

QUESTIONS AND ANSWERS (“Q&A”) FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”) PRIOR TO THE AGM, AS WELL AS LIVE QUESTIONS AND ANSWERS FROM SHAREHOLDERS OF THE COMPANY AT THE AGM

Q&A from the MSWG are as follows:

Q. 1 *The Company registered its highest revenue year on record with RM4.2 billion in revenue, up 26% year on year (“yoy”) during FY2021 and it also recorded its highest ever profit before tax of RM192 million, up 80% yoy (page 10 of AR 2021). What are the Company’s strategies to maintain and enhance its performance in FY 2022 in light of the worsening pandemic which has disrupted supply chains of many Companies?*

A. 1 We achieved our highest revenue in FY 2021 due to strong order demand from our customers, but the pandemic intensified in FY 2022, and the Malaysian Government enforced FMCO with a 60% workforce restriction, affecting our production output and revenue. Our strategies are as follows:

- Return to full capacity in October 2021 by completing all employee vaccinations by the end of September 2021;
- Enhance collaboration with customers and suppliers to catch up on order backlogs; and
- Optimize our working capital position to withstand the consequences of supply chain interruptions.

Q. 2 *The Company expanded its operations during the 1st quarter of FY 2021 by operating two new production and warehouse facilities at Pasir Gudang. These two facilities which were rented, in line with the Group’s asset light strategy were located just 5km away from the Port (page 10 of AR 2021). (i) What was the cost incurred by the Company to finance the expansion, and (ii) What is the production capacity of the facility opened by the Company.*

A. 2 The costs expended for the expansion were mostly for facility upgrades, and purchase of new injection moulding equipment, the setup of assembly lines, and production accessories. So far, the costs for renovations have been estimated to be RM4.5 million, RM57 million for production machinery, assembly lines and accessories, and RM2.5 million for furniture and fittings. When fully operational, the facility’s output may reach roughly 25% of the Group’s overall production capacity.

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Q. 3 *The Company was embroiled in a forced labour controversy in May 2021 where there were serious allegations made about the treatment of foreign labour at the Company’s factory (The Edgemarkets). (i) What were the steps taken by the Company to ensure that the foreign labour working at its factories were given fair treatment; (ii) Does the Company have any plans to reduce its dependence on foreign labour as the Government has become more stringent in its policies to hire foreign labour.*

A. 3 We strongly refute these allegations, since we do not treat our workers unfairly. On 25 June 2021, the UK newspaper issued a public apology for the article they published on the allegations (*The Edgemarkets*, 2 August 2021). We are entirely committed to the well-being of our employees and adhere to labour laws, policies, and CSR ethical requirements. This is demonstrated by both external audits undertaken by third parties and our Customer CSR audit programmes conducted in collaboration with our Government enforcement agencies.

During the MCO period, we recruited additional local workers to replace foreign workers whose permits had expired and who had returned to their home countries. However, we want to continue recruiting foreign workers as soon as the Government allows us to. We practice a zero-recruitment fee policy.

Q. 4 *Bad debts written off increased significantly in FY2021 to RM449k from NIL in FY2020 (page 67 of AR 2021). (i) What were the reasons for the substantial hike in Bad Debts Written Off in FY2021; and (ii) Has the credit policies of the Company been reviewed to ensure that only customers with good credit standing were given credit facilities.*

A. 4 These debts arose primarily the result of one-time transactions, such as the write-off of unrecoverable deposits and bad debts written off as a result of the liquidation of PT WSP. Currently, the majority of the Company’s customers are multinational companies with good payment records.

Q. 5 *According to Chapter 9 Para 9.21(2) of the Main Market Listing Requirements (MMLR) requires companies to publish a summary of the key matters discussed (KMD) at the AGM on to the Company’s website soon after the conclusion of the general meeting. As at 16 September 2021, the summary of KMD at ATA IMS’s AGM held in 2020 was not available on the Company’s website.*

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A. 5 In the previous three AGMs, no key matters were raised or considered. For each of these years, we have incorporated a section on our website to state this.

Q. 6 *Shareholder, Lim Chuan Yaw asked: Why has a two-quarter PAT drop. Other than MCO workforce half, any affect from sales?*

A. 6 Despite a reduction in PAT in the last two quarters, there is still an upward trend when compared to the previous year. Other factors influencing revenue in this quarter include a shortage in electronic and electrical components, the cost of SOP compliance and the delay of containers.

Q. 7 *Shareholder, Chiang Yong Jie asked: What is the current working capacity of ATA IMS and any acquisition planning had made?*

A. 7 Currently, we are still adhering to the Government-imposed restriction of 60% workforce capacity. Once our employees have been properly vaccinated in accordance with the guidelines, we will strive toward reaching full production capacity. The Group is constantly on the lookout for new business opportunities and strategies to expand. If any possible acquisitions or new business investment opportunities arise, Management will analyze them and make the relevant announcements at the appropriate time.

Q. 8 *Shareholder, Chong Jia Junn asked: (i) Did the Group secure any new customer or any potential customer? If yes, what sector or what product? What plan of the ATA IMS in the next year. (ii) Will Group continue expanding factory floor space in the coming years.*

A. 8 (i) Aside from the five new customers already disclosed, there are currently no new customers onboard. However, we are still in discussion with a few potential customers. The Group is always seeking for new ways to diversify our clientele and customer base, and will continue to do so in the coming years.

