



9/26/2023

# Replies to Minority Shareholders Watch Group



AT Systematization Berhad  
19TH ANNUAL GENERAL MEETING

## Operational & Financial Matters

**Q1. The Group continues to incur losses over many financial years. The losses increased much further in the last two financial years despite significantly higher revenue. (page 5 of AR 2023)**

**How did the Group register much higher losses in the last two financial years although revenue had rose significantly compared to the earlier financial years?**

**How would the Management be able to turn the Group profitable and by when?**

*The Group registered much higher losses in the last two financial years due to several factors, such as higher operating costs, impairment losses, and global challenges in the medical gloves market. Although revenue had risen significantly compared to the earlier financial years, it was not enough to offset the impact of these factors. The Management is committed to implementing various measures to improve the Group's profitability, such as optimizing cost structure, enhancing operational efficiency, and diversifying revenue streams.*

*The Management has been working hard to improve the Group's financial performance and achieve profitability in the near future. Some of the key strategies that the Management has implemented or planned to implement are:*

- *Reducing operational costs and increasing efficiency by streamlining processes, optimizing resources and leveraging technology.*
- *Enhancing customer satisfaction and loyalty by improving quality, delivering value and providing excellent service.*
- *Expanding market share and market reach by developing new products, entering new segments and exploring new opportunities.*

*The Management expects that these strategies will result in positive cash flow and net income for the Group by the end of year 2025, subject to market conditions and other factors. The Management will continue to monitor the Group's performance and make adjustments as necessary to achieve its goals.*

- Q2. The Group established its maiden solar PV plant with capacity of 425kW in December 2015 and its second solar PV plant with capacity of 300kW in December 2016. (page 9 of AR 2023)**

**What are the Group's plans and strategies in growing its renewable energy business?**

*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 (building roof top area) to earn recurring solar income passively.*

*The Group does not have any aggressive plans to expand its renewable energy portfolio as it satisfies with the current level of performance and profitability of solar business. The Group believes that solar power is a reliable and sustainable way to contribute to the environment and society. Solar renewable energy contributes to the generation of carbon credits by reducing the reliance on fossil fuels and mitigating climate change, while also generating value for its shareholders.*

- Q3. Loss after tax stood at RM82.75 million in FY2023 against loss after tax of RM124.06 million reported in FY2022. The losses were mainly attributed from glove inventories written-down to net realisable value, higher finance costs, impairment loss on assets in glove business, net impairment loss on investment in associates and loss on dilution of interest in associate. (page 11 of AR 2023)**

**Is the Management expecting further write-downs from glove business inventories and net impairment loss on investment in associates?**

*The Management considers the inventories for the glove business to be sufficiently valued at net realisable value, which reflects the expected recent selling price, and as a result, does not believe that further significant write-downs are necessary.*

*With regards to the investment in associates, the Management shall continue to monitor the performance and financial position of the associated companies, to assess the recoverable amounts and make necessary adjustments as and when required, in accordance with the accounting standards.*

- Q4. Over the past three years, the textile industry has accounted for a significant portion of the Group's revenue, with FY2023 contributing 35.1%, FY2022 contributing 16.5%, and FY2021 contributing 10.9%. (page 15 of AR 2023)**

**What is the outlook for the textile industry and is its revenue contribution expected to significantly increased further in FY 2024?**

*The outlook for the textile industry is mixed, depending on the region and the segment. In general, the industry faces challenges such as rising costs, environmental regulations, and changing consumer preferences. However, there are also opportunities for growth, innovation, and differentiation, especially in emerging markets and niche sectors.*

*We remain committed to the textile industry as our focus area. Our team has been working closely with our customer from the textile industry and achieved a new product innovation through our persistent efforts. We anticipate that this innovation will contribute significantly to our revenue in FY2024.*

- Q5. In light of the unexpected earthquake in Turkey in February 2023, one of the Group's key customers, who operates in Turkey, is expected to postpone some of their orders. The Group is committed to closely collaborating with the customer to manage the necessary adjustments to the order and shipment processes. (page 17 of AR 2023)**

**Does the key customer in Turkey contribute a very sizeable portion of the Group revenue? When are they expected to resume their orders?**

*For clarification, customer in Turkey form part of revenue from the textile industry. Based on the Group unaudited revenue for Q1 ended June 2023 plus backlog orders of approximately RM20.61million, we have a revenue share of 8% from our Turkish customer, who expects a slow recovery of the market for consumables and spare parts until late 2023.*

