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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman (Appointed on April 26, 2012)

Ir. Auniah Binti Ali
Executive Director (Appointed on May 15, 2012)

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director (Appointed on June 28, 2012)

Cham Owi Tong
Executive Director (Appointed on March 1, 2013)

Chang Yun Lung
Independent Non-Executive Director (Appointed on March 1, 2013)

Mak Siew Wei
Executive Director (Appointed on March 1, 2013)

Lai Siaw Ling
Executive Director (Resigned on May 7, 2012)

Beh Lai Lien
Executive Director (Resigned on June 13, 2012)

Wong Pow Keong
Executive Director (Resigned on July 19, 2012)

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director (Resigned on April 23, 2012)

Ooi Eng Guan
Non-Independent Non-Executive Director (Resigned on May 16, 2012)

Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director (Resigned on June 13, 2012)

Wai Chin Yeap
Executive Director (Appointed on June 14, 2012 and Resigned on January 7, 2013)

Kenny Khoo Chuan Wah
Independent Non-Executive Director
(Appointed on July 12, 2012 and Resigned on March 1, 2013)

Ronnie Lee Rong Yao
Managing Director
(Appointed on March 29, 2012 and re-designated to Managing Director on May 8, 2012)
(Re-designated to Executive Director on April 30, 2013 and Resigned on July 1, 2013)

AUDIT COMMITTEE

Chairman
Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman (Appointed on April 26, 2012)

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director (Resigned on April 23, 2012)

Members
Dr. Ch'ng Huck Khoon
Independent Non-Executive Director (Appointed on June 28, 2012)

Chang Yun Lung
Independent Non-Executive Director (Appointed on March 1, 2013)

Kenny Khoo Chuan Wah
Independent Non-Executive Director
(Appointed on July 12, 2012 and Resigned on March 1, 2013)

Ooi Eng Guan
Non-Independent Non-Executive Director (Resigned on May 16, 2012)

Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director (Resigned on June 13, 2012)

REMUNERATION COMMITTEE

Chairman
Dr. Ch'ng Huck Khoon
Independent Non-Executive Director (Appointed on June 28, 2012)

Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director (Resigned on June 13, 2012)

Members
Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman (Appointed on April 26, 2012)

Chang Yun Lung
Independent Non-Executive Director (Appointed on March 1, 2013)

Kenny Khoo Chuan Wah
Independent Non-Executive Director
(Appointed on July 12, 2012 and Resigned on March 1, 2013)

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director (Resigned on April 23, 2012)

Lai Siaw Ling
Executive Director (Resigned on May 7, 2012)

NOMINATION COMMITTEE

Chairman
Dr. Ch'ng Huck Khoon
Independent Non-Executive Director (Appointed on June 28, 2012)

Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director (Resigned on June 13, 2012)

Members
Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman (Appointed on April 26, 2012)

Chang Yun Lung
Independent Non-Executive Director (Appointed on March 1, 2013)

Kenny Khoo Chuan Wah
Independent Non-Executive Director
(Appointed on July 12, 2012 and Resigned on March 1, 2013)

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director (Resigned on April 23, 2012)

Ooi Eng Guan
Non-Independent Non-Executive Director (Resigned on May 16, 2012)

RISK MANAGEMENT COMMITTEE

Chairman
Cham Owi Tong (Appointed on October 24, 2012)

Members
Ir. Auniah Binti Ali (Appointed on October 24, 2012)
Wong Pow Keong (Appointed on October 24, 2012)

Ronnie Lee Rong Yao
(Appointed on October 24, 2012 and Resigned on July 1, 2013)

Wai Chin Yeap
(Appointed on October 24, 2012 and Resigned on January 7, 2013)

INVESTMENT COMMITTEE

Chairman
Mr. Cham Owi Tong (Appointed on July 2, 2013)

Members
Ir. Auniah Binti Ali (Appointed on October 24, 2012)
Wong Pow Keong (Appointed on October 24, 2012)

Mr. Wai Chin Yeap
(Appointed on October 24, 2012 and Resigned on January 7, 2013)

Mr. Ronnie Lee Rong Yao
(Appointed on October 24, 2012 and Resigned on July 1, 2013)

COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)
Lee Mei Mei (MAICSA 7062284)

REGISTERED OFFICE

Suite S-21-H, 21st Floor, Menara Northam,
55, Jalan Sultan Ahmad Shah,
10050 Penang
Tel : 604 - 210 7118 Fax : 604 - 210 7111

HEAD OFFICE

Plot 82, Lintang Bayan Lepas,
Bayan Lepas Industrial Park, Phase IV, 11900 Penang.
Tel : 604 - 644 7771 Fax : 604 - 643 6207
Email : ats@ate.com.my Website: www.ate.com.my

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia.
Tel : 603 - 2264 3883 Fax : 603 - 2282 1886

AUDITORS

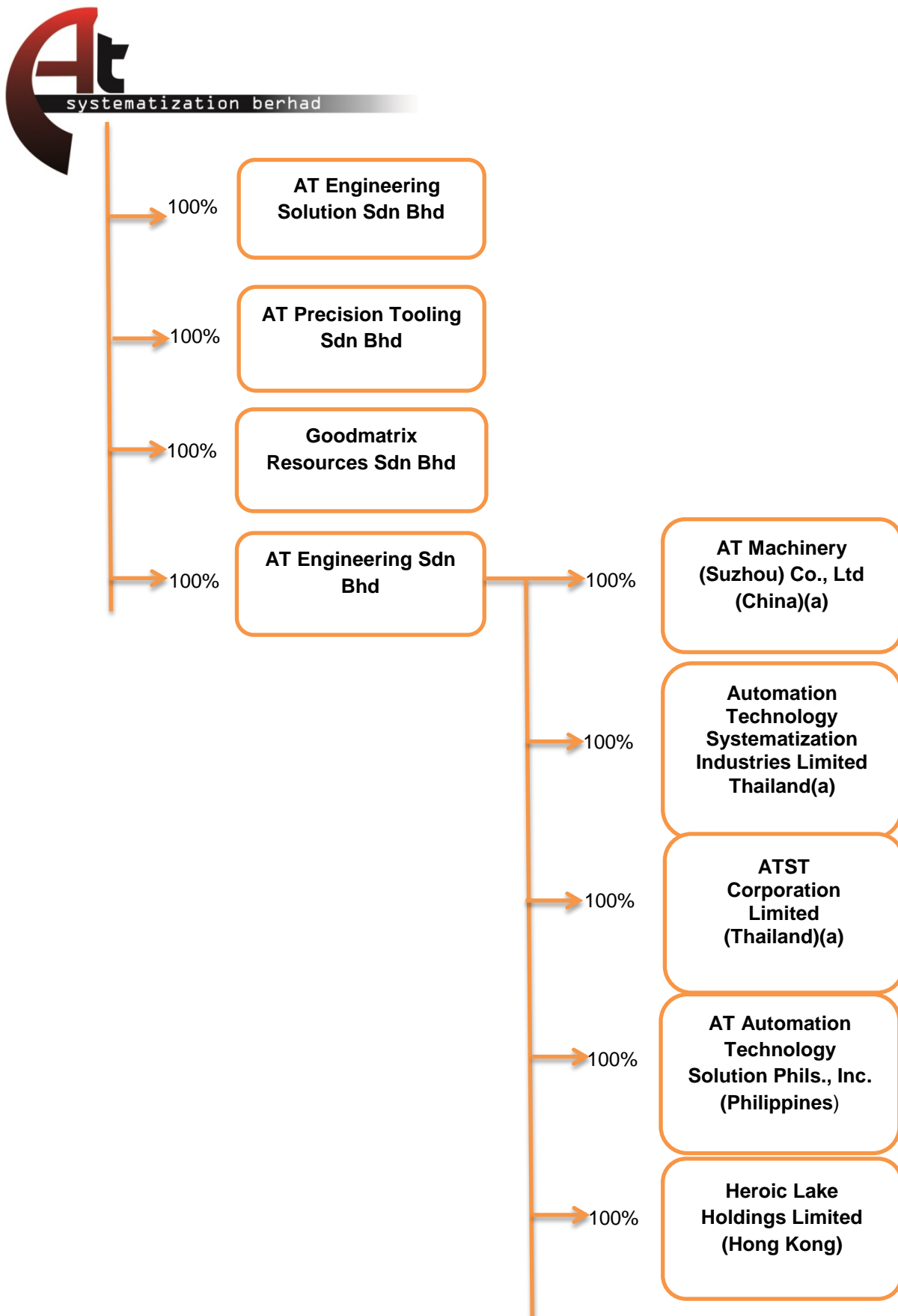
Crowe Horwath (AF1018)
Chartered Accountants
17.01 Menara Boustead Penang
39 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604 - 227 7061 Fax : 604 - 227 8011

