

AT SYSTEMATIZATION BERHAD
Company No. 200401006297 (644800-X)
(Incorporated in Malaysia)

Minutes of the Seventeenth Annual General Meeting of the Company conducted on a fully virtual basis from the Broadcast Venue at Level 18, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on 29 September 2021 at 1.00 p.m.

Attendance

As per Attendance List

The Meeting commenced at 1.00 p.m. with the requisite quorum being present.

Notice

The Notice convening the Meeting was taken as read.

1. CHAIRMAN'S ADDRESS

The Chairman, Dato' Nik Ismail Bin Dato' Nik Yusoff, welcomed all members present and thanked them for their attendance at the Company's Seventeenth Annual General Meeting. Dato' Chairman then proceeded to introduce the Board members and Company Secretary.

Upon the Secretary's confirmation of a quorum being present, Dato' Chairman requested Mr. Lim Kim Teck, the Company Secretary to brief the members on the proceedings of the meeting and voting procedure and to go through the agenda of the meeting on his behalf.

2. PROCEDURES OF MEETING AND PRESENTATIONS

The Company Secretary informed all present that in line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, voting on all the resolutions set out in the notice of the Seventeenth Annual General Meeting will be carried out by way of poll. He informed that ShareWorks Sdn. Bhd. has been appointed as the poll administrator and Sharepolls Sdn. Bhd. has been appointed as the independent scrutineer ("Scrutineer") for the polling process. The polling will be conducted electronically via the remote participation and voting ("RPV") facility provided by Mlabs Research Sdn. Bhd. The voting session commenced from 1.00 p.m. and remained open for voting until the announcement of end of the voting session by the Chairman. He further informed shareholders and proxy holders that they could pose their questions in real time during the meeting by using the Query Box in the RPV facility. The polling administrator showed a presentation on how to pose questions and vote through the RPV facility.

The Managing Director, Mr. Choong Lee Aun then proceeded to give a presentation on updates in respect of the Group's business which included the progress of the glove business under AT Glove Engineering Sdn. Bhd.

3. QUESTIONS FROM MINORITY SHAREHOLDERS WATCH GROUP ("MSWG") AND COMPANY'S RESPONSES

The Company Secretary informed all present that the Company has received a letter dated 20 September 2021 from Minority Shareholders Watch Group ("MSWG") wherein MSWG sought clarification on certain matters and the Company has replied to MSWG accordingly.

The Chairman, Dato' Nik Ismail Bin Dato' Nik Yusoff, the Managing Director, Mr. Choong Lee Aun and Chief Financial Officer, Mr. Yong Man Chai presented the questions posed by MSWG and the Company's response to the queries from MSWG. The said questions from MSWG and the Company's response (set out in Appendix A) were also displayed on screen for ease of reading by all present.

Chairman's Signature



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4. MEETING AGENDA AND QUESTION AND ANSWER

The Company Secretary proceeded to table each and every item on the agenda as set out in the notice of the Meeting.

The Company Secretary informed the shareholders and proxy holders that the Audited Financial Statements for the financial year ended 31 March 2021 ("AFS 2021") together with the Reports of the Directors and Auditors thereon were laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence was not put forward for voting.

5. RESOLUTIONS, POLLING AND RESULTS OF THE POLL

The Secretary proceeded to table the resolutions as set out on the agenda. The shareholders and proxy holders of the Company raised the questions and the Board of Directors provided the answers as set out in Appendix B. The meeting proceeded to voting by poll on ordinary resolutions 1 to 7 as set out in the notice of meeting. The results of the poll, as verified by the Scrutineer, were as follows:-

APPROVAL OF DIRECTORS' FEES

Ordinary Resolution No. 1

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
20	939,408,467	99.7680	14	2,184,200	0.2320	Carried

Accordingly, it was resolved that Directors' fees of up to RM260,000.00 for the financial year ending 31 March 2022 to the Directors of the Company and its subsidiaries be approved for payment.

APPROVAL OF PAYMENT OF BENEFITS OTHER THAN DIRECTORS' FEES TO NON-EXECUTIVE DIRECTORS

Ordinary Resolution No. 2

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
18	938,739,701	99.6970	16	2,852,966	0.3030	Carried

Accordingly, it was resolved that benefits other than Directors' fees of up to RM28,000.00 to the Non-Executive Directors of the Company from 30 September 2021 until the next Annual General Meeting of the Company be approved for payment.

Chairman's Signature



...3/-

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5. RESOLUTIONS, POLLING AND RESULTS OF THE POLL (CONTINUED...)

RE-ELECTION OF DATO' NIK ISMAIL BIN DATO' NIK YUSOFF AS A DIRECTOR

Ordinary Resolution No. 3

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
25	939,406,435	99.7684	7	2,181,099	0.2316	Carried

Accordingly, it was resolved that Dato' Nik Ismail Bin Dato' Nik Yusoff, who retires in accordance with Clause 131 of the Company's Constitution, be and is hereby re-elected as a Director of the Company.