- Q6. The Group's unaudited revenue for 3 months ended June 2023 plus backlog orders to be delivered recorded at RM20.61 million, representing approximate 40.96% of the audited annual revenue achieved in FY2023. The Group expects the coming FY2024 annual revenue from the manufacturing segment will be better than FY2023. (page 17 of AR 2023)**

**Is the revenue generated seasonal and if so, which quarter usually registers the highest revenue? What is the outlook for the rest of the year?**

*The electronic market, which determines the global demand for our products and services, does not have seasonal fluctuations. However, there are some variations in our business performance due to the changing dynamics of the industry.*

*The current situation of business relocation from China creates a favourable scenario for us to explore new markets and opportunities. We are pursuing the migration business with determination. We have achieved some positive results in this area. The outlook for the rest of the year of fabrication business is positive, as the demand for customized products and services continues to grow.*

- Q7. The Group has faced challenges in securing adequate number of orders from customers to sustain its operations. In view of this, the Group is scaling down its glove-making operation and currently exploring different possibilities for the future direction of the glove business. One option under consideration is leasing out the glove-making facilities to generate rental income. (page 17 of AR 2023)**

**Considering that there is still overcapacity in the rubber glove industry with many players cutting down their production capacity, how feasible is it for the Company to lease out their glove-making facilities?**

*The Company has been exploring various options to optimize its glove-making facilities, including leasing out some of its production lines to other manufacturers. However, given the current glove market conditions, this option remain challenging. The rubber glove industry is facing a glut of supply and a decline in demand, which has led to lower prices and margins. Many players have reduced their production capacity or exited the market altogether. In view of this, the demand for leasing glove-making facilities is relatively low, and the Company may not be able to find suitable tenants or negotiate for favourable terms. The Company will continue to monitor the market situation and evaluate other alternatives to improve its operational efficiency and profitability.*

**Q8. Two major customers (from Fabrication and automation segment) contributed a sizeable 55% (37% and 18%) of the Group revenue in FY 2023. There is a concentration of customer risk which has worsened as compared to FY 2022 where the same two customers contributed a total of 28% (15% and 13%) of Group revenue. (page 165 of AR 2023)**

**How does the Group mitigate the concentration of customer risk? How and by when the Group targets to eliminate or reduce the concentration risk?**

*The Group mitigates the concentration of customer risk by diversifying its portfolio across different sectors, regions and products. The Group also monitors the credit quality and financial performance of its major customers on a regular basis and takes appropriate actions to reduce the exposure or increase the collateral when necessary. The Group targets to eliminate or reduce the concentration risk by expanding its customer base, increasing its cross-selling opportunities and developing new markets.*

*We aim to diversify our new customers base, and by 2026 we estimate that the 2 major customers will represent 40% of our revenue, down from 55% currently. The rest of our customers will have an average share of about 15%.*

## Corporate Governance and Sustainability Matters

1. Mr. Choong Lee Aun, the Managing Director of the AT is also an Executive Director of D'nonce Technology Berhad (D'nonce), another public listed company. (page 18 of AR 2023)

a) Although D'nonce is AT's associate company, why is there a real need for Mr. Choong to assume a full-time executive position in the company considering that he is already shouldering a heavy responsibility as AT's Managing Director?

*As the Managing Director of AT, I have a significant duty rest on my shoulders. However, I also see a great opportunity and potential in D'nonce, which is why I decided to take on a full-time executive position in the company. D'nonce is an associate company of AT, and they both operate in a similar market and industry.*

*By taking a more active role in D'nonce, I hope to create more synergy and collaboration between the two companies are maximized and that the interests of both shareholders are aligned. I am confident that I can manage the responsibilities of both positions effectively and efficiently, as I have a strong and capable team in both companies to support me.*

b) Directors must have the time commitment to carry out their fiduciary responsibilities in the Board. How is Mr. Choong able to manage his time effectively as he has two full-time positions in two public listed companies to manage?

*As a director of two public listed companies, I have to balance my responsibilities and priorities effectively. I manage my time by delegating tasks to my teams, setting clear goals and deadlines, and maintained regular communication and coordination with the other board members and senior management of both companies. I also attend all board meetings and fulfils my fiduciary responsibilities in the best interests of the shareholders. I believe that I have the skills and experience to handle both positions without compromising on quality or performance.*