PRINCIPAL BANKERS

Public Bank Berhad (6463-H)
CIMB Bank Berhad (13491-P)

STOCK EXCHANGE LISTING

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



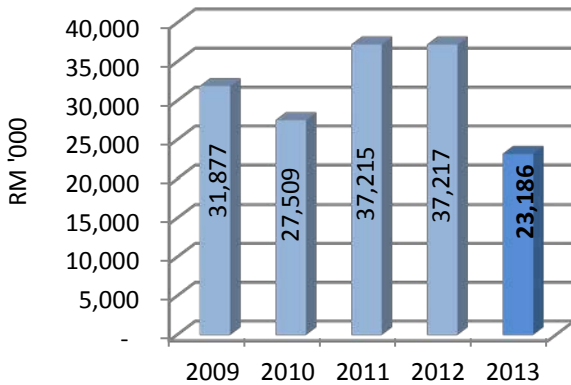
(a) In the process of dissolution

5 Years Financial Highlights

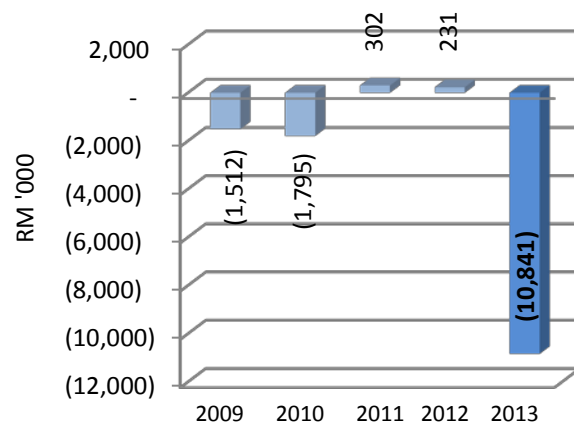
| | FYE 28 February 2009 | FYE 28 February 2010 | FYE 28 February 2011 | FYE 29 February 2012 | FYE 28 February 2013 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Turnover | 31,877 | 27,509 | 37,215 | 37,217 | 23,186 |
| (Loss) / Profit Before Tax | (1,590) | (1,687) | 1,254 | 967 | (4,194) |
| (Loss) / Profit After Tax and Non-Controlling Interest | (1,512) | (1,795) | 302 | 231 | (10,841) |
| Weighted Average Number of Shares in Issue ('000) | 178,951 | 178,951 | 178,951 | 178,951 | 185,613 |
| Basic (Loss)/ Earnings Per Share (sen) | (0.84) | (1.00) | 0.17 | 0.13 | (5.84) |

The basic(loss) / earnings per share is calculated by dividing the Group's (loss)/ profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

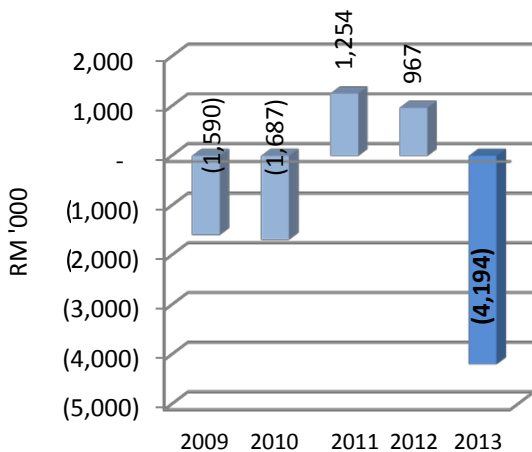
Turnover



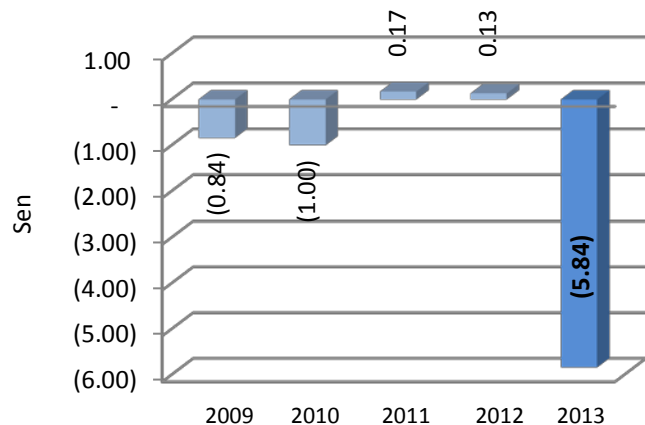
(Loss) / Profit After Tax and Non-Controlling Interest



(Loss) / Profit Before Tax



Basic (Loss)/ Earnings Per Share (sen)



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of AT Systematization Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended February 28, 2013.

OPERATION REVIEW

Our Group's core businesses are:-

- a) fabrication of industrial and engineering parts; and
- b) design and manufacture of industrial automation system and machinery; primarily for the electrical and electronic ("E&E") and semiconductors subsectors.

In the last financial year, our Group undertook a streamlining of our operations with the closure of non-performing overseas' units amidst slowdown in global demands, declining orders for personal computers from advanced economies and growing popularity for solid-state drive, affecting the manufacturing output of hard-disk drive components.

INDUSTRY TRENDS AND DEVELOPMENT

Notwithstanding the above, value-added manufacturing sector is expected to grow 4.9% (2012: 4.2%), with the E&E subsector expected to grow further, driven by higher demand for electronic equipment and parts as well as semiconductors, in line with the economic recovery in advanced economies. *(Source: Economic Report 2012/2013, Ministry of Finance)*

FINANCIAL RESULTS

The Group had recorded a revenue of RM23.2 million (2012: RM27.5 million) and a loss before tax of RM4.2 million (2012: RM1.5 million profit before tax) for the financial year ended February 28, 2013. The revenue decrease was due to lower orders received on automated equipments and fabrication on engineering parts. The profit performance for the financial year under review has declined mainly due to higher operating expenses incurred, impairment for receivables and closure of certain overseas' operation unit.

Subsequent to the loss incurred during the financial year under review, the Group's Statement of Financial Position as at February 28, 2013 showed a decrease in net assets from RM22.3 million to RM13.5 million and net operating cash outflows of RM3.8 million.

BUSINESS PROSPECTS

Whilst our Group remains cautiously optimistic on the outlook of the global economy, our Board intends to invest in product development to upscale the value chain whilst continuing to focus on our fabrication of industrial and engineering parts business. At the end of last year, our Board has identified the higher precision manufacturing for medical equipment as a new market for growth. Our Group has recently commenced operations for the fabricating of medical equipment with the delivery of our Group's first batch of four (4) units of Computer Numerical Control ("CNC") machines in March 2013 and intends to increase orders for medical equipment precision manufacturing. With our Group's fabrication parts segment currently running at almost full capacity, we intend to increase our production capacity by approximately 40% with the acquisition of ten (10) additional units of machineries. The expansion of our production capacity will allow us to cater for additional production orders as well as acquisition of orders from new clientele.

