



AT Systematization Berhad (644800-X)



Annual Report **2010**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Beh Lai Lien
Executive Chairman / Managing Director

Lai Siaw Ling
Executive Director

Wong Pow Keong
Executive Director

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director

Ooi Eng Guan
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

Members
Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director

Ooi Eng Guan
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director

Members
Lai Siaw Ling
Executive Director

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman
Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director

Member
Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)
Chan Wai Fen (MAICSA 7028962) (Appointed w.e.f. 26 January 2010)
How Wee Ling (MAICSA 7033850) (Resigned w.e.f. 26 January 2010)

REGISTERED OFFICE

57-1, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604 642 9887
Fax : 604 645 6698

HEAD OFFICE

Plot 82, Lintang Bayan Lepas Phase IV,
Bayan Lepas Industrial Park,
11900 Penang
Tel : 604 644 7771
Fax : 604 644 7773
Email : ats@ate.com.my
Website : www.ate.com.my

SHARE REGISTRAR

AGRITEUM Share Registration Services Sdn. Bhd. (578473-T)
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604 228 2321
Fax : 604 227 2391

AUDITORS

Crowe Horwath (Formerly known as Horwath) (AF1018)
Chartered Accountants
Suites 701 & 702, 7th Floor
No. 11 Lorong Kinta
10400 Penang
Tel : 604 227 7061
Fax : 604 227 8011

PRINCIPAL BANKERS

Malayan Banking Berhad (3812-K)
Public Bank Berhad (6463-H)

STOCK EXCHANGE LISTING

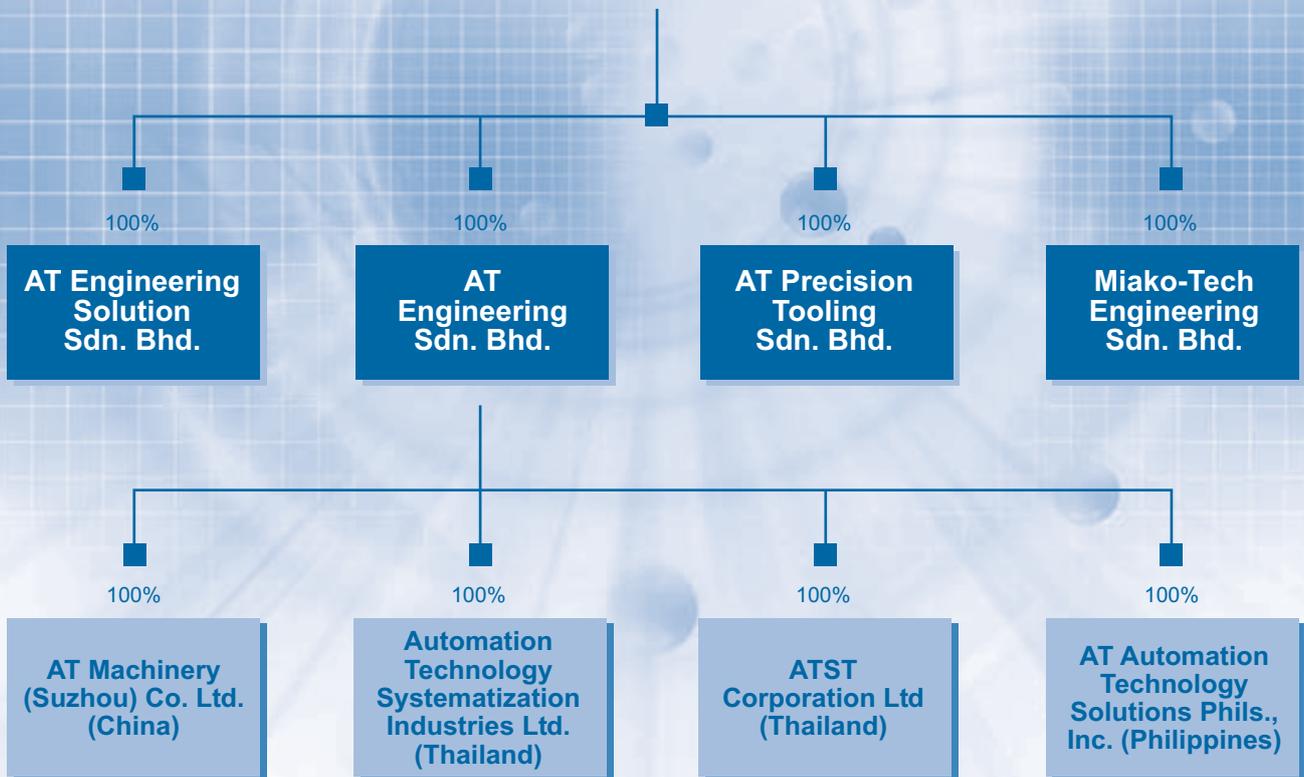
ACE Market of Bursa Malaysia Securities Berhad
Stock Name : AT
Stock Code : 0072

CORPORATE STRUCTURE

AS AT 11 JUNE 2010



AT Systematization Berhad (644800-X)



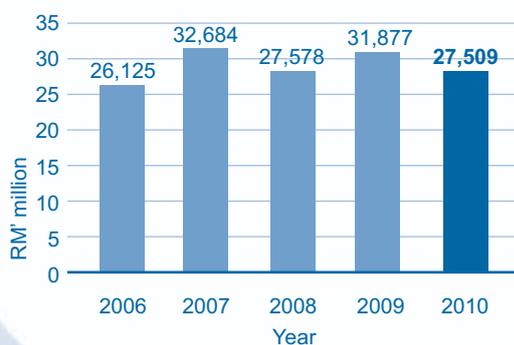
FINANCIAL HIGHLIGHTS

5 Years Financial Highlights

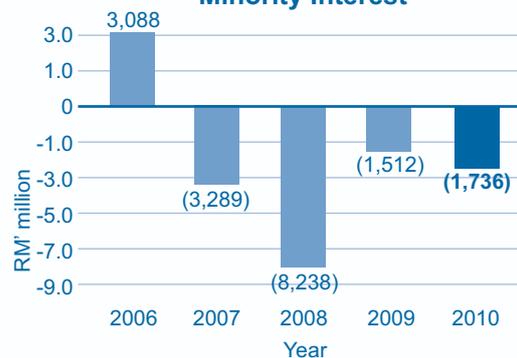
	FYE 28 February 2006 RM'000	FYE 28 February 2007 RM'000	FYE 29 February 2008 RM'000	FYE 28 February 2009 RM'000	FYE 28 February 2010 RM'000
Turnover	26,125	32,684	27,578	31,877	27,509
Profit/(Loss) Before Tax	3,805	(3,870)	(8,441)	(1,590)	(1,628)
Profit/(Loss) After Tax and Minority Interest	3,088	(3,289)	(8,238)	(1,512)	(1,736)
Weighted Average Number of Shares in Issue ('000)	167,451	167,451	171,316	178,951	178,951
Net Earnings Per Share (sen)	1.84	(1.96)	(4.81)	(0.84)	(0.97)

The net EPS is calculated based on the PAT after MI and on the weighted average number of shares in issue.

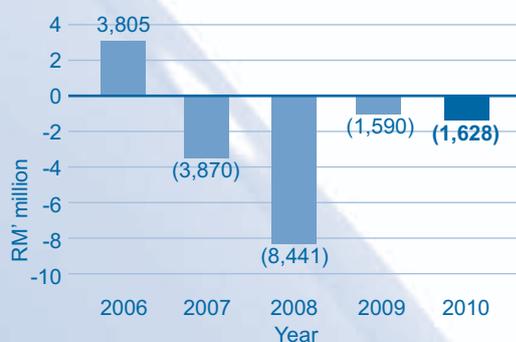
Turnover



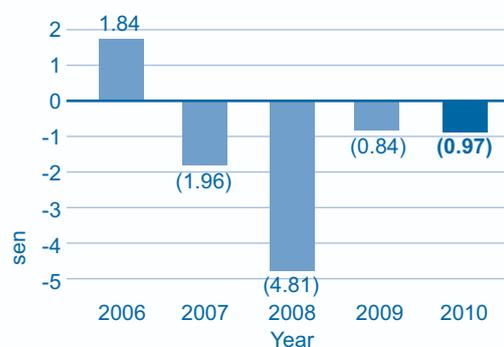
Profit/(Loss) After Tax and Minority Interest



Profit/(Loss) Before Tax



Net Earnings Per Share (sen)





On behalf of the Board of Directors, I have great pleasure to present the Annual Report of the Company for the financial year ended 28 February 2010. The year 2009 was a challenging year for us as we experienced the impact of economic recession, resulting in sharp decrease in revenue from our automated equipment business as our customers tightened their capital investment in anticipation of lower consumer consumption. Nevertheless, our precision tooling business achieved a significant increase in revenue by approximately 30% on yearly basis, which had partially offset the reduction of revenue from automated equipment business, providing a cushion against the economic downturn.

FINANCIAL RESULTS

AT Group recorded revenue of RM27.5 million for the financial year ended 28 February 2010, which was lower by 13.7% as compared to RM31.8 million in previous financial year. In view of the lower revenue achieved, the Group registered a loss before tax of RM1.63 million as compared to a loss of RM1.59 million in previous financial year. The loss registered by the Group for the financial year under review was mainly attributed to the unavoidable fixed factory overhead coupled with a provision of doubtful debts amounted to RM0.4 million.

BUSINESS PROSPECTS

Signs of economy recovery in Malaysia are being seen and further established when Malaysian economy registered a strong growth of 10.1% in the first quarter of 2010 according to the data from Central Bank of Malaysia. This provides impetus to domestic growth through the spill-over effects on production, employment and overall sentiments. We are also seeing favourable signs of growth data in worldwide semiconductor sector.

The Group has always been putting efforts in its product development plan. With the efforts of our engineering and marketing teams, we have started to invest in developing new automation solution products for medical equipment industry. It is important for AT Group to continue to strive for design and manufacture machines that meets customers' specification. In addition, the Group had initiated a plan to embark on OEM (Original Equipment Manufacturing) business for electronic sector.

As for our precision tooling business, the Group expects an increase in demand for fabrication and tooling of engineering parts. We have purchased additional machining facilities during the financial year to cater for the increased capacity.

While the industry signalled an encouraging sign of recovery, we are planning for a modest growth in terms of revenue and profit. The Group has stepped-up efforts in internal reorganization to continue our cost control measures as well as propelling towards operational efficiency. The Group will continue to leverage on its core strengths in supporting our customers and exploring new business opportunities. Barring any unforeseen circumstances, the Group expects to achieve better results in the next financial year.

APPRECIATION

On behalf of the Board, we are very grateful to our management team and employees for their efforts, dedication and commitment in the Group.

Finally, I extend our gratitude and appreciation to our valued customers, business associates, bankers, relevant authorities and shareholders for their continued support and confidence in the Group.

Beh Lai Lien

Executive Chairman cum Managing Director

PROFILE OF DIRECTORS

Beh Lai Lien

Executive Chairman cum Managing Director

Mr. Beh Lai Lien, aged 55, a Malaysian, is the Executive Chairman cum Managing Director of AT Systematization Berhad ("ATS"). He was appointed to the Board on 22 December 2004.

Mr. Beh graduated in 1979 with a Diploma in Mechanical Engineering, from the Wellington Polytechnic (now known as Massey University) in Wellington, New Zealand. As the founder of the ATS Group, he has contributed significantly to the growth and success of the Group. He has accumulated approximately 29 years of experience in the Industrial Automation Systems and Machinery business.

His career initially started when he was in New Zealand, working part time as a Trainee Design Engineer at Giles and Elliot (NZ) Pte Ltd, and at the same time attending university. He was later promoted to Design Engineer in the Company. In 1980, he joined Chloride Batteries (NZ) Pte Ltd as Equipment Design Engineer. Between 1981 and 1984, he was a freelance writer for US Computer magazines and a programmer. In 1984, he returned to Malaysia and joined Mattel Sdn Bhd in Penang as an Equipment Engineer but left in the same year to join INTEL (M) Sdn Bhd as an Automation Engineer. In the four years that he was with INTEL (M) Sdn Bhd, he was promoted from Automation Engineer to Senior Automation Engineer in 1986 and to Section Head in the same year.

In 1991, he co-founded the Group through the establishment of AT Engineering Sdn Bhd ("ATE"). He is a Mechanical Engineer by profession with additional knowledge in computer technology in hardware and software. He also has specific knowledge in plastics technology, tool design and machinery design.

Mr. Beh is the brother-in-law of Mr. Lai Siaw Ling who is the Executive Director of ATS. He has no conflict of interest in any business arrangement involving the company.