RE-ELECTION OF CHOONG LEE AUN AS A DIRECTOR

Ordinary Resolution No. 4

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
26	939,422,301	99.7700	6	2,165,233	0.2300	Carried

Accordingly, it was resolved that Mr. Choong Lee Aun, who retires in accordance with Clause 131 of the Company's Constitution, be and is hereby re-elected as a Director of the Company.

RE-APPOINTMENT OF AUDITORS

Ordinary Resolution No. 5

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
26	941,525,236	99.9973	6	25,199	0.0027	Carried

Accordingly, it was resolved that Messrs Ong & Wong be and is hereby re-appointed as Auditors of the Company for the ensuing year and that the Directors be authorised to fix their remuneration.

Chairman's Signature



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SPECIAL BUSINESS

AUTHORITY FOR DR. CH'NG HUCK KHOON TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Ordinary Resolution No. 6

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
26	939,414,636	99.7687	7	2,177,899	0.2313	Carried

Accordingly, it was resolved that the following resolution be passed as an Ordinary Resolution:-

THAT authority be and is hereby given to Dr. Ch'ng Huck Khoon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.

AUTHORITY TO ISSUE SHARES

Ordinary Resolution No. 7

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
16	938,346,070	99.6555	16	3,243,965	0.3445	Carried

Accordingly, it was resolved that the following resolution be passed as an Ordinary Resolution:-

"THAT subject always to the Companies Act 2016 ("Act"), Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

Chairman's Signature



...5/-

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6. **CONCLUSION**

Dato' Chairman notified the Meeting that the Company has not received any notice of motion from the shareholders of the Company since the dispatch of the notice of Seventeenth Annual General Meeting.

There being no further matters to discuss, it was resolved that the Meeting be concluded at 2.02 p.m. with a vote of thanks to the Chair.

Confirmed as a correct record



Dato' Nik Ismail Bin Dato' Nik Yusoff
Chairman

- 1. Group revenue increased by 56.1% from RM19.8 million in FY2020 to RM30.9 million in FY2021. However, gross profit margin (GPM) increased by a significantly higher 123.2% from 6.9% in FY2020 to 15.4% in FY2021. (Page 6 of Annual Report – AR)**

What were the main reasons for the significant increase in GPM margin? Is the favourable GPM sustainable in FY2022 and moving forward?

The increase in GPM was mainly due to the contribution from the gloves business on the back of favourable glove average selling price. Fabrication and automation segment also registered improvement in GPM on the back of higher sales.

Barring any unforeseen situation, the Group will try to maintain the favourable GPM. The Group is mindful of the glove average selling price to normalise gradually. However, the Group remains optimistic of the longer-term prospects underpinned by growing demand for rubber gloves and ongoing expansion plans by the Group.

- 2. For the last 5 financial years, the Group has been incurring losses attributable to owners of the Company. (Page 6 of AR). 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. (Page 9 of AR).**

Does the Board expect the Group to turn around and be profitable from FY2022 onwards?

In the newly released 1QFY2022 results on 27 September 2021, the Group has posted a pre-tax profit of RM0.12 million. Glove segment has contributed a pre-tax profit of RM6.98 million but the fabrication and automation segment has registered a pre-tax loss of RM5.2 million due mainly to RM3.11 million mark-to-market loss on investment in quoted shares.

The Group expects its glove operation continue to contribute profits. Nevertheless, the performance of glove segment will be subjected to normalisation of the glove average selling price as well as the supply and demand for the gloves.

As for the fabrication and automation segment, the Group shall continue to focus on the operational efficiency to drive down cost and sustain growth momentum. The Group has now achieved RM11.18 million unaudited revenue and expects to deliver more sales from the remaining backlog orders of RM17.98 million.

Subject to the restriction for operating at full capacity in complying the on-going measures against COVID-19, the Group expects this segment to deliver better performance in FY2022 as global economies are recovering from the COVID-19 pandemic.

- 3. 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. (Page 11 of AR)**

What is the current average utilization rate? Are there any plans for expansion?

For FYE 2021, the current average utilisation rate is approximately 70%.

As mentioned in Page 18 of AR, the Group had completed the rights issue in May 2020, allocating RM4.77 million for the acquisition of specialised machineries to support the expansion of the Group's production capacity in manufacturing high precision machine components to meet the forecasted annual requirement for machine parts from Rieter.

Since starting FY2022 till to-date, orders from Rieter have further increased by 237% and all current machines are fully utilised to support the production of Ring Spin model at average 30 to 40 crates per month. With additional 1 machine in place and start to operate by end of September 2021, the production rate will increase to average 60 crates per month from Q3FY2022 onwards. The Group is now planning to increase the production rate to average 80 crates per month, hence planning to acquire additional machines to support.