For our industrial automation system and machinery business, our Board believes that catering for the food waste conversion system has a potential avenue for growth. Our Group has commenced

development of a prototype system for the fabrication and manufacturing of food waste machines which can be customised to specific clients' requirements. Moving forward, our Board is confident that the movement into this new market will provide fresh, recurring revenue streams. Our Board is convinced that moving forward, with our expertise and the opening of our business to more markets, our industrial automation system and machinery business is poised for positive growth in the future.

In tandem with seeking opportunities for business growth, we continuously review our operations, adopting cost cutting measures by streamlining processes and investment in new machineries to increase productivity. Having the abovementioned plans in place, coupled with the E&E industry which have been identified as one of the national key economic areas under the Tenth Malaysia Plan and the Government's intensified efforts to move the E&E industry up the value chain, our Group is optimistic that it is able to weather challenges ahead.

In light of the above, we will continuously seek opportunity for business growth and will look for new market opportunities especially in China in order to strengthen the Group's financial performance. The Group is optimistic of achieving better results for 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 continuous growth of the Group.

Finally, I also wish to express my sincere thanks to all the shareholders, valued customers, suppliers, business associates, bankers, investors and relevant regulatory authorities for their continued support and confidence in the Group.

Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman

Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman

Dato' Sri Ahmad Said Bin Hamdan, aged 61, a Malaysian, is an Independent Non-Executive Chairman of AT Systematization Berhad ("ATS"). He was appointed to the Board on April 26, 2012. He is also a Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Besides, he is also an Executive Director of Sanichi Technology Berhad listed in ACE Market in Bursa Malaysia Securities Berhad (BMSB).

He graduated from Universiti Sains Malaysia (USM) with Ba. Hons. in Humanities in 1975. He also holds a Master of Science in Criminology from the Indiana State of University, United States of America.

He started as an Assistant Superintendent of Custom, Penang in early 1975. Later, he joined the Anti-Corruption Agency of Malaysia (ACA) as Superintendent of Investigation. He was with the government service for 34 years under various divisions such as investigation, intelligence, preventions and prosecution and also headed few states in Malaysia as Director of States including Sabah, Perak and Selangor.

He has been the Director of Investigations of ACA Malaysia since 1992 and was promoted to Deputy Director General in 1998. In 2008, he was promoted to Director General of ACA. He has been the first Chief Commissioner of Malaysian Anti-Corruption Commission (MACC) when it was formed in 2009.

He currently serves as the Board Deputy Advisor for Koperasi Tanjong Keramat, Kota Kinabalu, Sabah.

He does not have any family relationship with any director and/or major shareholder of ATS, or any conflict of interest in any business arrangement involving the Company.

Ir. Auniah Binti Ali
Executive Director

Ir. Auniah Binti Ali, aged 53, a Malaysian, is an Executive Director of ATS. She was appointed to the Board on May 15, 2012. She is also a member of the Risk Management Committee and Investment Committee.

She graduated from Heriot-Watt University in Scotland, United Kingdom with a Master of Science in Drives and Power Engineering. She is also a member of the Institution of Engineers in Malaysia as well as a Professional Engineer registered with the Board of Engineers, and a member of Malaysian Grid Code (Department of Electricity Supply) 1994.

She has many years of working experience with the Malaysian government and is familiar with the formulation of Malaysia's economic policies and economic planning process. She had worked as an Assistant Director in the Economic Planning Unit of the Prime Minister's Department where she had prepared the demand and supply scenarios for planning and forecasting Malaysia's electricity supply industry. During that time, she was also responsible for all power generations including Tenaga Nasional and independent power producers. She also assisted in the evaluation and assessment of major privatization proposals like the Bakun Project, Prai Power Station and the Jimah Power Coal station, among others.

As an Assistant Director in the Department of Electricity and Gas Supply in the Ministry of Energy, Telecommunications and Posts, she acted as the secretariat for the Grid Code Committee and was in charge of licensing and monitoring of the independent power producers. She had also worked with the Malaysian Public Works Department where she was involved in the design and monitoring of government hospital projects.

She had received awards for Sijil Perkhidmatan Cemerlang JKR, Sijil Perkhidmatan Cemerlang Kementarian Tenaga, Telekom & Pos, and Sijil Penghargaan Bagi Penyediaan Buku Panduan Teknik JKR.

She does not have any family relationship with any director and/or major shareholder of ATS, or any conflict of interest in any business arrangement involving the Company.

Dr. Ch'ng Huck Khoon*Independent Non-Executive Director*

Dr. Ch'ng Huck Khoon, aged 44, a Malaysian, is an Independent Non-Executive Director of ATS. He was appointed to the Board on June 28, 2012. He is also the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee. Besides, he is also an Independent Non-Executive Director of CNI Holdings Berhad and YGL Convergence Berhad and also the Chairman of the Audit Committee of CNI Holdings Berhad and YGL Convergence Berhad .

He pursued his PhD studies in Finance at the Universiti Sains Malaysia (USM) and also holds a Master of Business Administration (Finance) from University of Stirling, United Kingdom. He is an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA) and a Certified Financial Planner.

He was an Assistant Professor at Universiti Tunku Abdul Rahman (UTAR) and Wawasan Open University (WOU).

He does not have any family relationship with any director and/or major shareholder of ATS, or any conflict of interest in any business arrangement involving the Company.

Cham Owi Tong*Executive Director*

Cham Owi Tong, aged 46, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on March 1, 2013. He is also the Chairman of the Risk Management Committee and Investment Committee.

He joined AT Engineering Sdn. Bhd. since 2011 as a General Manager. He pursued his education in Southern California University for professional studies and graduated with Masters of Business Administration in 2000. He has more than 20 years of working experience in business development and top management post in Multinational Corporation (MNC) in Malaysia and China. Since 2005, he was working in China Mainland as a Business Development Director and Vice President of the MNC. He is also active in a few Non-Government Organizations for the past 20 over years and has good social network with the community.

He does not have any family relationship with any director and/or major shareholder of ATS, or any conflict of interest in any business arrangement involving the Company.

Chang Vun Lung*Independent Non-Executive Director*

Chang Vun Lung, aged 37, a Malaysian, is an Independent Non-Executive Director of ATS. He was appointed to the Board on March 1, 2013. He is also a member of the Audit, Nomination and Remuneration Committees. Besides, he is also an Independent Non-Executive Director in Focus Dynamics Technologies Berhad.

He had received his early education at Tuanku Abdul Rahman College. He became a member to the Association of Chartered Certified Accountants (ACCA, UK) since year 2004 and a member to the Malaysian Institute of Accountants (MIA) in year 2005. He has been admitted as fellowship member in ACCA in year 2009.

He had started his career by attaching himself to a Chartered Accountant firm, BDO Binder for approximately 4 years. He then spent another 4 years with Isyoda Corporation Bhd, a construction company listed on the Main Board of Bursa Malaysia. During his tenure with the company, he was appointed as a Group Accountant where he took charge of accounting and finance functions. Presently, he runs his own professional firm which specialises in consultancy and corporate services.

He does not have any family relationship with any director and/or major shareholder of ATS, or any conflict of interest in any business arrangement involving the Company.

Mak Siew Wei*Executive Director*

Mak Siew Wei, aged 38, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on March 1, 2013.

He pursued his education in the United States and graduated with a Bachelor Degree in Management Information System and subsequently worked for Marvic International (NY) Ltd in New York as a Business Development Manager for 3 years.

He currently sits on the Board of Advance information Marketing Berhad and Scan Associates Berhad as an Executive Director. He is also a Non – Executive Director of Nakamichi Berhad.