Lai Siaw Ling

Executive Director

Mr Lai Siaw Ling, aged 47, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on 22 December 2004 and is a member of the Remuneration Committee of the Company.

He graduated in 1987 with a Bachelor of Electrical Engineering (Honors) Degree from the University of Technology Malaysia. He has accumulated approximately 20 years experience in Industrial Automation Systems and Machinery industry.

His career started as a Trainee Engineer at Tenaga Nasional Berhad, Penang in 1983. In 1987, he was employed as a Product Development Engineer of Litronix Sdn Bhd (now known as Osram Opto Semiconductors (Malaysia) Sdn Bhd). He left the following year and was appointed as Customer Engineer at Hewlett-Packard Sales (Malaysia) Sdn Bhd from 1988 to 1990.

In 1991, he co-founded the Group through the establishment of ATE. Some of his contributions include establishing the Sales and Marketing Department, Vision Systems Department, the Electrical Systems Design and Research and Development Departments. He is also responsible for the implementation of ISO 9001.

Mr. Lai is the brother-in-law of Mr. Beh Lai Lien who is the Managing Director of ATS. He has no conflict of interest in any business arrangement involving the company.



Wong Pow Keong

Executive Director

Mr. Wong Pow Keong, aged 44, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on 22 December 2004.

Mr. Wong began his career in 1987 in Penang as a draftsman and quality controller. Later in 1988 he joined another local company in Penang as a workshop manager in charge of workshop operations. He left in 1991 to join ATE as Workshop Manager and was promoted to Assembly Manager in 1997. In 1998, he was appointed as Sales Manager of ATE. He left ATE in 2001 and joined Miako-Tech Engineering Sdn Bhd ("MTE") as General Manager. He is also Director of MTE since 1989. He is also responsible for the implementation of ISO 9001 in MTE.

Mr. Wong does not have any family relationship with any director and/or major shareholder of ATS, nor any conflict of interest in any business arrangement involving the company.

Mohd Daniel Bin Mat Noh

Independent Non-Executive Director

Encik Mohd Daniel Bin Mat Noh, aged 51, a Malaysian, was appointed as an Independent Non- Executive Director of ATS on 22 December 2004 and is also a member of Audit, Nomination and Remuneration Committees of the Company.

He graduated with a Bachelor of Science (Honours) majoring in Mathematics from University Malaya in 1984. He also obtained a Master in Business Administration from University of Bath, United Kingdom in 1995. His working experience includes a 11-year operations/management position with Malayan Banking Berhad from 1984 to 1995. He also has about 4 years working experiences as manager with a few banking institutions, such as Malaysian International Merchant Bankers Berhad, Hong Leong Bank Berhad and Aseambankers Malaysia Berhad. In 1999, he took up the position of Vice President – Special Projects with AKN Industries Sdn Bhd. Subsequently he left AKN to join COB Technology Asia Sdn Bhd as Corporate Affairs Director from 2000 until 2002. He then set up Expedient Equity Sdn Bhd, a venture capital management company as Chief Executive Officer/Director.

Encik Mohd Daniel does not have any family relationship with any director and/or major shareholder of ATS, nor any conflict of interest in any business arrangement involving the company.

PROFILE OF DIRECTORS (CONT'D)

Hui Khee Sum @ Hooi Kee Sum

Independent Non-Executive Director

Mr. Hui Khee Sum @ Hooi Kee Sum, aged 67, a Malaysian, was appointed as an Independent Non-Executive Director of ATS on 22 December 2004 and is also a member of Audit, Nomination and Remuneration Committees of the Company. He is a Fellow Member of The Institute of Chartered Accountants in England & Wales. He did his accountancy articleship in London and qualified as Chartered Accountant in 1969.

He joined KPMG, London (formerly known as Peat Marwick, Mitchell & Co.) in 1969. He then joined Standard Telephone & Cables Ltd., London as Manager of Business Planning & Budgeting in 1972. He was then transferred to Malaysia in 1974 to take up the position of Financial Controller of ITT Transelectronics (M) Sdn Bhd, a manufacturer and exporter of consumer electronic products. He left to join Palmco Holdings Berhad in 1981 as Group Financial Controller and was promoted to Group Finance Director in 1983. Subsequently he left in 1987 to join KPMG Peat Marwick Consultants Sdn Bhd as Director. In 1989, he left Malaysia and took up the position as Group Finance Director of Marshall Cavendish Limited, which based in London. He was promoted to Chief Executive Officer in 1992. He returned to Malaysia in 1997 and is currently working as a senior consultant undertaking engagements in company restructuring, turnaround and general financial advisory services.

Mr. Hui does not have any family relationship with any director and/or major shareholder of ATS, nor any conflict of interest in any business arrangement involving the company.

Ooi Eng Guan

Non-Independent Non-Executive Director

Mr. Ooi Eng Guan, aged 38, a Malaysian, is a Non-Independent Non-Executive Director of ATS. He was appointed to the Board on 30 January 2009.

Mr. Ooi obtained his degree majoring in Accountancy from University of Florida, Florida, United States in 1995. He started his career as an audit Semi-Senior in Messrs. Russ Ooi & Associates in 1996 and has gained extensive experience and exposure in financial and accounting sectors. He then moved on to become Finance Manager of Miako-Tech Engineering Sdn Bhd from 1998-2000 in charge of financial and corporate development matters. He is currently a Director of Applied Labelmax Malaysia Sdn Bhd.

Mr Ooi is the son of Mdm. Yeap Kim Lean, a substantial shareholder of AT Systematization Berhad.

Other information on Directors

- (i) The securities in the Company held by Directors are as disclosed on page 74 of this Annual Report.
- (ii) None of the Directors have any directorship in other public companies in Malaysia.
- (iii) None of the Directors of the Company has been convicted of any offences within the past 10 years other than traffic offences, if any.



Audit Committee

The present members of the Committee comprise:-

Mohd Daniel Bin Mat Noh
Chairman
Independent Non-Executive Director

Hui Khee Sum @ Hooi Kee Sum
Member
Independent Non-Executive Director

Ooi Eng Guan
Member
Non-Independent Non-Executive Director

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. OBJECTIVES

The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group. In addition, the committee shall:-

- Assess the Group's processes relating to its risk and control environment;
- Evaluate the internal and external audit processes; and
- Oversee compliance with laws and regulations and observance of a proper code of conduct.

2. MEMBERSHIP AND COMPOSITION

The Audit Committee was appointed by the Board from amongst the Directors and composed of three (3) members, all of whom shall be Non-Executive Directors with a majority of them being independent Directors. No alternate director shall be appointed as a member of the Audit Committee. The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board. In the event if any vacancy in the Committee, the Board must within three (3) months, appoint such number of new members as may be required to make up the minimum of three (3) members.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA");
- if he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:-
 - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or she must be a member of the associations of accountants specified in part II of the 1st Schedule of the Accountants Act 1967.

3. AUTHORITY

The Committee is granted the authority to investigate any activity of the Group and the Company within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information and all employees are directed to co-operate with any request made by the Committee.

The Committee shall have direct communication channels with the internal auditors and external auditors and with senior management of the Group and shall be able to convene meetings with the internal auditors whenever deemed necessary.

The Committee is empowered to obtain independent professional or other advice it considers necessary to assist the Committee in fulfilling its responsibility.

Where the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market, the Committee shall promptly report such matter to Bursa Securities.

4. DUTIES AND RESPONSIBILITIES

The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the Company and the sufficiency of auditing relating thereto. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities:-

- Review with External Auditor, the audit scope and plan, evaluation of the system of internal controls and audit report;
- Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- Review the external and internal audit reports to ensure appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified;
- Recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any question of resignation or dismissal;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the quarterly results and year end financial statements of the Group and the Company, prior to the approval by the Board, whilst ensuring they are prepared in a timely and accurate manner, focusing particularly on :
 - changes in or implementation of major accounting policies;
 - significant adjustments and unusual events;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;



4. DUTIES AND RESPONSIBILITIES (CONT'D)

- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and other legislative and reporting requirements;
- Review the external auditors' management letter and management's response;
- Able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary;
- Consider the major findings of internal investigations and management's response; and
- Performing any other relevant duties assigned by the Board of Directors.

5. MEETINGS

The Audit Committee is to meet at least four (4) times a year and as many times as the Committee deems necessary with due notice of issues to be discussed sent to all members. If required, other directors, members of senior management, internal and external auditors and other professionals may be invited by the Audit Committee to attend the Audit Committee Meeting to assist in its deliberations.

At least twice a year, the Audit Committee shall meet with the external auditors without the presence of any executive directors or senior management. The internal and external auditors may also request for a meeting when the need arises.

6. QUORUM AND REPORTING PROCEDURES

In order to form a quorum for the meeting, the majority of the members present must be Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one week prior to each meeting to members of the Committee. The minutes shall be circulated to members of the Board.

The Chairman shall be entitled, where deemed appropriate, to invite any person(s) to meetings of the Committee.

The Committee and the representative of internal auditors shall be in attendance at meetings of the Committee. The Committee may invite the external auditors and management of the Group to be in attendance during meetings to assist in its deliberations.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal convention on such matter.

7. ATTENDANCE OF MEETINGS

The information on the attendance of each member at the Committee meetings held during the financial year ended 28 February 2010 was as follows:-

Name	No. of Meetings Held	Attendance
Mohd Daniel Bin Mat Noh	4	4
Hui Khee Sum @ Hooi Kee Sum	4	4
Ooi Eng Guan	4	4

8. SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 28 February 2010 were as follows:-

- Reviewed the quarterly reports of the Group and recommended them to the Board of Directors for approval and for announcement to Bursa Securities;
- Reviewed with the external auditors and internal auditors the scope of their work, audit plan and their evaluation on the system of internal controls of the Group;
- Reviewed with the external auditors the results and findings of the audit, the audit report and management letter;
- Reviewed and approved the Committee's terms of reference;
- Reviewed the Group's compliance, in particular, the quarterly and year end financial statements, with the Listing Requirements of Bursa Malaysia Securities Berhad, applicable approved accounting standards issued by Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and management's response. Discussed with management on the corrective actions taken to improve the system of internal control based on improvement opportunities identified; and
- Reviewed and approved the proposal for engagement of the internal auditors for the Group.

9. INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent firm of consultants to carry out internal audit of the Group in order to assist the Committee in discharging its duties and responsibilities. The internal audit function is to add value and improve the Group's operations by providing independent, objective assurance and consulting activities through its audit of the Group's key operations and also to ensure consistency in the control environment and the application of policies and procedures. The internal auditors report directly to the Committee.

During the financial year, the internal audit activities have been carried out according to the internal audit plan that was reviewed and approved by the Audit Committee. The audit plan covers review of adequacy of operational controls, risk management, compliance with established procedures, laws and regulations, quality of assets, management efficiency, amongst others.

The cost incurred for the internal audit function during the financial year ended 28 February 2010 amounted to RM11,000.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 20 to 21 of this Annual Report.

10. STATEMENT ON EMPLOYEE SHARE OPTION SCHEME ("ESOS")

As at 28 February 2010, the Company has not granted any option under ESOS to the Directors and eligible employees of the Group.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) remains fully committed to achieve and maintain high standards of corporate governance within the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group.

The Board is guided by the Company’s Code of Corporate Governance which is formulated based on the principles set out in the Malaysian Code on Corporate Governance (“the Code”). These principles are practiced throughout the Group as the underlying principle in discharging the Board’s responsibility and to ensure transparency and corporate accountability.

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The extent of the Group’s compliance with the Best Practices set out in Part 2 of the Code is as stated in the Compliance Statement.

A. BOARD OF DIRECTORS

The role of the Board

The Board of Directors recognizes its responsibility for corporate governance of the Group, including providing clear and effective leadership, supervising business activities and reviewing of financial and operating performance of the Group.

The Board collectively provides direction and effective control of the Group. The Chairman/Managing Director is responsible for ensuring the effectiveness of the Board in conducting its business and fulfilling its responsibilities whereas the Executive Directors are responsible for the day to day running of the Group’s business, implementation of Board policies and making of operational decisions duly assisted by the Management team.

Certain key strategy, financial and organizational matters are reserved for collective decision by the Board. These include approval of interim and annual results, significant acquisition and disposal, major capital expenditures as well as long term strategic planning for the Group.

Board Balance

The Board currently consists of six (6) members, comprising three (3) Executive Directors and two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Board is led by Mr Beh Lai Lien as the Executive Chairman and Managing Director. He is assisted by the Executive Directors. Decision by the Board is done collectively without undue influence or dominance by any individual Director or group of Directors.