(ii) The Group will continue to expand based on orders from both existing and new customers. However, we will only consider future expansion if our current production facilities have been fully utilized.

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The live questions received from the members via the Query Box and the responses from Dato’ Sri Foo Chee Juan were reviewed. As some of the questions were similar to each other, and mainly on e-wallets, hence, Dato’ Chris Chan has skipped these repeating questions but to focus on the followings for Dato’ Sri Foo Chee Juan’s response:

Q. 1 *How much does the Company spend on this virtual AGM? Would the Board kindly consider giving e-wallet to participants for attending. I would like to request a printed hard copy of the Company Annual Report. Thank you.*

A. 1 The cost of a fully virtual AGM is less than RM20k and the Company will consider providing e-wallet to AGM participants in the future.

Q. 2 *(i) How many percent of workers back to Company? (ii) Will Company provide bonus issue for shareholders? (iii) How many percent of workers have been vaccinated? (iv) Order book remain strong from customers? Is it new customers deal with company or Dyson company only? (v) After allegation issue settled share price fly to RM2.90 but now share price nearly time of news happened, other EMS sector bull and strong until today, but ATA IMS seems not get invitation to join this party, any explanation?*

A. 2 (i) The Company is now running at 60% capacity, but this will be increased to 100% by October 2021. (ii) The Company will always research the best approach to reward shareholders; for example, the Company is proposing a dividend of 3.35 sen, and if the Company contemplates a bonus issue, the Company will make an announcement. (iii) By the end of this month, all workers will have been fully vaccinated. (iv) Aside from Dyson, new customers continue to grow. (v) Market prices fluctuate for a variety of factors beyond the Company’s control. However, our business is still going well and we are in a strong position.

Q. 3 *In the light of recent weakness of ATA share price, why didn’t the Company engage in share buy-back.*

A. 3 The Company previously repurchased certain shares at roughly RM1.36, and we will continue to monitor the share price open and the market conditions, acting when the conditions are favourable.

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Q. 4 *What is the outlook for company in next 12 months, are we seeing increase in revenue and any new clients to be included.*

A. 4 Our main customer's orders are continuing coming in strong. The new customers were obtained during the last two years. Because of the supply chain interruption, our output will be difficult/challenging for the next one or two quarters. However, our prospects for the future remain positive.

Q. 5 *What is RPV AGM cost? Dyson client contributes how many percentage of company total sales. Kindly consider e-wallet as a token of appreciation for participants attending. Thank you in anticipation.*

A. 5 Dyson is still the largest contributor to our Group's sales revenue at the present, accounting for almost 80% of total revenue. Due to the Pandemic, no attendance gifts were provided, but they may be considered in the future.

Q. 6 *Why have the last two immediate quarters' results dropped so much as compared to Q2 and Q3 of FY2021?*

A. 6 The decline is owing to the Pandemic's interruption of the supply chain. However, the last two quarters were still higher than the corresponding quarters year on year.

Q. 7 *Is there any update from the customers secured before? How big is the order and what product was produced for the new customer. May I know what is the vaccination rate of the employees and the expected vaccine utilization rate after Johor entered NRP Phase 2. What is the status of the current order, any cancellation or reduction due to restricted capacity.*

A. 7 Our order book is still very full, both from the existing and new customers. We will fully vaccinate all workers by the end of this month; our output will subsequently increase from 60% to 100% in October. Orders from current customers are still very high.

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Q. 8 *Is there any expansion plan moving forward?*

A. 8 In terms of the expansion plan, we have prepared for it by setting up a facility in Pasir Gudang. Because the production facility is not yet at full capacity, we will evaluate further growth based on customer demand and new business opportunities.

Q. 9 *What is the utilization rate of Capex for this year and the prospect moving forward.*

A. 9 The Group still has extra production capacity, and we are expanding to meet the needs of existing and new customers. Our customers' demands are still high, therefore we are keeping an optimistic attitude.

A. 10 *Recently there have been numerous issues with the auditor KPMG, raising concerns about their ability and transparency as auditors, thus I suggest that KPMG be removed and replaced with a new auditor. Thanks.*

A. 10 KPMG conducted the audit for ATA IMS Group in a professional and competent manner. They have informed the Board of Directors of their dedication to and strict adherence to worldwide auditing accounting standards and guidelines

Q. 11 *What is the sales and earnings outlook for the coming quarters. Please provide estimated percentage of improvement or decrease.*

A. 11 The current quarter will be extremely difficult due to a 60% workforce restriction. However, given that we expect to resume full production by October, we will remain optimistic about the coming quarters.

Due to time constrain, the following two (2) live questions received from the members via the Query Box which were responded via email to the shareholders: -

Q. 12 *Could you please elaborate more on the disruption of supply chain? How long do you expect the recovery?*

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A. 12 This refers partly to materials supply disruptions as many countries were having Covid-19 related lockdowns. Some local manufacturers were also under a 60% workforce restriction imposed during the FMCO.

Many countries have re-opened their economies and supply has gradually resumed. Also as our nation achieved more than 80% vaccination for the adult population, many local industries are resuming full production within the next few weeks.

Q. 13 May I know what would be the planning and progress of injecting Microtronics Technology Sdn. Bhd. into the group?

A. 13 We wish to inform that the Management is still evaluating the proposal and will take the appropriate action and make the necessary announcements accordingly.

~ THE END ~