He does not have any family relationship with any director and/or major shareholder of ATS, or any conflict of interest in any business arrangement involving the Company.

Other Information on Directors

- (i) The securities in the Company held by Directors are as disclosed on page 83 of this Annual Report.
- (ii) None of the Directors have any directorship in other public companies in Malaysia, except for Dato' Sri Ahmad Said Bin Hamdan, Dr. Ch'ng Huck Khoon, Mr. Chang Vun Lung and Mr. Mak Siew Wei which have been disclosed in their respective profiles.
- (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 members of the Audit Committee comprise:-

Chairman

Dato' Sri Ahmad Said Bin Hamdan
Independent Non-Executive Chairman
(Appointed on April 26, 2012)

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director
(Resigned on April 23, 2012)

Members

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director
(Appointed on June 28, 2012)

Chang Vun Lung
Independent Non-Executive Director
(Appointed on March 1, 2013)

Ooi Eng Guan
Non-Independent Non-Executive Director
(Resigned on 16 May 2012)

Hui Khee Sum @ Hooi Kee Sum
Independent Non-Executive Director
(Resigned on June 13, 2012)

Kenny Khaw Chuan Wah
Independent Non-Executive Director
(Appointed on July 12, 2012 and Resigned on March 1, 2013)

TERMS OF REFERENCE

1. OBJECTIVES

The primary objective of the Audit Committee is to assist the Board in discharging its responsibilities relating to management of principal risks, internal control, accounting and financial reporting practices of the Group. In addition, the Audit Committee shall:-

- ⌘ Evaluate the internal and external audit processes;
- ⌘ Ensure transparency, accountability and integrity of the Group's activities;
- ⌘ Oversee compliance with the statutory and legal requirements and observance of a proper code of conduct; and
- ⌘ Maintain regular scheduled meetings and direct communication among the Board, internal and external auditors, and senior management.

2. MEMBERSHIP AND COMPOSITION

The Audit Committee shall be appointed by the Board from amongst the Directors and must be composed of no fewer than three (3) members, all of whom must 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 must be an Independent Non-Executive Director appointed by the Board. If membership for any reason falls below three (3) members, the Board shall within three (3) months of that event, 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 Audit Committee:-

- ⌘ Must be a member of the Malaysian Institute of Accountants (“MIA”); or
- ⌘ If he or she is not a member of MIA, he or she must have at least three (3) years' working experience and:-
 - he or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he or she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- ⌘ Fulfils such other requirements as prescribed or approved by the Exchange.

3. AUTHORITY

The Audit Committee is granted the authority by the Board 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 Audit Committee.

Furthermore, the Audit Committee shall have direct communication channels with the internal and external auditors as well as with senior management of the Group and shall be able to convene meetings with both the internal and external auditors whenever deemed necessary.

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. The Audit Committee is also empowered to obtain independent professional to advice if considered necessary to assist the Audit Committee in fulfilling its responsibilities.

The Audit Committee should meet with the external auditors without the presence of the Executive Directors and senior management at least twice a year.

4. DUTIES AND RESPONSIBILITIES

The Audit Committee acts as the Board's principal agent to ensure the independence of the Company's external auditor, the integrity of management and the adequacy of disclosures to shareholders.

The duties and responsibilities of the Audit Committee include the following:-

- ⌘ To review with the external auditors, the audit scope and plan, evaluation of the system of internal controls and audit report;
- ⌘ To review the internal audit programme, processes, the results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- ⌘ To 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;
- ⌘ To 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;
- ⌘ To recommend to the Board on the appointment and the annual re-appointment of external and internal auditors, their audit fees and any question of resignation or dismissal;
- ⌘ To review the assistance given by the employees of the Group to the external and internal 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;
- ⌘ To review the quarterly results and year end financial statements of the Group and the Company, before the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:-
 - changes in or implementation of major accounting policies changes;
 - significant and unusual events;
 - the going concern assumption; and

- compliance with accounting standards and other legal requirements;
- ⤴ To review any related party transaction and conflict of interests situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- ⤴ To review procedures in place to ensure that the Group is in compliance with the Listing Requirements of Bursa Securities for the ACE Market, applicable approved accounting standards issued by Malaysian Accounting Standards Board and Companies Act, 1965 in Malaysia and other relevant legislative and reporting requirements;
- ⤴ To review the external auditors' management letter and management's response;
- ⤴ To convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Executive Directors and senior management, wherever deemed necessary;
- ⤴ To consider the major finding of internal investigations and management's response; and
- ⤴ To perform any other relevant duties as may be agreed by the Audit Committee and the Board.

5. MEETINGS

The Audit Committee is to meet at least four (4) times a year and as many times as the Audit Committee deems necessary with written notice of the meeting together with the agenda to be given to the members of the Audit Committee and the external auditors, where applicable. Executive 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 if deems necessary by the Audit Committee.

The Audit Committee shall meet with the external auditors without the presence of any Executive Directors or senior management at least twice a year. 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 Audit Committee 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 Audit Committee. The minutes shall be circulated to members of the Audit Committee.

The Audit Committee Chairman shall be entitled, where deemed appropriate, to invite any person(s) to meetings of the Audit Committee. In addition, the Audit Committee may invite the external auditors and senior management of the Group to be in attendance during meetings to assist in its deliberations.

7. MEETINGS HELD DURING THE FINANCIAL YEAR

The information on the attendance of each member at the Audit Committee meetings held during the financial year ended February 28, 2013 was as follows:-

| Directors | No. of Meetings Held | Attendance |
|---|-----------------------------|-------------------|
| Dato' Sri Ahmad Said Bin Hamdan <i>(Appointed on April 26, 2012)</i> | 4 | 3 |
| Dr. Ch'ng Huck Khoon <i>(Appointed on June 28, 2012)</i> | 4 | 3 |
| Kenny Khoo Chuan Wah <i>(Appointed on July 12, 2012 and Resigned on March 1, 2013)</i> | 4 | 3 |
| Mohd Daniel Bin Mat Noh <i>(Resigned on April 23, 2012)</i> | 4 | 1 |
| Ooi Eng Guan <i>(Resigned on May 16, 2012)</i> | 4 | 1 |
| Hui Khee Sum @ Hooi Kee Sum <i>(Resigned on June 13, 2012)</i> | 4 | 1 |

8. SUMMARY OF ACTIVITIES

The main activities undertaken by the Audit Committee for the financial year ended February 28, 2013 were as follows:-

- ⤴ Reviewed the quarterly unaudited financial results before recommending for approval by the Board and subsequent announcement to Bursa Securities;
- ⤴ Reviewed with the external auditors the results of annual audit, audit report and management letter together with management's response to the findings of the external auditors;
- ⤴ Reviewed with the internal auditors the internal audit report, which highlighted the audit issues and findings, recommendations and management's response. Thereafter, discussed with the management on the likely corrective actions to be taken in order to improve the system of internal control based on improvement opportunities identified;
- ⤴ Reviewed with the internal and external auditors the scope of their work, audit plan and their evaluation on the system of internal controls of the Group;
- ⤴ Reviewed and approved the proposal for engagement of internal and external auditors for the Group;
- ⤴ Reviewed and approved the Committee's terms of reference (where applicable); and
- ⤴ Reviewed on the compliance of Listing Requirements of Bursa Securities for ACE Market, applicable approved accounting standards issued by Malaysian Accounting Standards Board, Companies Act 1965 and any other relevant and statutory requirements, in particular, on the quarterly and year end financial statements of the Group.

9. INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent firm of consultants - KPMG to carry out the internal audit of the Group in order to assist the Audit 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 Audit Committee.

During the financial year ended February 28, 2013, 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 a 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 February 28, 2013 amounted to RM9,348.