As an effective and dynamic Board is essential towards enhancing long term shareholder value and the interests of other shareholders, the Group maintains its current Board mix which has the necessary skills, expertise and experience in areas relevant to steering the growth of the Group’s businesses.

The executive directors are tasked to implement Board’s decisions and policies whilst overseeing operations and coordinating business decisions. On the other hand, the non-executive directors are independent of management and provide effective and impartial judgment and informed opinions to the deliberations and decision making of the Board thus fulfilling an essential and pivotal role in corporate accountability.

A. BOARD OF DIRECTORS (CONT'D)

Board Balance (Cont'd)

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements. Therefore, the Board has combined the role of Chairman and Managing Director.

Due to the size of the Board, the Board has also not appointed a senior independent director to whom shareholders may voice their concerns. This task will be played by the Board as a whole.

Brief profiles of each Board member is presented in this Annual Report under Profile of Directors.

Board Meeting

The Board meets at least once every quarter and with additional meetings convened as necessary. The Board meets within 2 months from the end of every quarter of the financial period, when the Group's financial results are deliberated and considered prior releasing them to Bursa Securities and the Securities Commission.

There were four (4) Board Meeting held during the financial year ended 28 February 2010. The record of attendance for each Director at those meetings is set out below:-

Directors	Number of meetings attended
Beh Lai Lien	4/4
Lai Siaw Ling	4/4
Wong Pow Keong	4/4
Mohd Daniel Bin Mat Noh	4/4
Hui Khee Sum @ Hooi Kee Sum	4/4
Ooi Eng Guan	3/4

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision to be made. Where a potential conflict arises in any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and the decision-making process.

Supply of Information

The Directors have full and timely access to information to enable them to discharge their duties. Prior to the Board Meetings, a full set of Board papers were forwarded to the Board Members to allow the Directors to study and evaluate the matters to be discussed and subsequently make effective decisions.

The Directors are regularly updated by the Company Secretaries on new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The Directors have unrestricted access to the advice and services of the Company Secretaries and senior management staff in the Group. Where necessary, the Directors may obtain independent professional advice at the Company's expense in the furtherance of their duties.



A. BOARD OF DIRECTORS (CONT'D)

Appointment to the Board

Any proposals for new appointments to the Board are reviewed by the Nomination Committee and presented to the Board for approval. The Company Secretaries will ensure that all appointments are properly made, and that regulatory obligations are met.

Re-election of the Directors

In accordance with the Company's Articles of Association, one-third or nearest to one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire at each year are the Directors who have been longest in office since their appointment or re-election.

The Articles of Association also provide that one-third of the Directors are subject to retirement by rotation or, if their number is not three (3) or a multiple of three (3), the number nearest to one-third shall retire from office, and if there is only (1) Director who is subject to retirement by rotation, he shall retire provided always that all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. The election of each Director is voted on separately.

The Articles of Association further provide that the Directors may from time to time appoint one or more of their body to the office of Managing Directors and if the appointment is for a fixed term, that term shall not exceed three (3) years and such conditions as they think fit and, subject to the terms of any agreement entered into in any particular case, may revoke any such appointment. The said appointment shall be automatically terminated if the Director so appointed ceases from any cause to be a Director.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

Directors' Training

All directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad. All directors have attended various seminars and training programmes during the financial year as follows:-

1. Preparing to Implement Financial Instruments Standards
2. Audit Committee Institute Roundtable Discussion

In future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programmes, as and when required.

Remuneration

The amounts of remuneration paid to Directors for the financial year ended 28 February 2010 are set out below:-

Category	Fees (RM)	Salaries & Employee Provident Fund (RM)	Other Emoluments (RM)	Benefits in-kind (RM)	Total (RM)
Executive Directors	59,700	797,040	900	71,850	929,490
Non-Executive Directors	81,900	-	3,600	-	85,500

A. BOARD OF DIRECTORS (CONT'D)

Remuneration (Cont'd)

The numbers of Directors whose remuneration fall within the following bands are:

Remuneration bands	Number of Directors	
	Executive	Non Executive
Below RM50,000	-	3
RM150,001-RM200,000	1	-
RM250,001-RM300,000	1	-
RM400,001-RM450,000	1	-

B. BOARD COMMITTEES

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, with each operating within its respective clearly defined terms of reference.

The Chairman of the various Committees will report to the Board on the outcome of the Committee meetings.

The Board has established the following Committees to assist the Board in the execution of its duties:

Audit Committee

The terms of reference and the function of the Audit Committee are discussed on pages 9 to 12 of the Annual Report 2010.

Nomination Committee

Chairman : Hui Khee Sum @ Hooi Kee Sum (Independent Non-Executive Director)
Member : Mohd Daniel Bin Mat Noh (Independent Non-Executive Director)

The Nomination Committee which was set up on 24 January 2006, is empowered by the Board with the terms of reference to review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.

The Nomination Committee also recommends to the Board, the minimum requirement for the Board, ie. required mix of skills, experience, qualification and other core competencies required of a Director. In addition, the Committee also reviews the adequacy of committee structures of the Board committee, assess and recommend to the Board the terms of reference of Board Committees.

The Committee shall meet whenever there is a need for the Committee to perform its function, and at least once every year to assess the contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board.



B. BOARD COMMITTEES (CONT'D)

Remuneration Committee

Chairman : Hui Khee Sum @ Hooi Kee Sum (Independent Non-Executive Director)

Members : Lai Siaw Ling (Executive Director)

Mohd Daniel Bin Mat Noh (Independent Non-Executive Director)

The Committee is responsible for recommending to the Board from time to time, the remuneration framework and remuneration package of the Executive Directors of the Group in all forms to commensurate with the respective contributions of the Executive Directors.

The Committee seeks to establish a remuneration policy which should be sufficient to attract, retain and motivate Directors of calibre needed to run the Group successfully. Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration package.

C. SHAREHOLDERS

Relationship with Shareholders and Investors

The Group recognizes the importance of being accountable to its shareholders and investors and as such has maintained active communication and feedback policy with institutional investors, shareholders and public generally to explain the Group's strategy, performance and major developments. All shareholders have an opportunity to participate in discussion with the Board on matters relating to the Company's operation and performance at the Company's General Meetings.

Alternatively, they may obtain the Group's latest announcements via the Bursa Malaysia's website at www.bursamalaysia.com. In addition, the Company has also established a website at www.ate.com.my to which shareholders can access for up-to-date information.

The AGM is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in the open question and answer sessions in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general.

D. ACCOUNTABILITY AND AUDIT

i Financial Reporting

The Board takes responsibility for presenting a balanced and clear assessment of the Group's operations and prospects each time it releases its quarterly and annual audited financial statements to shareholders. The Audit Committee assists the Board with the overseeing of the Group's financial reporting process and the quality of the financial reporting to ensure accuracy, adequacy and compliance to the appropriate accounting standards.

ii Internal Control

The Board recognizes the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded. The Statement on Internal Control as set out in this Annual Report provides an overview of the state of internal control of the Group.

D. ACCOUNTABILITY AND AUDIT (CONT'D)

iii Relationship with the Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded with the power to communicate directly with the external auditors towards ensuring compliance with the accounting standards and other related regulatory requirements.

The role of the Audit Committee in relation to the external auditors is stated under the Audit Committee Report of this Annual Report.

Compliance Statement

Throughout the financial year ended 28 February 2010, the Group has complied, with all the Best Practices of corporate governance set out in Part 2 to the Code, except for the following:

- Given the current composition of the Board, in particular the strong independent element, the Board does not consider it necessary to have the role of the Chairman and Managing Director separated;
- Appointment of a Senior Independent Non-Executive Director to whom shareholders may address their grievances and concerns. The Board will collectively be responsible to address all grievances and concerns brought up by the shareholders.

This statement was made in accordance with a resolution of the Board dated 17 June 2010.

STATEMENT OF DIRECTORS' RESPONSIBILITIES



The Directors are required by the Companies Act, 1965 to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:

- That the Group and the Company have used appropriate accounting policies, and these are consistently applied ;
- That reasonable and prudent judgments and estimates were made ;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a resolution of the Board dated 17 June 2010.

STATEMENT ON INTERNAL CONTROL

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard Shareholders' investment and the Group's assets. The Board has made the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control - Guidance for Directors of Public Listed Companies ("Internal Control Guidance") issued by the Institute of Internal Auditors Malaysia.

RESPONSIBILITY

The Board recognizes the importance of a sound system of internal control and a structured risk management framework to good corporate governance. In consultation with the Executive Directors, the Board has established an ongoing process for identifying, evaluating and managing the significant business risks faced, or potentially exposed to, by the Group in pursuing its business objectives. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any system of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

This enterprise risk management framework addresses the following key initiatives:

- The issuance of a Risk Management Policy and Procedure document which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;
- Workshops and interviews were conducted with Executive Directors, Senior Management and other key personnel from the major business units in the Group. A database of all risk and controls has been created, and information filtered to produce a detailed risk register, and risk profiles of the major business units in the Group. Key risks to each business unit's objectives, aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and the magnitude of impact;
- A risk profile of the Group was developed which, together with a summary of the key findings, was discussed at the Board meeting; and
- The Management of each major business unit has been entrusted to prepare action plans, with implementation time-scales to address the risk and control issues identified.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to a professional firm of consultants, which provides the Board with much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The cost incurred for the internal audit function for the year ended 28 February 2010 amounted to RM11,000.

Regular internal audits are carried out on an ongoing basis to review the internal control system in the key activities of business units based on the internal audit plan reviewed and approved by the Audit Committee. Based on the audits, the internal auditors will advise the Board on areas of improvement and subsequently, initiate follow-up actions to determine the extent of deployment of those recommendations by the management.



INTERNAL AUDIT FUNCTION (CONT'D)

The internal audit plan was circulated to the members of the Audit Committee prior to the execution of the audit assignments. Findings arising from the internal audits were reported and discussed at the Audit Committee meeting.

KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the Board has put in place the following key elements of internal control:-

1. An organizational structure with well-defined scopes of responsibility and clear lines of accountability;
2. The Board continuously assesses key business risks with the help of key management and when necessary, external professionals;
3. The Board is briefed on a quarterly basis on any exceptions or deviation to the Group's policies, and weaknesses on the internal control systems;
4. Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
5. A process of hierarchical reporting which provides for a documented and auditable trail of accountability; and
6. Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 28 February 2010, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. The Board is of the view that there were no significant weaknesses in internal control which resulted in material losses, contingencies or uncertainties during the financial year.

This statement was made in accordance with a resolution of the Board dated 17 June 2010.

OTHER DISCLOSURE REQUIREMENTS

Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

Share Buy-backs

During the financial year ended 28 February 2010, the Group did not enter into any share buyback transactions.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

During the financial year, the Company did not sponsor any such programme.

Imposition of Sanctions / Penalties

There were no sanctions and / or penalties imposed on the Group or its subsidiaries, directors or management by the relevant regulatory bodies.

Non-Audit Fees

Non-audit fees paid by the Company and its subsidiaries to the external auditors, Messrs. Crowe Horwath and its affiliated companies for the financial year ended 28 February 2010 amounted to RM13,600.

Profit Estimate, Forecast, Projection or Unaudited Results

There was no significant variance between the results for the financial year ended 28 February 2010 and the unaudited results previously announced.

Profit Guarantees

There were no profit guarantees given by the Company for the financial year.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

Revaluation Policy

The revaluation policy on landed properties of the Group is as stated in the Audited Financial Statements on Note 2: Significant Accounting Policies.



Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued by the Group during the financial year.

Corporate Social Responsibilities (“CSR”)

The Group believed that pursuit of business objectives needs to be balanced with the environmental and social responsibilities. As such, the Group uses its best endeavour on ongoing basis to integrate CSR practices into its business operations. Scrap metals and water mixed with coolant used in the production process are disposed of through authorized contractor. In addition, the Group devises sport activities as an effort to enhance quality of life of its staffs. The Group also provided assistance to charitable organizations and school in term of money and in-kind.

Recurrent related party transactions of revenue nature

The Company does not have any significant recurrent related party transactions of revenue nature during the financial year.



FINANCIAL STATEMENTS

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The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 28 February 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	The Group RM	The Company RM
Net (loss)/profit for the financial year attributable to shareholders of the Company	<u>(1,735,799)</u>	<u>89,468</u>

DIVIDENDS

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme ("ESOS") of the Company was approved by the shareholders at an Extraordinary General Meeting held on 26 July 2006 and all relevant authorities.

The principal features of the ESOS are as follows:-

- (i) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS.
- (ii) The ESOS will be available to directors and eligible employees of the Group and the Company.