4. **Since year 2015, the Group tapped into renewable energy sources through successful bids for the renewable energy quota allocations from SEDA Malaysia and were accorded licences to construct Solar PV Plant under the FiT Programme at the Group's manufacturing plants in Penang. It has completed its maiden Solar PV Plant with capacity of 425kW in December 2015 and another Solar PV Plant with capacity of 300kW in December 2016. (Page 11 of AR)**

What is the status of the segment in terms of further achievements, contracts secured and future plans?

For clarification, the Group is not engaged in building the Solar PV Plant commercially. The Group is in fact the producer of renewable energy through Feed-in-Tariff programme, utilising own areas (roof top and car park area) to earn solar recurring income passively.

5. **In year 2020, the Group ventured into glove business, focusing on manufacture and sale of medical gloves which is now reported under Gloves segment. (Page 11 of AR)**

What is the average utilization rate of the production lines?

The average utilisation rate of the production lines is approximately 73%. Being a new player in the glove industry, the Group acknowledges that we are still on the learning curve and there is further improvement can be made to achieve higher utilisation rate.

6. **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. (Page 17 of AR)**

What was the amount and percentage of increase in FY2021 compared to FY2020? Which industry segments does it mainly serve and what is the outlook for FY2022?

Following the offerings to include design & assembly services, revenue from sheet metal fabrication has increased by 246% from RM0.65 million in FY2020 to RM2.25 million in FY2021. In this regard, the Group mainly serves consumer market including e-sport industry, food and beverage industry.

The Group has achieved RM1.14 million unaudited revenue as of to-date. Judging from the remaining open orders to be delivered amounting to RM5.48 million, the Group expects the coming FY2022 annual revenue from this segment will be better than RM2.25 million achieved in FY2021.

7. **As at end of FY2021, there was a huge, accumulated impairment loss of RM8.2 million constituting 97.6% of outstanding other receivables of RM8.4 million due from third parties. (Page 121 of AR)**

What is the nature of the impaired other receivables? Why was such a huge amount impaired and what is the probability of recovery?

The impaired other receivables mainly are amounts owing by previous subsidiary of the Group and projects suspended pending completion because of the COVID-19 impact, which the Group is assessing the options moving forwards.

Total impaired other receivables have decreased following the Group has recovered RM1.8 million during FY2021. The Group shall continue to assess the options and to discuss the recoverability of remaining amounts.

1. Could you pls provide us overall picture of the glove operations of AT?

Phase 1: Dipping Line 1 to 6

The Group has completed the commissioning of 3 production lines in Chemor Plant during the financial year end 31 March 2021. Since then, the Group has further completed additional 3 production lines and is now running 6 glove dipping lines with an annual capacity of 1.16 billion pieces of gloves.

Phase 2: Dipping Line 7 to 10

The Group is currently building 4 production lines concurrently and scheduled for completion progressively: 3 lines by end of September 2021 and 1 line estimate to complete by early year 2022. The Group will have a total 10 production lines with an annual capacity of 2 billion pieces of medical gloves.

New 4 Storey Office Building

The construction of building is completed on June'2021. The interior setup is targeted to complete by end of this year.

- Ground Floor: Receptionist, Meeting room, sample room, office room (Sales, purchase & HR)
- 1st Floor: Office room (Operation), Meeting room, Document room, Training room.
- 2nd Floor: Control room, Lab room (R&D)
- 3rd Floor: Document room and Office room for Engineer

2. Why buy D'nonce at so high price RM0.80 per share when average price for D'nonce is not that high?

The Purchase Consideration of RM0.80 per share was arrived at on a "willing buyer-willing seller" basis.

- (i) Using RM0.80 per share and compared to Net Assets per Share of D'nonce as at 30 April 2021 [RM0.45], this give rise to implied price-to-book multiple/ratio is 1.78.
- (ii) Using RM0.80 per share and compared to Earnings per Share FYE 30 April 2021 of [RM0.441], this give rise to implied price-to-earnings multiple/ratio is 18.16.

The price-to-book ratio of 1.78 and price-to-earnings ratio of 18.16 is within the range of the ratios of the respective comparable companies that we are using. The comparable companies are listed companies on Bursa Securities which have market capitalisation of below RM500 million and are principally involved in manufacturing and sells various packaging products and solutions.

3. What is the mark-to-market loss of quoted shares?

The investment in quoted shares by the Group includes AE Multi Holdings Berhad and Trive Property Group Berhad. At every quarter reporting period, the Group will compare the market prices of these investments. If market price is higher than the carrying amounts, we will recognize mark-to-market gain. If the market price is below that the carrying amounts, we will recognize mark-to-market loss. Kindly note that this mark-to-market gain/loss is unrealized in nature and could be reversed in subsequent periods.

When the Group classify these investments as associates, the Group will start applying equity accounting method and start to share profit/loss in associates and assess for impairment annually. The Group will stop measuring the market prices at quarterly basis and hence there will be no mark-to-market gain/loss.