Further details on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control on pages 22 to 24 of this Annual Report.

10. STATEMENT ON SHARE ISSUANCE SCHEME

The Company has not granted any option under the Share Issuance Scheme to the Directors and eligible employees of the Group for the financial year ended February 28, 2013.

The Board of Directors (“the Board”) of AT Systematization Berhad (“ATS” or “the Company”) is 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 in order to protect and enhance shareholders’ value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012” or “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.

A. BOARD OF DIRECTORS

Duties and Responsibilities of the Board

The Board of Directors recognizes its responsibility for corporate governance of the Group.

The Board is collectively responsible in establishing the objectives, provides strategic direction to the Group in achieving its business plan and overseeing the conduct, performance and internal controls of the Group’s business activities as well as reviewing of financial and operating performance of the Group. These include determining some of the key strategies, financial and organizational matters such as approval of interim results and annual audited financial statements, significant acquisition and disposal, major capital expenditures and long term strategic planning for the Group.

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group’s stakeholders and is ultimately responsible for the performance of the Group. To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following specific areas:-

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- Developing and implementing an investor relation programme or shareholder communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board Committees are made up of the Audit Committee (“AC”), Nomination Committee (“NC”), Remuneration Committee (“RC”) and two (2) Sub-Committees, namely Risk Management Committee (“RMC”) and Investment Committee (“IC”) which are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (“TOR”).

The Chairman of the relevant Board Committees also reports to the Board on key issues deliberated by the Board Committees at their respective meetings. In general, the Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and the Company’s business and operations. Key matters reserved for the Board’s approval include the annual business plan and budget, capital management and investment policies, authority limits / levels, risk management policies, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

Board Balance

The Board currently consists of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. The number of Independent Directors is in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least one third (1/3) of the Directors must be independent.

The Executive Directors have overall responsibilities over the development of corporate objectives, operational, organizational, business units and implementation of Board decisions and policies. The Executive Directors are tasked to implement the Board's decisions and policies whilst overseeing operations and coordinating business decisions. The decision made by the Board is done collectively without undue influence or dominance by any individual Director or group of Directors, whether Executive or Non-Executive. The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The Independent Non-Executive Directors are independent of executive management. They provide balanced, effective and independent views, unbiased judgements, informed opinions to the deliberations and decision making of the Board thus fulfilling an essential and pivotal role in corporate accountability.

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.

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

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.

A brief profile of each Board member is presented in this Annual Report under Profile of Directors on pages 6 to 8.

Board Meeting

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

There were six (6) Board Meetings held during the financial year ended February 28, 2013. The record of attendance for each Director at those meetings is set out below:-

| Directors | Number of meetings attended |
|---|-----------------------------|
| Dato' Sri Ahmad Said Bin Hamdan (<i>Appointed on April 26, 2012</i>) | 5/5 |
| Ir. Auniah Binti Ali (<i>Appointed on May 15, 2012</i>) | 5/5 |
| Dr. Ch'ng Huck Khoon (<i>Appointed on June 28, 2012</i>) | 5/5 |
| Mohd Daniel Bin Mat Noh (<i>Resigned on April 23, 2012</i>) | 1/1 |
| Lai Siaw Ling (<i>Resigned on May 7, 2012</i>) | 1/1 |
| Ooi Eng Guan (<i>Resigned on May 16, 2012</i>) | 1/1 |
| Beh Lai Lien (<i>Resigned on June 13, 2012</i>) | 1/1 |
| Hui Khee Sum @ Hooi Kee Sum (<i>Resigned on June 13, 2012</i>) | 1/1 |
| Wong Pow Keong (<i>Resigned on July 19, 2012</i>) | 1/1 |
| Wai Chin Yean (<i>Appointed on June 14, 2012 and Resigned on January 7, 2013</i>) | 4/4 |
| Kenny Khoo Chuan Wah (<i>Appointed on July 12, 2012 and Resigned on March 1, 2013</i>) | 4/4 |
| Ronnie Lee Rong Yao (<i>Appointed on 29 March 2012 and Resigned on July 1, 2013</i>) | 5/6 |

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 any particular Director's interest, such Director is required to declare his interest and abstain from discussion and the decision-making process.

Supply of Information

The Directors have full and timely access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. Prior to each Board meeting, a full set of Board papers together with the agenda 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 have unrestricted access to the advice and services of the Company Secretaries and senior management staff of the Group. The Directors may obtain independent professional advice where necessary at the Company's expense in the furtherance of their duties. The Directors are also regularly updated by the Company Secretaries on new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities in order to assist them in the discharge of their duties as Directors of the Company and ensuring the effective functioning of the Board.

The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them. In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

Appointment to the Board

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

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the ACE Market Listing Requirements of Bursa Securities, a Director of the Company must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to the Company. The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of the Company and for notification to Companies Commission of Malaysia accordingly.

Re-election of the Directors

Pursuant to Section 129 of the Companies Act, 1965, Directors who are or over the age of seventy (70) shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

In accordance with the Company's Articles of Association ("the Articles"), 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 further provide that the Directors may from time to time appoint one or more of their body to the office of Managing Director and if the appointment is for 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.

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- NC conducts an annual assessment of Independent Directors in respect of inter alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the NC also reviews the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

Currently, all the Independent Directors of the Company served less than nine (9) years in the Company.

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The Directors receive regular briefings and update on the latest changes and developments on the Group business, operation, industries, financial position and changes to the relevant legislations, rules and regulations.

During the financial year ended February 28, 2013, the conferences, seminars, courses, briefing and/or trainings attended by the Board encompasses of the following topics:-

- Managing Corporate Risk & Achieving Internal Control through Statutory Compliance
- 8th Tricor Tax & Corporate Seminar
- The Competition Act 2010: Impact on Capital Market

Directors' Remuneration

The remuneration packages for all the Directors were determined and approved by the Board as a whole based on recommendations by the RC.

Both the Executive and Non-Executive Directors are paid directors' fees which are approved annually by the shareholders. The Executive Directors are also reimbursed reasonable expenses incurred by them wholly and exclusively incurred in order to carry out their duties on behalf of the Company.

The details of the Directors' remuneration for the financial year ended February 28, 2013 are set out below:-

| Category | Fees | Other emoluments | Total |
|-------------------------|---------|------------------|-----------|
| | RM | RM | RM |
| Executive Directors | 120,000 | 1,130,672 | 1,250,672 |
| Non-Executive Directors | 122,000 | 7,800 | 129,800 |

The number of Directors whose remuneration fall into the following bands are as follows:-

| Range of Remuneration (RM) | Number of Directors | |
|----------------------------|---------------------|---------------|
| | Executive | Non Executive |
| Less than 200,000 | 3 | 6 |
| 200,001 - 250,000 | 1 | - |
| 250,001 - 300,000 | 2 | - |

The above Directors' remuneration and range of remuneration comprised of the Directors who have resigned and appointed from their posts during the financial year ended February 28, 2013.

B. BOARD COMMITTEES

The Board has established three (3) Board Committees, namely the Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC") and two (2) Sub-Committees, namely Risk Management Committee ("RMC") and Investment Committee ("IC") as part of its efforts to ensure the effective discharge of its duties. All Committees operate within its respective clearly defined terms of reference approved by the Board and may update from time to time to keep abreast with the best practices in Corporate Governance. The Chairman of the respective Committees will report to the Board on the outcome of the Committee meetings.

Audit Committee

The terms of reference and the function of the AC are discussed on pages 9 to 12 of this Annual Report.