EMPLOYEE SHARE OPTION SCHEME (CONT'D)

- (iii) To be eligible to participate in the ESOS, an employee must be at least 18 years of age, have been employed in the Group for at least 12 months and have been confirmed in service.
- (iv) The ESOS shall be in force for a period of 5 years from the date of the confirmation letter submitted to Bursa Malaysia Securities Berhad. However, the Company may, if the Board of Directors deems fit upon recommendation of the ESOS committee, extend the scheme for a further 5 years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws subject to any amendment and/or change to the relevant statute and/or regulation currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities.
- (v) The price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the 5 market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher.
- (vi) The new shares to be issued pursuant to the ESOS shall, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares in the Company except that they will not be entitled to participate in any dividends, rights, allotments and/or any other distributions which may be declared, made or paid before the allotment of such shares.

As at 28 February 2010, the Company has not granted any option to the Group's eligible employees.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Beh Lai Lien
Lai Siaw Ling
Wong Pow Keong
Hui Khee Sum @ Hooi Kee Sum
Mohd Daniel Bin Mat Noh
Ooi Eng Guan

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.10 Each					
	Direct Interest			Deemed Interest		
	At 1.3.2009	Bought	Sold	At 28.2.2010	At 1.3.2009	At 28.2.2010
Beh Lai Lien	1,487,274	475,500	(184,400)	1,778,374	84,547,324	70,829,024
Lai Siaw Ling	12,718	0	0	12,718	84,412,124	70,693,824
Wong Pow Keong	405,000	563,388	0	968,388	84,412,124	70,693,824
Hui Khee Sum @ Hooi Kee Sum	100,000	0	0	100,000	0	0
Mohd Daniel Bin Mat Noh	115,000	0	0	115,000	0	0
Ooi Eng Guan	0	0	0	0	0	0

By virtue of their interests in shares in the Company, Beh Lai Lien, Lai Siaw Ling and Wong Pow Keong are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



AUDITORS

The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath), have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 17 JUNE 2010**

Beh Lai Lien

Wong Pow Keong

STATEMENT BY DIRECTORS

We, Beh Lai Lien and Wong Pow Keong, being two of the directors of AT Systematization Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 33 to 72 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 28 February 2010 and of their financial performance and cash flows for the financial year then ended.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 17 JUNE 2010**

Beh Lai Lien

Wong Pow Keong

STATUTORY DECLARATION

I, Lee Chee Tatt, being the officer primarily responsible for the financial management of AT Systematization Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 72 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee Chee Tatt at Georgetown in the
State of Penang on this 17 June 2010

Lee Chee Tatt

Before me

Karupayee Kamalam A/P R. Mottai
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AT SYSTEMATIZATION BERHAD

(Incorporated in Malaysia) Company No: 644800-X



Report on the Financial Statements

We have audited the financial statements of AT Systematization Berhad (“the Company”) and its subsidiaries (“the Group”) set out on pages 33 to 72, which comprise the balance sheets as at 28 February 2010, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia (“the Act”). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AT SYSTEMATIZATION BERHAD (CONT'D)

(Incorporated in Malaysia) Company No: 644800-X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Act so as to give a true and fair view of the financial position of the Group and the Company as at 28 February 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Act, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 7 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 1772/11/10 (J/PH)
Chartered Accountant

Penang

17 June 2010

CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2010

	Note	2010 RM	2009 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	25,601,464	26,749,148
Prepaid lease payments	5	4,066,977	5,209,014
Investment property	6	550,000	550,000
Development expenditure	8	137,921	218,021
		<u>30,356,362</u>	<u>32,726,183</u>
CURRENT ASSETS			
Assets held for sale	9	0	780,000
Inventories	10	3,463,870	3,694,045
Trade and other receivables	11	13,929,544	8,339,520
Prepayments		161,532	109,632
Current tax assets		6,420	31,143
Cash and cash equivalents	12	2,530,908	2,161,264
		<u>20,092,274</u>	<u>15,115,604</u>
CURRENT LIABILITIES			
Trade and other payables	13	7,882,822	5,178,511
Advance payments from customers		201,855	222,073
Loans and borrowings - secured	14	6,299,004	6,663,242
Current tax liabilities		61,322	320
		<u>14,445,003</u>	<u>12,064,146</u>
NET CURRENT ASSETS		5,647,271	3,051,458
NON-CURRENT LIABILITIES			
Loans and borrowings - secured	14	13,548,682	11,552,471
Deferred tax liabilities	15	428,000	350,000
		<u>13,976,682</u>	<u>11,902,471</u>
NET ASSETS		22,026,951	23,875,170
FINANCED BY:-			
Share capital	16	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Revaluation surplus		180,000	180,000
Currency translation reserve		193,081	229,891
Accumulated losses		(7,231,888)	(5,496,089)
SHAREHOLDERS' EQUITY		21,784,808	23,557,417
Minority interest		242,143	317,753
TOTAL EQUITY		22,026,951	23,875,170

The annexed notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

	Note	2010 RM	2009 RM
Revenue	17	27,509,116	31,877,353
Other income		1,499,565	1,277,026
Changes in inventories of work-in-progress and finished goods		154,036	(1,281,599)
Raw materials and consumables used		(13,460,115)	(11,821,068)
Amortisation and depreciation		(3,027,525)	(3,180,625)
Employee benefits expense	18	(9,072,882)	(12,245,999)
Impairment loss of property, plant and equipment		0	(321,618)
Finance costs	19	(1,053,383)	(1,369,356)
Other expenses		(4,176,618)	(4,523,729)
Loss before tax	20	<u>(1,627,806)</u>	<u>(1,589,615)</u>
Tax (expense)/income	21	(175,683)	16,391
Net loss for the year		<u>(1,803,489)</u>	<u>(1,573,224)</u>
Attributable to:-			
- Shareholders of the Company		(1,735,799)	(1,511,651)
- Minority interest		(67,690)	(61,573)
		<u>(1,803,489)</u>	<u>(1,573,224)</u>
Loss per share (sen)			
	22		
- Basic		<u>(0.97)</u>	<u>(0.84)</u>
- Diluted		<u>(0.97)</u>	<u>(0.84)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

	Non-distributable							Total equity RM
	Share capital RM	Share premium RM	Revaluation surplus RM	Currency translation reserve RM	Accumulated losses RM	Shareholders' equity RM	Minority interest RM	
Balance at 1 March 2008	17,895,077	10,748,538	0	(150,011)	(3,984,438)	24,509,166	370,458	24,879,624
Revaluation increase of buildings	0	0	180,000*	0	0	180,000	0	180,000
Currency translation differences	0	0	0	379,902	0	379,902	8,868	388,770
Net gain recognised directly in equity	0	0	180,000	379,902	0	559,902	8,868	568,770
Net loss for the year	0	0	0	0	(1,511,651)	(1,511,651)	(61,573)	(1,573,224)
Total recognised income/(expense)	0	0	180,000	379,902	(1,511,651)	(951,749)	(52,705)	(1,004,454)
Balance at 28 February 2009	17,895,077	10,748,538	180,000	229,891	(5,496,089)	23,557,417	317,753	23,875,170
Disposal of subsidiary	0	0	0	0	0	0	(9,412)	(9,412)
Currency translation differences	0	0	0	(36,810)	0	(36,810)	1,492	(35,318)
Net loss for the year	0	0	0	0	(1,735,799)	(1,735,799)	(67,690)	(1,803,489)
Total recognised expense	0	0	0	(36,810)	(1,735,799)	(1,772,609)	(66,198)	(1,838,807)
Balance at 28 February 2010	17,895,077	10,748,538	180,000	193,081	(7,231,888)	21,784,808	242,143	22,026,951
Gross revaluation increase			240,000					
Deferred tax effects thereof (Note 15)			(60,000)					
			<u>180,000*</u>					

The annexed notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,627,806)	(1,589,615)
Adjustments for:-			
Allowance for doubtful debts		409,066	63,100
Allowance for doubtful debts written back		0	(50,000)
Amortisation and depreciation		3,027,525	3,180,625
Bad debts written off		14,479	6,851
Gain on disposal of leasehold land		(945,510)	0
Gain on disposal of property, plant and equipment		(209,690)	(12,051)
Gain on disposal of subsidiary		(185)	0
Gain on fair value adjustment of investment property		0	(228,400)
Impairment loss of property, plant and equipment		0	321,618
Interest expense		1,053,383	1,369,356
Interest income		(14,083)	(4,562)
Inventories written down		297,766	495,146
Revaluation decrease of property, plant and equipment		0	355,270
Operating profit before working capital changes		<u>2,004,945</u>	<u>3,907,338</u>
(Increase)/Decrease in inventories		(67,591)	678,870
(Increase)/Decrease in receivables and prepayments		(6,065,469)	1,008,552
Increase/(Decrease) in payables and advance payments		<u>2,687,405</u>	<u>(1,932,798)</u>
Cash (absorbed by)/generated from operations		(1,440,710)	3,661,962
Interest paid		(1,053,383)	(1,369,356)
Tax paid		(46,059)	(50,828)
Tax refunded		<u>34,101</u>	<u>432,191</u>
Net cash (used in)/from operating activities		(2,506,051)	2,673,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiary, net of cash disposed of	23	(12,539)	0
Interest received		14,083	4,562
Proceeds from disposal of assets held for sale		780,000	0
Proceeds from disposal of leasehold land		1,981,997	0
Proceeds from disposal of property, plant and equipment		393,784	15,330
Purchase of property, plant and equipment	23	<u>(520,791)</u>	<u>(945,790)</u>
Net cash from/(used in) investing activities		2,636,534	(925,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in short-term bank borrowings (net)		1,217,392	(101,566)
Repayment of hire purchase obligations		(1,201,568)	(1,002,642)
Repayment of term loans		(1,172,900)	(1,437,669)
Term loans raised		<u>2,501,000</u>	<u>0</u>
Net cash from/(used in) financing activities		1,343,924	(2,541,877)
Currency translation differences		(33,812)	327,258
Net increase/(decrease) in cash and cash equivalents		<u>1,440,595</u>	<u>(466,548)</u>
Cash and cash equivalents brought forward		(1,802,626)	(1,336,078)
Cash and cash equivalents carried forward	12	<u>(362,031)</u>	<u>(1,802,626)</u>

BALANCE SHEET

AS AT 28 FEBRUARY 2010



	Note	2010 RM	2009 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	46,940	55,284
Investment in subsidiaries	7	15,906,411	15,036,412
		<u>15,953,351</u>	<u>15,091,696</u>
CURRENT ASSETS			
Receivables	11	12,113,387	12,957,575
Cash and cash equivalents	12	76,256	91,281
		<u>12,189,643</u>	<u>13,048,856</u>
CURRENT LIABILITIES			
Payables	13	94,646	181,672
		<u>94,646</u>	<u>181,672</u>
NET CURRENT ASSETS		12,094,997	12,867,184
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	7,000	7,000
NET ASSETS		<u>28,041,348</u>	<u>27,951,880</u>
FINANCED BY:-			
Share capital	16	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Accumulated losses		(602,267)	(691,735)
SHAREHOLDERS' EQUITY		<u>28,041,348</u>	<u>27,951,880</u>

The annexed notes form an integral part of these financial statements.

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

	Note	2010 RM	2009 RM
Revenue	17	1,272,000	1,680,000
Depreciation		(8,344)	(8,344)
Employee benefits expense	18	(1,022,195)	(1,430,044)
Other expenses		(151,993)	(152,158)
Profit before tax	20	<u>89,468</u>	<u>89,454</u>
Tax expense	21	0	(7,000)
Net profit for the year		<u>89,468</u>	<u>82,454</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

	Share capital RM	Non-distributable Share premium RM	Accumulated losses RM	Shareholders' equity RM
Balance at 1 March 2008	17,895,077	10,748,538	(774,189)	27,869,426
Net profit for the year	0	0	82,454	82,454
Balance at 28 February 2009	17,895,077	10,748,538	(691,735)	27,951,880
Net profit for the year	0	0	89,468	89,468
Balance at 28 February 2010	<u>17,895,077</u>	<u>10,748,538</u>	<u>(602,267)</u>	<u>28,041,348</u>

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		89,468	89,454
Adjustments for:-			
Depreciation		8,344	8,344
Loss on disposal of subsidiary		15,698	0
Operating profit before working capital changes		<u>113,510</u>	<u>97,798</u>
Increase in receivables		(55,812)	(95,858)
Decrease in payables		<u>(87,026)</u>	<u>(44,785)</u>
Net cash used in operating activities		(29,328)	(42,845)
CASH FLOWS FROM INVESTING ACTIVITY			
Proceeds from disposal of subsidiary		<u>14,303</u>	<u>0</u>
Net cash from investing activity		14,303	0
Net decrease in cash and cash equivalents		(15,025)	(42,845)
Cash and cash equivalents brought forward		91,281	134,126
Cash and cash equivalents carried forward	12	<u>76,256</u>	<u>91,281</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at Plot 82, Lintang Bayan Lepas, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

The consolidated financial statements set out on pages 33 to 36 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 37 to 40 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 June 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM).

