY2022 and intend to maintain a sustainable business growth in the coming years.

Yours sincerely,

Choong Lee Aun
Managing Director

27 August 2021