Nomination Committee

- Chairman : Dr. Ch'ng Huck Khoon (Independent Non-Executive Director)
(Appointed on June 28, 2012)
 Hui Khee Sum @ Hooi Kee Sum (Independent Non-Executive Director)
(Resigned on June 13, 2012)
- Members : Dato' Sri Ahmad Said Bin Hamdan (Independent Non-Executive Chairman)
(Appointed on April 26, 2012)
 : Chang Yun Lung (Independent Non-Executive Director)
(Appointed on March 1, 2013)
 : Kenny Khaw Chuan Wah (Independent Non-Executive Director)
(Appointed on July 12, 2012 and Resigned on March 1, 2013)
 : Mohd Daniel Bin Mat Noh (Independent Non-Executive Director)
(Resigned on April 23, 2012)
 : Ooi Eng Guan (Non-Independent Non-Executive Director)
(Resigned on May 16, 2012)

The NC was established on January 24, 2006 and comprises entirely of Independent Non-Executive Directors. The primary function of the NC is to consider and propose new nominees on the Board by considering the required mix of skills, experience, expertise, knowledge, qualification and other core competencies required for the position. The NC also assist the Board to review the adequacy of the committee structures, size and composition of the Board, assess and recommend to the Board the terms of reference of the Board and Committees of the Board in order to establish an effective Board and make recommendations with regard to any adjustments that are deemed necessary.

The NC meetings are held as and when required 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. The NC met once during the financial year ended February 28, 2013.

Remuneration Committee

- Chairman : Dr. Ch'ng Huck Khoon (Independent Non-Executive Director)
(Appointed on June 28, 2012)
Hui Khee Sum @ Hooi Kee Sum (Independent Non-Executive Director)
(Resigned on June 13, 2012)
- Members : Dato' Sri Ahmad Said Bin Hamdan (Independent Non-Executive Chairman)
(Appointed on April 26, 2012)
: Chang Yun Lung (Independent Non-Executive Director)
(Appointed on March 1, 2013)
: Kenny Khoo Chuan Wah (Independent Non-Executive Director)
(Appointed on July 12, 2012 and Resigned on March 1, 2013)
: Lai Siaw Ling (Executive Director)
(Resigned on May 7, 2012)
: Mohd Daniel Bin Mat Noh (Independent Non-Executive Director)
(Resigned on April 23, 2012)

The RC comprises entirely of Independent Non-Executive Directors. The primary function of the RC is to recommend 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 Directors concerned are to abstain from deliberations and voting on the decision in respect of their own remuneration package.

The RC meetings are held as and when required 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. The Remuneration Committee met once during the financial year ended February 28, 2013.

C. SHAREHOLDERS

Relationship with Shareholders and Investors

The Board recognizes the importance of effective communication with its shareholders, investors and all other stakeholders. As such, the Board has maintained a high level of disclosure by providing timely, clear and comprehensive information through readily accessible channels to explain the Group's strategy, performance and major developments. Besides, 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.

The Group's announcements may be obtained via the Bursa Securities' website at www.bursamalaysia.com. In addition, the Company has also established a website at www.ate.com.my to provide information on the Group's business activities.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum or 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

Financial Reporting

The Directors are responsible to ensure that the financial statements 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.

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 will review the Group's financial reporting process and the quality of the financial reporting to ensure accuracy, adequacy and compliance with the appropriate accounting standards and approved by the Board prior to the release to the Bursa Securities and Securities Commission.

Leverage on information technology for effective dissemination of information

The Company's website incorporates an Investor Relations ("IR") section which provides all relevant information on the Group and is accessible by the public. This section enhances the IR function by including all announcements made by the Company, annual reports, board charter and the corporate and governance structure of the Company. The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

The announcement of the quarterly financial results of the Company is also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

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 Risk Management and Internal Control on pages 22 to 24 in this Annual Report provides an overview of the state of internal control of the Group.

Relationship with the Auditors

The Board has established a transparent relationship with the external auditors through the AC, 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 AC undertakes an annual assessment of the suitability and independence of the external auditors. It is the policy of the AC to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. At least one of these meetings is held without the presence of the Executive Directors and the Management. The AC also meets with the external auditors additionally whenever it deems necessary. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

The role of the AC in relation to the external auditors is stated under the AC Report on pages 9 to 12 in this Annual Report.

Compliance Statement

Throughout the financial year ended February 28, 2013, the Group has substantially complied, with the Best Practices in Corporate Governance set out in Part 2 of the Code, except for the following:-

- ⤴ 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 July 26, 2013.

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.

The Directors have considered the following in preparing the financial statements for the financial year ended February 28, 2013 of the Group and of the Company:-

- ⋈ 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 July 26, 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Rule 15.26(b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements for the ACE Market requires the Board of Directors of listed issuers to include in its Annual Report a “statement about the state of internal control of the listed issuer as a group”. The Board of Directors of AT Systematization Berhad (the “Board”) is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control (the “Statement”), which outlines the nature and scope of the risk management and internal control systems of the Group during the financial year ended February 28, 2013.

Directors’ Responsibility

The Board recognizes that a sound framework of risk management and internal control is fundamental to good corporate governance. The Board affirms its overall responsibility for the Group’s system of risk management and internal control, which includes the establishment of appropriate risk management and control framework covering inter-alia, strategic, financial, operational and compliance aspect of the business as well as the review of its effectiveness, adequacy and integrity.

In view of the limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives of the Group. It can only provide reasonable assurance and not absolute assurance against material misstatement, fraud or losses.

Risk Management Framework

The Board recognizes its responsibilities with regard to identifying and managing key risks and will continually review the adequacy and effectiveness of the risk management processes within the Group.

The Board had engaged a firm of consultant, to carry out an Enterprise Risk Management (“ERM”) review for its Malaysian operating subsidiary in year 2005. No structured risk update was conducted for the Group during the year ended February 28, 2013.

During the year, Senior management, head of department and key personnel from the major business units in the Group are responsible for identifying, managing and reporting on significant risks on an ongoing basis. They have been entrusted to prepare action plans together with the implementation time-scaled to address the risk and control issues identified. The summary of key findings was discussed during the quarterly business review meetings and was brought to the attention of the Executive Directors. The key findings were also discussed at the Board meeting as and when necessary.

Nonetheless, an ERM update of the risk profile for AT Systematization Berhad (“ATS”) and AT Precision Tooling Sdn Bhd (“ATP”) has been scheduled to be conducted during the financial year ending February 28, 2014.

Internal Audit Function

The Group outsourced its internal audit function to an independent professional firm of consultant. During the financial year, internal audit activities have been carried out in accordance to the internal audit plan which has been approved by the Audit Committee. The cost incurred for the internal audit function for the year ended February 28, 2013 amounted to RM16,000.

For the financial year under review, the Internal Audit function performed a cycle of internal audit on bank and cash management for ATP. The findings from the audit were presented to the Audit Committee in April 2013.

Other than the internal audit focusing on bank and cash management in ATP, internal audit was not conducted on the other companies under the Group.

Key Elements of Internal Control System

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

- i) Quarterly financial results are reviewed by the Audit Committee before approval by the Board for public release, and areas of concerns as well as exceptions or deviation to the Group's policies and weaknesses on the internal control systems are highlighted and discussed during the meetings;
- ii) Annual Financial Statements and Annual Report of the Group are also reviewed by Audit Committee before approval by the Board for public release;
- iii) Business review meetings are conducted on quarterly basis to review the business development, operational and financial performance of the Group and its subsidiaries; and
- iv) Management accounts and reports are generated on a regular and consistent basis, covering financial and operational performance and key business indicators, for effective monitoring and decision making.

Commentary on the adequacy and effectiveness of the Group's risk management and internal control systems

On July 4, 2013 and pursuant to Rule 9.19(38) of the Bursa Securities Listing Requirements for the ACE Market, the Board of Directors of ATS has announced that the Company's External Auditors, Messrs. Crowe Horwath ("Crowe Horwath"), had qualified the Company's Audited Financial Statements and Report for the financial year ended February 28, 2013 ("Financial Statements").