The Group and the Company have not applied the following FRSs and IC Interpretations which have been issued as at the balance sheet date but are not yet effective:-

Standard/Interpretation	Effective for financial periods beginning on or after
Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127 <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation of Financial Statements (Cont'd)

Standard/Interpretation	Effective for financial periods beginning on or after
Amendments to FRS 2 <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1 January 2010
Amendments to FRS 138 <i>Intangible Assets</i>	1 July 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i> , FRS 7 <i>Financial Instruments: Disclosures</i> and IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2009)</i> "	1 January 2010
FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> (revised in 2010)	1 July 2010
FRS 3 <i>Business Combinations</i> (revised in 2010)	1 July 2010
FRS 4 <i>Insurance Contracts</i>	1 January 2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8 <i>Operating Segments</i>	1 July 2009
FRS 101 <i>Presentation of Financial Statements</i> (revised in 2009)	1 January 2010
FRS 123 <i>Borrowing Costs</i>	1 January 2010
FRS 127 <i>Consolidated and Separate Financial Statements</i> (revised in 2010)	1 July 2010
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11 <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 July 2010
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14 <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2010
IC Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	1 July 2010
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2010

The management foresees that the initial application of the above FRSs and IC Interpretations will not have any significant impacts on the financial statements except as follows:-

Amendments to FRS 117 Leases

Included in *Improvements to FRSs (2009)* are amendments to FRS 117 which clarify that the classification of leasehold land as a finance lease or an operating lease shall be based on the extent to which risks and rewards incidental to ownership lie. In accordance with the transitional provisions of the amendments, the Group will reassess the classification of leasehold land on the effective date and make the necessary reclassification, if any, retrospectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation of Financial Statements (Cont'd)

FRS 3 *Business Combinations* (revised in 2010)

FRS 3 (revised in 2010), which supersedes FRS 3 Business Combinations (issued in 2005), introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all acquisition-related costs, other than the costs to issue debt or equity securities, shall be expensed as incurred. In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company will apply this FRS prospectively to business combinations for which the acquisition date is on or after the effective date.

FRS 7 *Financial Instruments: Disclosures* and FRS 139 *Financial Instruments: Recognition and Measurement*

By virtue of the exemptions given by FRS 7 and FRS 139, the impacts on the financial statements upon initial application of these FRSs (and the amendments thereto) are not disclosed.

FRS 101 *Presentation of Financial Statements* (revised in 2009)

FRS 101 (revised in 2009), which supersedes FRS 101 Presentation of Financial Statements (revised in 2005), affects the presentation of owner changes in equity and comprehensive income. It requires an entity to present all owner changes in equity in a statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or two statements (a separate income statement and a statement of comprehensive income). FRS 101 (revised in 2009) also changes the titles of the financial statements to reflect their function more closely, for example, the titles "balance sheet" and "cash flow statement" are renamed as "statement of financial position" and "statement of cash flows" respectively.

FRS 123 *Borrowing Costs*

FRS 123, which supersedes FRS 123₂₀₀₄ Borrowing Costs, removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions of FRS 123, the Group and the Company will apply this FRS prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.

FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)

FRS 127 (revised in 2010), which supersedes FRS 127 Consolidated and Separate Financial Statements (revised in 2005), requires the total comprehensive income of a subsidiary to be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The revised standard also requires the changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for as equity transactions. In accordance with the transitional provisions of FRS 127 (revised in 2010), the aforementioned amendments will be applied prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the financial year using the purchase method. The results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in the income statement.

2.3 Financial Instruments

Recognised Financial Instruments

The accounting policies for recognised financial instruments are disclosed in the individual policies associated with each item.

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 26 to the financial statements.

Fair Values

The carrying amounts of financial assets and liabilities with short maturity periods are assumed to approximate their fair values.

The fair values of long-term loans and borrowings are estimated based on the current rates offered to the Group for loans and borrowings with the same remaining maturities.

The fair values of financial guarantees granted by the Company are not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, Plant and Equipment (Cont'd)

Revaluations of buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the balance sheet date.

A revaluation increase is credited to equity as revaluation surplus or recognised as income in the income statement to the extent that the increase reverses a revaluation decrease of the same asset previously recognised as an expense. A revaluation decrease is recognised as an expense in the income statement or debited against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus of that asset.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Plant, machinery, tools and equipment	10% - 25%
Furniture, fittings and office equipment	10% - 33%
Motor vehicles	15% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at each balance sheet date and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investment Property

An investment property, being a property held to earn rentals and/or for capital appreciation, is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in the income statement.

2.6 Investment in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investment in subsidiaries is stated at cost less impairment losses, if any.

2.7 Research and Development Expenditure

Research expenditure is recognised as an expense when incurred.

Development expenditure of a project is capitalised as an intangible asset to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense when incurred.

Capitalised development expenditure is amortised on a straight-line basis over a period of 5 years. The amortisation will commence upon the commercial production of the product to which the expenditure relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Non-current Assets Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification as held for sale, the carrying amount of the relevant asset is measured in accordance with applicable FRSs. Upon classification as held for sale, the asset, other than financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement* and investment property stated at fair value, is measured at the lower of its carrying amount and fair value less costs to sell. Any initial or subsequent write-down to, or any subsequent increase in, fair value less costs to sell is recognised in the income statement.

2.9 Impairment of Assets

The carrying amounts of assets, other than inventories, financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, investment property stated at fair value and non-current assets classified as held for sale, are reviewed at each balance sheet date to determine whether there is any indication that an item of asset may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised as an expense in the income statement or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in the income statement or, in respect of a revalued asset, treated as a revaluation increase.

2.10 Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.11 Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.12 Payables

Payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The upfront payments for a lease of land under an operating lease are classified as prepaid lease payments and amortised on a straight-line basis over the lease term.

2.14 Loans and Borrowings

All loans and borrowings are initially recognised at cost which is the fair value of the proceeds received. The loans and borrowings are subsequently stated at amortised cost using the effective interest method. The effective interest rate is the historical rate for a fixed rate instrument and the current market rate for a floating rate instrument.

All borrowing costs are recognised as an expense in the period in which they are incurred.

2.15 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the balance sheet date, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in the income statement. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. directly in equity or in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Foreign Currency Transactions and Translation (Cont'd)

In translating the financial position and results of an entity whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the average exchange rate for the financial year. All resulting exchange differences are recognised directly in equity.

2.16 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the balance sheet date are recognised as a liability whereas dividends proposed or declared after the balance sheet date are disclosed by way of note to the financial statements.

2.17 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the rendering of services is recognised when the services are performed.

Interest income is recognised using the effective interest method.

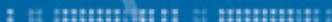
2.18 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided for under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base except for those temporary differences associated with goodwill, negative goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised as an expense in the period in which the associated services are rendered by the employee.

Equity Compensation Benefits

The Employee Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees and directors options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are recognised as an expense with a corresponding increase in equity over the vesting period. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (including those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

Critical Judgements

In the process of applying the accounting policies of the Group and the Company, the management makes the following judgements that can significantly affect the amounts recognised in the financial statements:-

(i) Allowance for Inventories

Reviews are made periodically by the management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

Critical Judgements (Cont'd)

(ii) Allowance for Doubtful Debts

The Group and the Company make allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance is applied to receivables where events or changes in circumstances indicate that the balances may not be recoverable. The management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of receivables.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

(i) Amortisation and Depreciation

Property, plant and equipment and development expenditure are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The management estimates the useful lives to be within 3 to 50 years. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation/amortisation charges may be revised.

(ii) Impairment of Assets

When the recoverable amount of an asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows.

(iii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax provisions in the period in which the outcome is determined.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Cost/Valuation						
Balance at 1 March 2008	15,385,863	13,405,000	5,601,741	3,563,117	321,618	38,277,339
Additions	0	1,576,734	120,432	624	0	1,697,790
Disposals/Write-off	0	(3,400)	(6,252)	(42,393)	0	(52,045)
Reclassification	0	0	106,915	(106,915)	0	0
Revaluation	(895,863)	0	0	0	0	(895,863)
Currency translation differences	0	36,000	57,206	23,966	0	117,172
Balance at 28 February 2009	14,490,000	15,014,334	5,880,042	3,438,399	321,618	39,144,393
Representing:-						
Cost	0	15,014,334	5,880,042	3,438,399	321,618	24,654,393
Valuation	14,490,000	0	0	0	0	14,490,000
	14,490,000	15,014,334	5,880,042	3,438,399	321,618	39,144,393
Balance at 1 March 2009	14,490,000	15,014,334	5,880,042	3,438,399	321,618	39,144,393
Additions	0	1,637,962	241,829	0	0	1,879,791
Disposals/Write-off	0	0	(67,197)	(1,058,675)	0	(1,125,872)
Currency translation differences	0	(1,572)	(14,822)	(10,703)	0	(27,097)
Balance at 28 February 2010	14,490,000	16,650,724	6,039,852	2,369,021	321,618	39,871,215
Representing:-						
Cost	0	16,650,724	6,039,852	2,369,021	321,618	25,381,215
Valuation	14,490,000	0	0	0	0	14,490,000
	14,490,000	16,650,724	6,039,852	2,369,021	321,618	39,871,215
Depreciation and Impairment Loss						
Balance at 1 March 2008						
- Accumulated depreciation	472,876	4,798,254	2,748,666	1,837,925	0	9,857,721
- Accumulated impairment loss	0	0	0	0	0	0
	472,876	4,798,254	2,748,666	1,837,925	0	9,857,721
Depreciation	307,717	1,450,977	741,767	489,144	0	2,989,605
Impairment loss	0	0	0	0	321,618	321,618
Disposals/Write-off	0	(3,046)	(3,328)	(42,392)	0	(48,766)
Revaluation	(780,593)	0	0	0	0	(780,593)
Currency translation differences	0	6,938	31,475	17,247	0	55,660
Balance at 28 February 2009						
- Accumulated depreciation	0	6,253,123	3,518,580	2,301,924	0	12,073,627
- Accumulated impairment loss	0	0	0	0	321,618	321,618
	0	6,253,123	3,518,580	2,301,924	321,618	12,395,245
Depreciation	303,503	1,480,066	669,728	388,578	0	2,841,875
Disposals/Write-off	0	0	(42,166)	(899,612)	0	(941,778)
Currency translation differences	0	(2,063)	(14,782)	(8,746)	0	(25,591)
Balance at 28 February 2010						
- Accumulated depreciation	303,503	7,731,126	4,131,360	1,782,144	0	13,948,133
- Accumulated impairment loss	0	0	0	0	321,618	321,618
	303,503	7,731,126	4,131,360	1,782,144	321,618	14,269,751
Carrying Amount						
Balance at 1 March 2008	14,912,987	8,606,746	2,853,075	1,725,192	321,618	28,419,618
Balance at 28 February 2009	14,490,000	8,761,211	2,361,462	1,136,475	0	26,749,148
Balance at 28 February 2010	14,186,497	8,919,598	1,908,492	586,877	0	25,601,464

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The buildings of the Group were revalued on 28 February 2009 based on the values given by independent professional valuers using the open market value basis. Had the buildings been stated in the financial statements at cost less accumulated depreciation, the carrying amount would be RM14,297,553 (2009 : RM14,605,270).