The basis for the Qualified Opinion relates to a subsidiary, AT Machinery (Suzhou) Co., Ltd. ("the Component"), which ceased its operations during the financial year and is presently in the process of dissolution. The accounts of the Component that have been consolidated into the financial statements of the Group have not been audited. All the financial information attributed to the Component as disclosed in Note 19 to the financial statement was based on its latest unaudited accounts available but without any detailed listings/schedules and supporting source documents. The auditors responsibilities as part of their audit of the financial statements of the Group should have included obtaining sufficient appropriate audit evidence regarding such financial information of the Component and the consolidation process. As management has not made available to auditors the relevant accounting and other records of the Component, however, the auditors were unable to carry out any appropriate audit procedures to achieve these objectives. In addition, they were also unable to ascertain whether the dissolution of the Component would give rise to any additional liability or contingent liability of the Group. Consequently, they could not determine whether any adjustments to the Component's financial information as disclosed in Note 19 were necessary and their effects, if any, on the financial position of the Group as at February 28, 2013 and its financial performance and cash flows for the financial year then ended.

The Group currently does not have a Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO"). A new CFO is expected to come on board in September 2013 and the Board is deliberating on the appointment of the Group CEO.

Accordingly, the Board was unable to receive the required assurance on the adequacy and effectiveness of the Group's risk management and internal control system from the Group CEO and Group CFO.

Apart from the matters highlighted in the preceding paragraphs, the Board is of the view that the risk management and internal control system are adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. Notwithstanding this, the Board and senior management remains committed to strengthening the Group's control environment and processes. This is a continuous and on-going process and appropriate action plans will be put in place to enhance the Group's system of internal control as and when necessary.

This Statement was made in accordance with a resolution of the Board dated 26 July 2013.

OTHER DISCLOSURE REQUIREMENTS

Utilisation of Proceeds

The Board had on August 23, 2012 and March 15, 2013 announced that the Private Placements have been completed following the listing of and quotation for 12,800,000 and 5,095,000 Placement Shares respectively on the ACE Market of Bursa Malaysia Securities Berhad. The Private Placements had raised gross proceeds of up to RM560,450, which have been earmarked for the following:

| Description | Note | RM | Estimated timeframe for the utilisation of proceeds |
|--|------|---------------------------|---|
| Purchase of glove counting machines | (a) | 300,000 | Within three (3) months |
| Development and production of wheelchair washing machines | (b) | 240,450 | Within three (3) months |
| Estimated expenses in relation to the Proposed Private Placement | (c) | 20,000 | Within one (1) month |
| | | ----- 560,450 ----- | |

Notes:

(a) RM300,000 will be set aside for the purchase of eight (8) sets of glove counting machines to be imported from China. These glove counting machines will be marketed and traded with local glove manufacturers in Malaysia. AT will also provide maintenance services to the local buyers of the said machines.

(b) RM240,450 of the gross proceeds will be allocated to further the implementation of the development and production of wheel-chair washing machines. The Company has developed the prototype and holds the rights to manufacture the wheel-chair washing machines.

(c) The estimated expenses relating to the Proposed Private Placement of RM20,000 comprise the professional fees, fees payable to relevant authorities and other miscellaneous expenses. Any surplus or shortfall of the estimated expenses for the Proposed Private Placement will be adjusted accordingly to the working capital of the Group.

Share Buy-Backs

The Company did not enter into any share buy-backs transactions during the financial year ended February 28, 2013.

Options or Convertible Securities

There were no options or convertible securities issued by the Company during the financial year ended February 28, 2013.

Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year ended February 28, 2013.

Imposition of Sanctions and/or Penalties

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

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended February 28, 2013 by the external auditors, Messrs. Crowe Horwath and its affiliated companies amounted to RM9,348/-.

Variation in Results

There were no profit estimate, forecast or projection or unaudited results previously made or released by the Company which differs by 10% or more from the audited results for the financial year ended February 28, 2013.

Profit Guarantees

There were no profit guarantees given by the Company for the financial year ended February 28, 2013.

Material Contracts

There were no material contracts with the Company and its subsidiaries involving directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Corporate Social Responsibilities

The Company and its subsidiaries believed that pursuit of business objectives needs to be balanced with the employees, environment and social welfare responsibilities. As such, the Group uses its best endeavour on an ongoing basis to integrate corporate social responsibilities practices into its business operations.

Employees

There is no discrimination between genders or among races in the workplaces. The Company and its subsidiaries offer insurance benefits to its employees amongst others which include group hospitalization and surgical insurance and group personal accident insurance. Other staff appreciation and recognition efforts are inclusive of festive gathering, annual dinner and presentation of memorable gifts to the long-serving employees during the Group's Annual Dinner.

The Company recognises the importance of ensuring a conducive and safe environment for employees to work in. The Company is actively concerned about the safety, health and welfare of all employees of the Company. The Company also believes that human capital development is very important to ensure that the Company has the right and relevant skill sets and knowledge essential for business sustainability and growth. As such, the Company constantly upgrades the employees' skills, knowledge and experiences which would enhance the individual employee's competency and further improve their quality of work and workplace.

Environment

Environment care is one of the Company's key sustainability interests. We strive to achieve a sustainable balance between development and conservation. Our project developments and operations are carefully planned and designed to minimize and protect the impact on the ecosystem. Various eco-friendly initiatives have been implemented by our teams to address environmental issues and challenges. We advocate and encourage the 3R (Reduce, Reuse and Recycle) strategy among our employees.

Scrap metals and water mixed with coolants that have been used in the production process are disposed of through an authorized contractor.

COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community whenever the need arise. The Group is aware of the community welfare by supporting needy social objectives in the communities in which businesses operates and its employees live and work.

Recurrent Related Party Transactions of a Revenue Nature

The Company does not have any recurrent related party transactions of revenue or trading nature during the financial year ended February 28, 2013.

DIRECTORS'S REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 28 February 2013.

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 6 to the financial statements. Other than the cessation of business operations of certain subsidiaries as disclosed in Note 19 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 |
|-----------------------------|---------------------|---------------------|
| Loss for the financial year | <u>(10,841,063)</u> | <u>(10,199,871)</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

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM17,895,077 to RM19,175,077 by way of private placement of 12,800,000 new ordinary shares of RM0.10 each at an issue price of RM0.16 per share.

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

Options Granted Over Unissued Shares

No share options were granted by the Company during the financial year.

DIRECTORS'S REPORT

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.

DIRECTORS'S REPORT

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 OF THE COMPANY

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

| | |
|---------------------------------|--|
| Ronnie Lee Rong Yao | |
| Dato' Sri Ahmad Said Bin Hamdan | |
| Ir. Auniah Binti Ali | |
| Wai Chin Yean | (Appointed on 14.6.2012; resigned on 7.1.2013) |
| Dr. Ch'ng Huck Khoon | (Appointed on 28.6.2012) |
| Kenny Khoo Chuan Wah | (Appointed on 12.7.2012; resigned on 1.3.2013) |
| Cham Owi Tong | (Appointed on 1.3.2013) |
| Chang Yun Lung | (Appointed on 1.3.2013) |
| Mak Siew Wei | (Appointed on 1.3.2013) |
| Beh Lai Lien | (Resigned on 13.6.2012) |
| Wong Pow Keong | (Resigned on 19.7.2012) |
| Hui Khee Sum @ Hooi Kee Sum | (Resigned on 13.6.2012) |

Particulars of the interests in shares in the Company of a director 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 | | | Balance at 28.2.2013 |
|---------------------|--|---------|------|-------------------------|
| | Balance at 29.3.2012* | Bought | Sold | |
| Ronnie Lee Rong Yao | - | 500,000 | - | 500,000 |