The carrying amounts of property, plant and equipment of the Group pledged as security for credit facilities granted to the Group are as follows:-

	2010 RM	2009 RM
Buildings	14,186,497	14,490,000
Plant, machinery, tools and equipment	<u>1,578,317</u>	<u>1,874,617</u>
	<u>15,764,814</u>	<u>16,364,617</u>

The carrying amounts of property, plant and equipment of the Group acquired under hire purchase agreements are as follows:-

	2010 RM	2009 RM
Plant, machinery, tools and equipment	4,218,281	3,132,542
Furniture, fittings and office equipment	164,938	187,688
Motor vehicles	<u>469,192</u>	<u>982,000</u>
	<u>4,852,411</u>	<u>4,302,230</u>

The Company

	Furniture, fittings and office equipment RM
<u>Cost</u>	
Balance at 1 March 2008	83,443
Movement during the year	<u>0</u>
Balance at 28 February 2009	83,443
Movement during the year	<u>0</u>
Balance at 28 February 2010	<u>83,443</u>
<u>Accumulated Depreciation</u>	
Balance at 1 March 2008	19,815
Depreciation	<u>8,344</u>
Balance at 28 February 2009	28,159
Depreciation	<u>8,344</u>
Balance at 28 February 2010	<u>36,503</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010



4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings and office equipment RM
<u>Carrying Amount</u>	
Balance at 1 March 2008	<u>63,628</u>
Balance at 28 February 2009	<u>55,284</u>
Balance at 28 February 2010	<u>46,940</u>

5. PREPAID LEASE PAYMENTS

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Total RM
<u>Cost</u>			
Balance at 1 March 2008	1,500,000	4,132,000	5,632,000
Movement during the year	0	0	0
Balance at 28 February 2009	<u>1,500,000</u>	<u>4,132,000</u>	<u>5,632,000</u>
Disposal	0	(1,160,000)	(1,160,000)
Balance at 28 February 2010	<u>1,500,000</u>	<u>2,972,000</u>	<u>4,472,000</u>
<u>Accumulated Amortisation</u>			
Balance at 1 March 2008	120,000	192,066	312,066
Amortisation	30,000	80,920	110,920
Balance at 28 February 2009	<u>150,000</u>	<u>272,986</u>	<u>422,986</u>
Amortisation	30,000	75,550	105,550
Disposal	0	(123,513)	(123,513)
Balance at 28 February 2010	<u>180,000</u>	<u>225,023</u>	<u>405,023</u>
<u>Carrying Amount</u>			
Balance at 1 March 2008	<u>1,380,000</u>	<u>3,939,934</u>	<u>5,319,934</u>
Balance at 28 February 2009	<u>1,350,000</u>	<u>3,859,014</u>	<u>5,209,014</u>
Balance at 28 February 2010	<u>1,320,000</u>	<u>2,746,977</u>	<u>4,066,977</u>

The leasehold land has been pledged as security for credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

6. INVESTMENT PROPERTY

The Group

<u>Fair Value</u>	Freehold land and buildings RM
Balance at 1 March 2008	1,101,600
Fair value adjustment	228,400
Transfer to assets held for sale	<u>(780,000)</u>
Balance at 28 February 2009	550,000
Movement during the year	<u>0</u>
Balance at 28 February 2010	<u>550,000</u>

The freehold land and buildings have been pledged as security for credit facilities granted to the Group.

The fair value of investment property as at 28 February 2009 was determined based on the value given by independent professional valuers using the open market value basis. After considering the existing conditions of the property as well as evaluating the relevant market information, the management is of the view that the fair value as at 28 February 2010 remains unchanged.

7. INVESTMENT IN SUBSIDIARIES

The Company

	2010 RM	2009 RM
Unquoted shares, at cost	<u>15,906,411</u>	<u>15,036,412</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Place of Incorporation	Ownership Interest Held		Principal Activity
		2010	2009	
AT Engineering Sdn. Bhd.	Malaysia	100%	100%	Design and manufacture of industrial automation systems and machinery
AT Engineering Solution Sdn. Bhd.	Malaysia	100%	100%	Design and manufacture of industrial automation systems and machinery
AT Precision Tooling Sdn. Bhd.	Malaysia	100%	100%	Fabrication of industrial and engineering parts

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010



7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Place of Incorporation	Ownership Interest Held		Principal Activity
		2010	2009	
Miako-Tech Engineering Sdn. Bhd.	Malaysia	100%	100%	Fabrication of industrial and engineering parts
AT Newlife Technologies Sdn. Bhd.	Malaysia	0%	60%	Dormant
<u>Subsidiaries of AT Engineering Sdn. Bhd.</u>				
AT Machinery (Suzhou) Co. Ltd.*	People's Republic of China	100%	100%	Design and manufacture of industrial automation systems and machinery
Automation Technology Systematization Industries Ltd.*	Thailand	90%	90%	Design and manufacture of industrial automation systems and machinery and fabrication of industrial and engineering parts
ATST Corporation Ltd.*	Thailand	100%	100%	Dormant
AT Automation Technology Solutions Phils., Inc.*	Philippines	100%	100%	Dormant

* *Not audited by Crowe Horwath*

In August 2009, the Company disposed of its 60% equity interest in AT Newlife Technologies Sdn. Bhd. for a cash consideration of RM14,303.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

8. DEVELOPMENT EXPENDITURE

The Group

	RM
<u>Cost</u>	
Balance at 1 March 2008	400,501
Movement during the year	0
Balance at 28 February 2009	<u>400,501</u>
Movement during the year	0
Balance at 28 February 2010	<u>400,501</u>
<u>Accumulated Amortisation</u>	
Balance at 1 March 2008	102,380
Amortisation	80,100
Balance at 28 February 2009	<u>182,480</u>
Amortisation	80,100
Balance at 28 February 2010	<u>262,580</u>
<u>Carrying Amount</u>	
Balance at 1 March 2008	<u>298,121</u>
Balance at 28 February 2009	<u>218,021</u>
Balance at 28 February 2010	<u>137,921</u>

9. ASSETS HELD FOR SALE

The Group

	2010 RM	2009 RM
Balance at 1 March	780,000	0
Freehold land and building transferred from investment property	0	780,000
Disposal	<u>(780,000)</u>	0
Balance at 28 February	<u>0</u>	<u>780,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

10. INVENTORIES

The Group

	2010 RM	2009 RM
Raw materials	1,772,796	2,078,600
Work-in-progress	1,347,731	1,367,961
Finished goods	343,343	247,484
	<u>3,463,870</u>	<u>3,694,045</u>

11. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	15,809,573	9,665,803	0	0
Allowance for doubtful debts	(2,818,747)	(2,424,181)	0	0
	<u>12,990,826</u>	<u>7,241,622</u>	<u>0</u>	<u>0</u>
Other receivables	938,718	1,097,898	0	0
Subsidiaries	0	0	12,113,387	12,957,575
	<u>13,929,544</u>	<u>8,339,520</u>	<u>12,113,387</u>	<u>12,957,575</u>

The currency exposure profile of trade and other receivables is as follows:-

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	5,793,842	4,201,339	12,113,387	12,957,575
Chinese Renminbi	1,677,314	904,051	0	0
Thai Baht	3,218,933	2,820,622	0	0
US Dollar	3,239,455	413,508	0	0
	<u>13,929,544</u>	<u>8,339,520</u>	<u>12,113,387</u>	<u>12,957,575</u>

The credit terms of trade receivables range from 30 to 90 days.

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Term deposit with a licensed bank	515,000	0	0	0
Cash and bank balances	2,015,908	2,161,264	76,256	91,281
	<u>2,530,908</u>	<u>2,161,264</u>	<u>76,256</u>	<u>91,281</u>

The term deposit has been pledged as security for credit facilities granted to the Group and hence, is not freely available for use. Its effective interest rate is 2.50% (2009 : NIL) per annum.

The currency exposure profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	2,279,936	1,383,434	76,256	91,281
Chinese Renminbi	72,060	437,649	0	0
Thai Baht	30,728	292,400	0	0
US Dollar	139,657	39,735	0	0
Others	8,527	8,046	0	0
	<u>2,530,908</u>	<u>2,161,264</u>	<u>76,256</u>	<u>91,281</u>

For the purpose of cash flow statements, cash and cash equivalents are presented net of bank overdrafts as follows :-

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and cash equivalents	2,530,908	2,161,264	76,256	91,281
Bank overdrafts	(2,892,939)	(3,963,890)	0	0
	<u>(362,031)</u>	<u>(1,802,626)</u>	<u>76,256</u>	<u>91,281</u>

13. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	6,552,704	3,448,990	0	0
Other payables	1,330,118	1,729,521	94,646	181,672
	<u>7,882,822</u>	<u>5,178,511</u>	<u>94,646</u>	<u>181,672</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

13. TRADE AND OTHER PAYABLES (CONT'D)

The currency exposure profile of trade and other payables is as follows:-

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	6,248,229	3,631,077	94,646	181,672
Chinese Renminbi	953,190	403,220	0	0
Euro	128,782	195,468	0	0
Japanese Yen	30,995	30,696	0	0
Singapore Dollar	10,983	85,487	0	0
Thai Baht	389,724	701,848	0	0
US Dollar	120,919	121,715	0	0
Others	0	9,000	0	0
	<u>7,882,822</u>	<u>5,178,511</u>	<u>94,646</u>	<u>181,672</u>

The credit terms of trade payables range from 30 to 90 days.

14. LOANS AND BORROWINGS - SECURED

The Group

	2010 RM	2009 RM
Hire purchase payables	3,401,612	3,244,180
Bank overdrafts	2,892,939	3,963,890
Banker acceptances	1,217,392	0
Term loans	<u>12,335,743</u>	<u>11,007,643</u>
	<u>19,847,686</u>	<u>18,215,713</u>
Disclosed as:-		
- Current liabilities	6,299,004	6,663,242
- Non-current liabilities	<u>13,548,682</u>	<u>11,552,471</u>
	<u>19,847,686</u>	<u>18,215,713</u>

Hire purchase payables are effectively secured against the assets acquired thereunder as disclosed in Note 4 to the financial statements. Other loans and borrowings are secured against certain property, plant and equipment (Note 4), leasehold land (Note 5), investment property (Note 6) and term deposit (Note 12) of the Group.

The effective interest rates of loans and borrowings range from 4.00% to 7.80% (2009 : 4.00% to 7.71%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

14. LOANS AND BORROWINGS - SECURED (CONT'D)

The currency exposure profile of loans and borrowings is as follows:-

	2010 RM	2009 RM
Ringgit Malaysia	18,640,938	16,972,627
Thai Baht	1,206,748	1,243,086
	<u>19,847,686</u>	<u>18,215,713</u>

Hire Purchase Payables

The repayment analysis of hire purchase payables is as follows:-

	2010 RM	2009 RM
Minimum hire purchase payments:-		
- not later than one year	1,376,300	1,247,635
- later than one year and not later than five years	2,398,998	2,287,628
	3,775,298	3,535,263
Future finance charges	(373,686)	(291,083)
Present value of hire purchase liabilities:-		
- not later than one year	1,186,363	1,099,000
- later than one year and not later than five years	2,215,249	2,145,180
	<u>3,401,612</u>	<u>3,244,180</u>

Term loans

Term loans are repayable over 5 to 15 years. The repayment analysis is as follows:-

	2010 RM	2009 RM
Not later than one year	1,002,310	1,600,352
Later than one year and not later than five years	2,784,824	5,724,714
Later than five years	8,548,609	3,682,577
	<u>12,335,743</u>	<u>11,007,643</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

15. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Balance at 1 March	350,000	355,000	7,000	0
Deferred tax expense/ (income) relating to origination and reversal of temporary differences				
- charged/(credited) to income statement	78,000	(11,000)	0	7,000
- charged to equity	0	60,000	0	0
Deferred tax expense relating to differential tax rates	0	5,000	0	0
Deferred tax liabilities over provided in prior year	0	(59,000)	0	0
Balance at 28 February	<u>428,000</u>	<u>350,000</u>	<u>7,000</u>	<u>7,000</u>

The deferred tax liabilities are in respect of the following items:-

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Taxable temporary differences of property, plant and equipment	458,000	408,000	7,000	7,000
Deductible temporary differences of:-				
- inventories	(18,000)	(46,000)	0	0
- receivables	(12,000)	(12,000)	0	0
	<u>428,000</u>	<u>350,000</u>	<u>7,000</u>	<u>7,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

15. DEFERRED TAX LIABILITIES (CONT'D)

As at 28 February 2010, save as disclosed above, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM1,009,000 (2009 : RM1,181,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences as follows:-

	The Group	
	2010 RM	2009 RM
Deductible temporary differences of:-		
- inventories	714,000	416,000
- receivables	2,784,000	2,653,000
Unused capital allowances	2,479,000	1,674,000
Unused tax losses	6,535,000	5,890,000
Taxable temporary differences of:-		
- property, plant and equipment	(2,953,000)	(3,258,000)
- prepaid lease payments	(803,000)	(1,110,000)
- investment property	(140,000)	(138,000)
- development expenditure	(138,000)	(218,000)
	<u>8,478,000</u>	<u>5,909,000</u>

16. SHARE CAPITAL

	2010 RM	2009 RM
Authorised:-		
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid-up:-		
178,950,765 ordinary shares of RM0.10 each	<u>17,895,077</u>	<u>17,895,077</u>

Employee Share Option Scheme

The Employee Share Option Scheme ("ESOS") of the Company was approved by the shareholders at an Extraordinary General Meeting held on 26 July 2006 and all relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

16. SHARE CAPITAL (CONT'D)

Employee Share Option Scheme (cont'd)

The principal features of the ESOS are as follows:-

- (i) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS.
- (ii) The ESOS will be available to directors and eligible employees of the Group and the Company.
- (iii) To be eligible to participate in the ESOS, an employee must be at least 18 years of age, have been employed in the Group for at least 12 months and have been confirmed in service.
- (iv) The ESOS shall be in force for a period of 5 years from the date of the confirmation letter submitted to Bursa Malaysia Securities Berhad. However, the Company may, if the Board of Directors deems fit upon recommendation of the ESOS committee, extend the scheme for a further 5 years. Such renewed scheme shall be implemented in accordance with the terms of the ESOS Bye-Laws subject to any amendment and/or change to the relevant statute and/or regulation currently in force and shall be valid and binding without further obtaining approvals of the relevant authorities.
- (v) The price at which the ESOS option holder is entitled to subscribe for each share in the Company shall be at a discount of not more than 10% from the weighted average market price of the ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the 5 market days preceding the date of offer or at the par value of the ordinary shares, whichever is the higher.
- (vi) The new shares to be issued pursuant to the ESOS shall, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares in the Company except that they will not be entitled to participate in any dividends, rights, allotments and/or any other distributions which may be declared, made or paid before the allotment of such shares.

As at 28 February 2010, the Company has not granted any option to the Group's eligible employees.

17. REVENUE

Revenue of the Group represents income from the sale of goods.

Revenue of the Company represents income from the rendering of services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

18. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	8,467,762	11,364,269	908,864	1,268,053
Defined contribution plans	605,120	881,730	113,331	161,991
	<u>9,072,882</u>	<u>12,245,999</u>	<u>1,022,195</u>	<u>1,430,044</u>

19. FINANCE COSTS

The Group

	2010 RM	2009 RM
Bank overdraft interest	243,046	299,130
Banker acceptance interest	12,548	66,049
Hire purchase interest	179,793	196,791
Term loan interest	617,996	807,386
	<u>1,053,383</u>	<u>1,369,356</u>

20. (LOSS)/PROFIT BEFORE TAX

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(Loss)/Profit before tax is arrived at after charging:-				
Allowance for doubtful debts	409,066	63,100	0	0
Amortisation/Depreciation of:-				
- development expenditure	80,100	80,100	0	0
- prepaid lease payments	105,550	110,920	0	0
- property, plant and equipment	2,841,875	2,989,605	8,344	8,344
Auditors' remuneration	55,838	54,014	12,000	12,000
Bad debts written off	14,479	6,851	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

20. (LOSS)/PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors' remuneration*				
- fees	141,600	180,000	141,600	180,000
- short-term employee benefits	697,404	995,880	697,404	995,880
- defined contribution plans	104,136	149,124	104,136	149,124
	943,140	1,325,004	943,140	1,325,004
Inventories written down	297,766	495,146	0	0
Loss on disposal of subsidiary	0	0	15,698	0
Realised loss on				
foreign exchange	20,670	67,494	0	0
Rental of equipment	2,037	20,007	0	0
Rental of premises	256,873	213,149	0	0
Revaluation decrease of				
property, plant and equipment	0	355,270	0	0
and crediting:-				
Allowance for doubtful				
debts written back	0	50,000	0	0
Gain on disposal of				
leasehold land	945,510	0	0	0
Gain on disposal of				
property, plant and equipment	209,690	12,051	0	0
Gain on disposal of subsidiary	185	0	0	0
Gain on fair value adjustment				
of investment property	0	228,400	0	0
Interest income	14,083	4,562	0	0
Realised gain on				
foreign exchange	41,024	575,981	0	0
Rental of investment property	21,300	37,200	0	0
Rental of others	260,190	256,440	0	0

* The directors' remuneration represents the entire key management personnel compensation of the Group and the Company as there were no other key management personnel apart from all the directors who have the authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

21. TAX EXPENSE/(INCOME)

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Tax based on results for the year:-				
Malaysian income tax	98,000	41,000	0	0
Deferred tax	<u>78,000</u>	<u>(6,000)</u>	<u>0</u>	<u>7,000</u>
	176,000	35,000	0	7,000
Tax (over)/under provided in prior year:-				
Malaysian income tax	(317)	7,609	0	0
Deferred tax	<u>0</u>	<u>(59,000)</u>	<u>0</u>	<u>0</u>
	<u>175,683</u>	<u>(16,391)</u>	<u>0</u>	<u>7,000</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2010 %	2009 %	2010 %	2009 %
Applicable tax rate	(25.00)	(25.00)	25.00	25.00
Non-deductible expenses	31.22	45.42	25.53	25.17
Non-taxable income	(16.50)	(3.28)	0.00	0.00
Pioneer income exempted	(13.97)	(5.97)	0.00	0.00
Increase/(Decrease) in unrecognised deferred tax assets	39.42	(6.56)	0.00	(9.46)
Utilisation of group relief	0.00	0.00	(50.53)	(32.88)
Reversal of deferred tax on property sold/held for sale	(4.36)	(2.70)	0.00	0.00
Effect of differential tax rates	<u>0.00</u>	<u>0.29</u>	<u>0.00</u>	<u>0.00</u>
Average effective tax rate	<u>10.81</u>	<u>2.20</u>	<u>0.00</u>	<u>7.83</u>

The tax saving of the Group for which credit has been taken in the current year as a result of the realisation of unused tax losses brought forward that had not been accounted for previously amounted to NIL (2009 : RM382,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

22. LOSS PER SHARE

The Group

The basic loss per share is calculated by dividing the Group's net loss for the financial year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:-

	2010	2009
Net loss attributable to shareholders of the Company (RM)	<u>(1,735,799)</u>	<u>(1,511,651)</u>
Weighted average number of shares in issue	<u>178,950,765</u>	<u>178,950,765</u>
Basic loss per share (sen)	<u>(0.97)</u>	<u>(0.84)</u>

The diluted loss per share equals the basic loss per share as the Company did not have any dilutive potential ordinary shares during the financial year.

23. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

The Group

Disposal of Subsidiary

The cash flow effects of the disposal of subsidiary as mentioned in Note 7 to the financial statements are as follows:-

	2010 RM	2009 RM
Cash and cash equivalents	26,842	0
Payables	<u>(3,312)</u>	<u>0</u>
Net identifiable assets disposed of	23,530	0
Minority interest	(9,412)	0
Gain on disposal	<u>185</u>	<u>0</u>
Cash consideration received	14,303	0
Cash and cash equivalents disposed of	<u>(26,842)</u>	<u>0</u>
Disposal of subsidiary, net of cash disposed of	<u>(12,539)</u>	<u>0</u>

Purchase of Property, Plant and Equipment

	2010 RM	2009 RM
Cost of property, plant and equipment purchased	1,879,791	1,697,790
Amount financed through hire purchase	<u>(1,359,000)</u>	<u>(752,000)</u>
Net cash disbursed	<u>520,791</u>	<u>945,790</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

24. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 20 to the financial statements, significant transactions with related parties during the financial year are as follows:-

The Company

	2010 RM	2009 RM
Management fee charged to subsidiaries	1,272,000	1,680,000
Subscription for shares in subsidiary	900,000	0

25. SEGMENT REPORTING

The Group

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments by location of assets, is based on the Group's management and internal reporting structure.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, interest-earning assets, interest-bearing liabilities, income tax assets and liabilities and their related income and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

25. SEGMENT REPORTING (CONT'D)

Geographical Segments by Location of Assets

The following information is presented in respect of the four geographical locations of the Group's operations, namely Malaysia, the People's Republic of China, Thailand and the Philippines.

2010

	Malaysia RM	China RM	Thailand RM	Philippines RM	Consolidation Adjustments RM	Consolidated RM
REVENUE						
External revenue	19,643,561	2,862,821	5,002,734	0	0	27,509,116
Inter-segment revenue	543,084	0	0	0	(543,084)	0
Total revenue	20,186,645	2,862,821	5,002,734	0	(543,084)	27,509,116
RESULTS						
Segment results	156,674	(161,422)	(583,758)	0	0	(588,506)
Interest income						14,083
Interest expense						(1,053,383)
Tax expense						(175,683)
Net loss for the year						(1,803,489)
ASSETS						
Segment assets	41,936,085	3,202,561	4,783,010	5,560	0	49,927,216
Interest-earning assets						515,000
Income tax assets						6,420
Total assets						50,448,636
LIABILITIES						
Segment liabilities	6,008,466	1,155,045	893,013	28,153	0	8,084,677
Interest-bearing liabilities						19,847,686
Income tax liabilities						489,322
Total liabilities						28,421,685
Capital expenditure	1,860,098	7,859	11,834	0	0	1,879,791
Amortisation and depreciation	2,755,755	33,256	238,514	0	0	3,027,525
Other non-cash expenses	712,032	0	9,279	0	0	721,311

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2010

25. SEGMENT REPORTING (CONT'D)

Geographical Segments by Location of Assets (Cont'd)

2009

	Malaysia RM	China RM	Thailand RM	Philippines RM	Consolidation Adjustments RM	Consolidated RM
REVENUE						
External revenue	25,628,255	2,338,974	3,910,124	0	0	31,877,353
Inter-segment revenue	659,851	0	0	0	(659,851)	0
Total revenue	26,288,106	2,338,974	3,910,124	0	(659,851)	31,877,353
RESULTS						
Segment results	1,562,235	(1,251,808)	(535,248)	0	0	(224,821)
Interest income						4,562
Interest expense						(1,369,356)
Tax income						16,391
Net loss for the year						(1,573,224)
ASSETS						
Segment assets	39,582,768	2,843,335	5,378,981	5,560	0	47,810,644
Income tax assets						31,143
Total assets						47,841,787
LIABILITIES						
Segment liabilities	3,989,520	625,293	782,282	3,489	0	5,400,584
Interest-bearing liabilities						18,215,713
Income tax liabilities						350,320
Total liabilities						23,966,617
Capital expenditure	1,561,319	12,729	123,742	0	0	1,697,790
Amortisation and depreciation	2,889,379	61,034	230,212	0	0	3,180,625
Other non-cash expenses	1,241,985	0	0	0	0	1,241,985

Geographical Segments by Location of Customers

The Group's external revenue by geographical locations of customers is as follows:-

	2010 RM	2009 RM
Malaysia	18,773,993	24,365,223
Other Asian countries	8,500,223	7,305,309
United Kingdom	34,497	0
United States of America	200,403	206,821
	27,509,116	31,877,353



25. SEGMENT REPORTING (CONT'D)

Business Segments

The Group is principally engaged in the design, manufacture and fabrication of industrial automation systems, machinery, industrial and engineering parts. Business segment information has not been prepared as the Group's revenue, assets and capital expenditure are mainly confined to one business segment.

26. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has issued corporate guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM32.8 million (2009 : RM38.2 million).

27. FINANCIAL INSTRUMENTS

Recognised Financial Instruments

The information about the extent and nature of significant recognised financial instruments is disclosed in the individual notes associated with each item.

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 26 to the financial statements.

Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 28 February 2010 and 2009 approximate their fair values.

The fair values of financial guarantees granted by the Company are not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

28. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. The overall financial risk management objective of the Group is to maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

The Board of Directors explicitly assumes the responsibilities of financial risk management which is carried out mainly through risk reviews and internal control systems.

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. Such exposure is partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and bank balances in foreign currency accounts to meet future obligations in foreign currencies.

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from borrowings.

The Group manages its exposure to interest rate risk by seeking to obtain the most favourable interest rates available without increasing its other financial risk exposures.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables. The maximum credit risk exposure is best represented by the total carrying amount of these financial assets in the balance sheet.

The Group manages its exposure to credit risk by assessing counter parties' financial standings on an ongoing basis, setting and monitoring counter parties' limits and credit terms. The Group does not have any significant concentration of credit risk relating to any individual customer or counter party.

Liquidity Risk

The Group practises prudent liquidity risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

LIST OF LANDED PROPERTIES

AS AT 11 JUNE 2010



Postal address / Location of the property	Description / Existing use	Approx Age of Building/ Tenure/ Date of Expiry of Lease	Land area / Built-up area (sq ft)	Net book value/ Carrying Value as at 28 February 2010 (RM)	Year of Valuation/ Acquisition
49, Hilir Sungai Keluang 2, Taman Perindustrian, Bayan Lepas Fasa 4, 11900 Pulau Pinang (PN2998, Lot 12340, Mukim 12, Daerah Barat Daya, Pulau Pinang)	Double-storey factory	12 years / 60 years lease expiring on 18 October 2055	56,057/ 17,600	3,270,000	28 February 2009 (Date of Valuation)
21, Pesara Mahsuri 5, Mukim 12, Sungai Nibong Kecil, 11900 Penang (Grant No. 37633, Lot 5859, Mukim 12, Daerah Barat Daya, Pulau Pinang)	Double-storey shoplot for residential	19 years / Freehold	1,324/ 2,500	550,000	28 February 2009 (Date of Valuation)
Plot 82, Lintang Bayan Lepas Fasa 4, Taman Perindustrian, Bayan Lepas Mk. 12, Pulau Pinang. (H.S. (D) No. 16415, P.T. No. 5057, Mukim 12, Daerah Barat Daya, Pulau Pinang)	The subject site is erected with: -a double-storey factory attached to; -a 3-storey office block and a double-storey production building	60 years lease expiring on 22 January 2062 9 years 4 years	109,426/ 89,845	15,036,177	28 February 2009 (Date of Valuation)

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 11 JUNE 2010

Authorised Capital	: RM25,000,000.00
Issued and Paid-up Capital	: RM17,895,076.50
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS AS AT 11 JUNE 2010

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	3	156	0.00
100 - 1,000	233	214,300	0.12
1,001 - 10,000	717	4,737,974	2.65
10,001 - 100,000	800	33,962,138	18.98
100,001 - 8,947,537	211	68,825,573	38.46
8,947,538 and above	2	71,210,624	39.79
Total	1,966	178,950,765	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 11 JUNE 2010

Name	Direct Shareholding	%	Indirect Shareholding	%
Pegasus Options Sdn. Bhd.	71,899,424	40.18	-	-
Beh Lai Lien	1,778,374	0.99	72,034,624*	40.26
Lai Siaw Ling	12,718	0.01	71,899,424#	40.18
Wong Pow Keong	968,388	0.54	71,899,424#	40.18
Tan Siew Hooi	135,200	0.08	73,677,798^	41.17
Yap Kim Lean	300,065	0.17	71,899,424#	40.18

* Deemed interested by virtue of his direct shareholdings in Pegasus Options Sdn. Bhd. and his wife, Mdm Tan Siew Hooi's direct shareholding in the Company.

Deemed interested by virtue of their direct shareholdings in Pegasus Options Sdn. Bhd.

^ Deemed interested by virtue of her indirect shareholdings in Pegasus Options Sdn. Bhd. and her husband, Mr. Beh Lai Lien's direct shareholding in the Company.

DIRECTORS' SHAREHOLDING AS AT 11 JUNE 2010

Name	Direct Shareholding	%	Indirect Shareholding	%
Beh Lai Lien	1,778,374	0.99	72,034,624*	40.26
Lai Siaw Ling	12,718	0.01	71,899,424#	40.18
Wong Pow Keong	968,388	0.54	71,899,424#	40.18
Hui Khee Sum @ Hooi Kee Sum	100,000	0.06	-	-
Mohd Daniel Bin Mat Noh	115,000	0.06	-	-
Ooi Eng Guan	-	-	-	-

* Deemed interested by virtue of his direct shareholdings in Pegasus Options Sdn. Bhd. and his wife, Mdm Tan Siew Hooi's direct shareholding in the Company.

Deemed interested by virtue of their direct shareholdings in Pegasus Options Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS (CONT'D)



THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS AS AT 11 JUNE 2010

No.	Name	Shareholdings	%
1	Pegasus Options Sdn. Bhd.	61,210,624	34.21
2	Ke-Zan Nominees (Tempatan) Sdn. Bhd. Pegasus Options Sdn. Bhd. (CP)	10,000,000	5.59
3	Foo Fook Min	2,650,200	1.48
4	Chwung Choon Gaik	2,170,400	1.21
5	Hue Pak Siang	2,020,000	1.30
6	Beh Lai Lien	1,776,400	0.99
7	Ng Wei Fong	1,658,900	0.93
8	Lim Chee Ting	1,500,000	0.84
9	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Tiong Kian	1,500,000	0.84
10	Wong Siong Yew	1,398,900	0.78
11	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Kim Hong (MG0000003)	1,385,400	0.77
12	Ke-Zan Nominees (Asing) Sdn. Bhd. Kim Eng Securities Pte. Ltd. for Cube Capital Group Limited	1,250,000	0.70
13	Yeoh Gim Hoay	1,000,000	0.56
14	Khor Boon Siang	1,000,000	0.56
15	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Eng Huat	893,000	0.50
16	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khor Bak Kar (STA2)	879,900	0.49
17	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Eng Hock Seng @ Ong Seng Hock (Dealer 023)	846,200	0.47
18	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tok Sung Lee (011)	771,800	0.43
19	Koh Suat Sin	730,000	0.41
20	Soh Swee Chuan	700,000	0.39
21	Ke-Zan Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Pegasus Options Sdn. Bhd.	688,800	0.39
22	Toh Kow Lee	684,500	0.38
23	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Shew Poh	602,300	0.34
24	Ch'ng Siew Suan	599,900	0.34
25	Tan Chan Chin	555,000	0.31
26	Teoh Hin Heng	550,000	0.31
27	SJ SEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Pua Ah Ei @ Pun Chai Len (SMT)	550,000	0.31
28	Ooi Cheng Bok	543,000	0.30
29	Gurmit Kaur A/P Gurbakhes Singh	500,000	0.28
30	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	487,000	0.27
	TOTAL	101,102,224	56.68

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Room One, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Monday, 26 July 2010 at 9.30 a.m. for the following purposes :

AGENDA

1. To receive the Audited Financial Statements for the year ended 28 February 2010 together with the Directors' and Auditors' Reports thereon. (Please refer to Note A)
2. To approve the payment of Directors' Fees of up to RM160,000 for the financial year ending 28 February 2011 and payment of such Fees to the Directors of the Company. Resolution 1
3. To re-elect the following Directors retiring under the provision of Article 132 of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
 - (i) Mr. Lai Siaw Ling Resolution 2
 - (ii) En. Mohd Daniel Bin Mat Noh Resolution 3
4. To re-appoint Messrs. Crowe Horwath (Formerly known as Horwath) as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. Resolution 4

SPECIAL BUSINESS

5. AS ORDINARY RESOLUTION

Authority To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

Resolution 5

"That pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorized to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the ACE Market of Bursa Securities."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)
CHAN WAI FEN (MAICSA 7028962)
Company Secretaries

Dated : 2 July 2010
Penang

NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

Proxy :

A member of the Company entitled to attend and vote at the meeting may appoint more than two (2) proxies to attend and vote on the same occasion. A proxy appointed may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer or attorney duly authorized in writing.

Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

The proxy form must be deposited at the registered office of the Company at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, at least forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

Explanatory Note On Special Business:

1. Resolution pursuant to the Authority to Issue Shares

The proposed Resolution No. 5 (Item 5), if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Fifth Annual General Meeting held on 30 July 2009 which will lapse at the conclusion of the Sixth Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS STANDING FOR A RE-ELECTION)

Pursuant to Rule 8.29(2) of the Bursa Securities Listing Requirements for ACE Market, no individual is seeking election as a Director at the Sixth Annual General Meeting of the Company.

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT (eDIVIDEND)

July 2, 2010

Dear Shareholders,

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT (“eDividend”)

Electronic Dividend Payment or eDividend refers to the payment of cash dividends by a listed issuer to its shareholders by directly crediting the shareholders’ cash dividend entitlements into their respective bank accounts. We wish to inform you that all listed issuers who make announcement **on or after 1 September 2010** for a books closing date for cash dividend entitlements are required to pay cash dividend via eDividend to shareholders who have provided their bank account information to Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”).

Benefits of eDividend

- i. Faster access to your cash dividends as your entitlement will be directly credited to your bank account;
- ii. Eliminates the inconvenience of having to travel to the bank to deposit the dividend cheques;
- iii. Eliminates incidents of misplaced, lost or expired cheques;
- iv. Eliminates incident of unauthorised deposit of dividend cheques;
- v. The convenience of one-off registration for entitlement to cash dividend from all listed issuers;
- vi. Option to consolidate dividends from all your Central Depository System (“CDS”) accounts into one bank account for better account management.

Registration for eDividend

You can register for eDividend through your authorised depository agents (“ADA”/ “brokers”) with effect from **19 April 2010**. You need not to pay any fees if you register within the grace period of one year, i.e. **19 April 2010 to 18 April 2011**. However, if you register after 18 April 2011, you will have to pay a fee.

You are required to provide your bank account number and other information to Bursa Depository through your stock broker, by completing the prescribed form. This form can be obtained from your stock broker’s office where your CDS account is maintained, or downloaded from Bursa Malaysia’s website at <http://www.bursamalaysia.com>

You need to submit the duly completed prescribed form together with the following documents for registration:-

- a) Individual depositor: Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stock broker’s verification;

Corporate depositor: Certified true copy of the Certificate of incorporation/Certificate of Registration; and

- b) Copy of your bank statement / bank savings book / details of your bank account obtained from your banks website that has been certified by your bank / copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stock broker’s verification. For corporate entities, a certified true copy is to be submitted.

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT (eDIVIDEND) (CONT'D)

If you are unable to be present at your stock broker's office to submit the prescribed form and supporting documents, you can still submit your forms through your remisier or other means to your stock broker's office but please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stock broker, a Dealer's Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

Notification of eDividend payment after registration

You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.

Additional information for shareholders

Your savings or current account must be an active bank account, maintained with a local bank under your name or in the case of a joint account, has your name as one of the account holders. The bank account must be maintained with a financial institution that offers MEPS Inter-Bank GIRO ("IBG") service. We provide herewith the current listing of IBG members extracted from the official website of MEPS, for up-to-date listing, you are advised to visit the website at http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer :

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bank Islam Malaysia Berhad
5. Bank Muamalat Malaysia Berhad
6. Bank Kerjasama Rakyat Malaysia Berhad
7. Bank of America
8. Bank Simpanan Nasional
9. CIMB Bank Berhad
10. Citibank Berhad
11. Deutsche Bank Berhad
12. EON Bank Berhad
13. Hong Leong Bank Berhad
14. HSBC Bank Malaysia Berhad
15. Malayan Banking Berhad
16. OCBC Bank (Malaysia) Berhad
17. RHB Bank Berhad
18. Public Bank Berhad
19. Standard Chartered Bank Malaysia Berhad
20. The Royal Bank of Scotland Berhad
21. United Overseas Bank (Malaysia) Bhd

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT (eDIVIDEND) (CONT'D)



We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any queries relating to eDividend, please do not hesitate to contact our Share Registrars:

AGRITEUM Share Registration Services Sdn. Bhd.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang

Tel : 604 228 2321
Fax : 604 227 2391
Email : Agriteum@streamyx.com

Thank you.

Yours faithfully

BEH LAI LIEN

Executive Chairman cum Managing Director

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PROXY FORM

I/We, _____
of _____
being a member/members of the abovenamed Company hereby appoint _____

of _____
or failing him/her, the Chairman of the meeting as my/our proxy, to vote in my/our name(s) and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Room One, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Monday, 26 July 2010 at 9.30 a.m. and at any adjournment thereof.

I/We hereby indicate with an "X" in the spaces provided below on how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote as he thinks fit)

RESOLUTION	FOR	AGAINST
1. To approve the payment of Directors' Fees of up to RM160,000 for the financial year ending 28 February 2011 and payment of such Fees to the Directors of the Company.		
To re-elect the following Directors retiring under the provision of Article 132 of the Articles of Association of the Company:-		
2. Mr. Lai Siaw Ling		
3. En. Mohd Daniel Bin Mat Noh		
4. To re-appoint Messrs. Crowe Horwath (Formerly known as Horwath) as Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
To pass the following resolution under Special Business :-		
5. Ordinary Resolution Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Signature of Member (s)

Number of Ordinary Shares held

Signed this day of....., 2010.

Notes:

A member of the Company entitled to attend and vote at the meeting may appoint more than two (2) proxies to attend and vote on the same occasion. A proxy appointed may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer or attorney duly authorized in writing.

Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

The proxy form must be deposited at the registered office of the Company at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, at least forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

Please fold across the line and close

stamp

The Company Secretaries
AT Systematization Berhad (644800-X)
57-1, Persiaran Bayan Indah,
Bayan Bay, Sungai Nibong,
11900 Penang.

Please fold across the line and close



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Bayan Lepas Industrial Park,
Phase IV, 11900 Bayan Lepas,
Penang, Malaysia.

<http://www.ate.com.my>