* *Date of appointment*

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

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.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 25 JUNE 2013**

Cham Owi Tong

Ronnie Lee Rong Yao

STATEMENT OF DIRECTORS

We, Cham Owi Tong and Ronnie Lee Rong Yao, 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 36 to 81 give a true and fair view of the financial position of the Group and the Company as at 28 February 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 82 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 25 JUNE 2013**

Cham Owi Tong

Ronnie Lee Rong Yao

STATUTORY DECLARATION

I, Pang Choon Yin, 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 36 to 81 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 Pang
Choon Yin at Georgetown in the State of
Penang on this 25 June 2013

Pang Choon Yin

Before me

Nachatar Singh A/L Bhag Singh
Commissioner for Oaths

Report on the Financial Statements

We have audited the financial statements of AT Systematization Berhad, which comprise the statements of financial position as at 28 February 2013 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 83.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

We draw attention to Note 19 to the financial statements. A subsidiary, AT Machinery (Suzhou) Co., Ltd. ("the Component"), ceased its operations during the financial year and is presently in the process of dissolution. The accounts of the Component that have been consolidated into the financial statements of the Group have not been audited. All the financial information attributed to the Component as disclosed in Note 19 was based on its latest unaudited accounts available but without any detailed listings/schedules and supporting source documents. Our responsibilities as part of our audit of the financial statements of the Group should have included obtaining sufficient appropriate audit evidence regarding such financial information of the Component and the consolidation process. As management has not made available to us the relevant accounting and other records of the Component, however, we were unable to carry out any appropriate audit procedures to achieve these objectives. In addition, we were also unable to ascertain whether the dissolution of the Component would give rise to any additional liability or contingent liability of the Group. Consequently, we could not determine whether any adjustments to the Component's financial information as disclosed in Note 19 were necessary and their effects, if any, on the financial position of the Group as at 28 February 2013 and its financial performance and cash flows for the financial year then ended.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Group and the Company as at 28 February 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, 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 its 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 audited financial statements and the auditors' report of Heroic Lake Holding Limited of which we have not acted as auditors. We have not been able to consider the audited financial statements and the auditors' reports of AT Machinery (Suzhou) Co., Ltd., Automation Technology Systematization Industries Limited, ATST Corporation Limited and AT Automation Technology Solutions Phils., Inc. as the accounts of these subsidiaries have not been audited.
- (iii) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the audited financial statements of the subsidiaries of which we have acted as auditors and those of Heroic Lake Holding Limited did not contain any qualification that is material to the financial statements of the Group or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 56 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 March 2012 with a transition date of 1 March 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 29 February 2012 and 1 March 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 29 February 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 28 February 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 March 2012 do not contain misstatements that materially affect the financial position as at 28 February 2013 and financial performance and cash flows for the financial year then ended.
- (ii) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia 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

Date: 25 June 2013

Penang

Eddy Chan Wai Hun
Approval No: 2182/10/13 (J)
Chartered Accountant

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2013**

| | Note | 28.2.2013 RM | 29.2.2012 RM | 1.3.2011 RM |
|---------------------------------|------|--------------------------|--------------------------|--------------------------|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 4 | 24,883,387 | 27,664,848 | 28,652,476 |
| Development expenditure | 5 | 0 | 0 | 57,821 |
| | | <u>24,883,387</u> | <u>27,664,848</u> | <u>28,710,297</u> |
| CURRENT ASSETS | | | | |
| Assets held for sale | 7 | 0 | 0 | 550,000 |
| Inventories | 8 | 1,916,599 | 2,488,686 | 3,574,149 |
| Trade and other receivables | 9 | 5,034,855 | 11,127,749 | 9,425,109 |
| Prepayments | | 959,358 | 443,715 | 166,255 |
| Current tax assets | | 186,243 | 354 | 4,380 |
| Cash and cash equivalents | 10 | 1,653,384 | 3,300,948 | 3,320,470 |
| | | <u>9,750,439</u> | <u>17,361,452</u> | <u>17,040,363</u> |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 11 | 5,983,954 | 7,199,386 | 5,454,766 |
| Loans and borrowings - secured | 12 | 1,391,723 | 3,083,348 | 4,087,805 |
| Advance payments from customers | | 0 | 0 | 639,281 |
| Current tax liabilities | | 0 | 293,834 | 507,320 |
| | | <u>7,375,677</u> | <u>10,576,568</u> | <u>10,689,172</u> |
| NET CURRENT ASSETS | | 2,374,762 | 6,784,884 | 6,351,191 |
| NON-CURRENT LIABILITIES | | | | |
| Loans and borrowings - secured | 12 | 13,390,211 | 11,712,389 | 12,477,298 |
| Deferred tax liabilities | 13 | 401,000 | 426,000 | 475,000 |
| | | <u>13,791,211</u> | <u>12,138,389</u> | <u>12,952,298</u> |
| NET ASSETS | | <u>13,466,938</u> | <u>22,311,343</u> | <u>22,109,190</u> |
| EQUITY | | | | |
| Share capital | 14 | 19,175,077 | 17,895,077 | 17,895,077 |
| Share premium | | 11,516,538 | 10,748,538 | 10,748,538 |
| Revaluation surplus | | 217,500 | 217,500 | 217,500 |
| Currency translation reserve | | 11,583 | 62,925 | 91,390 |
| Accumulated losses | | (17,453,760) | (6,612,697) | (6,843,315) |
| TOTAL EQUITY | | <u>13,466,938</u> | <u>22,311,343</u> | <u>22,109,190</u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013**

| | Note | 2013 RM | 2012 RM |
|---|------|---------------------|------------------|
| Continuing Operations | | | |
| Revenue | 15 | 23,186,713 | 27,484,402 |
| Cost of sales | | (18,118,065) | (19,945,062) |
| Gross profit | | <u>5,068,648</u> | <u>7,539,340</u> |
| Other income | | 1,098,750 | 753,579 |
| Administrative and general expenses | | (9,445,351) | (5,759,312) |
| Selling and distribution expenses | | (53,182) | (67,016) |
| Finance costs | | (863,856) | (914,996) |
| (Loss)/Profit before tax | 16 | <u>(4,194,991)</u> | <u>1,551,595</u> |
| Tax expense | 18 | (251,351) | (736,309) |
| (Loss)/Profit for the financial year of continuing operations | | <u>(4,446,342)</u> | <u>815,286</u> |
| Discontinued Operations | | | |
| Loss for the financial year of discontinued operations | 19 | (6,394,721) | (584,668) |
| (Loss)/Profit for the financial year | | <u>(10,841,063)</u> | <u>230,618</u> |
| Other comprehensive income:- | | | |
| Currency translation differences for foreign operations | | (51,342) | (28,465) |
| Other comprehensive income for the financial year | | <u>(51,342)</u> | <u>(28,465)</u> |
| Total comprehensive income for the financial year | | <u>(10,892,405)</u> | <u>202,153</u> |
| (Loss)/Earnings per share of continuing operations:- | | | |
| - Basic (sen) | 20 | <u>(2.40)</u> | <u>0.46</u> |
| - Diluted (sen) | | <u>(2.40)</u> | <u>0.46</u> |
| Loss per share of discontinued operations:- | | | |
| - Basic (sen) | 20 | <u>(3.44)</u> | <u>(0.33)</u> |
| - Diluted (sen) | | <u>(3.44)</u> | <u>(0.33)</u> |
| (Loss)/Earnings per share:- | | | |
| - Basic (sen) | 20 | <u>(5.84)</u> | <u>0.13</u> |
| - Diluted (sen) | | <u>(5.84)</u> | <u>0.13</u> |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013**

| | Non-distributable | | | | Accumulated losses RM | Total equity RM |
|--|---------------------|---------------------|---------------------------|------------------------------------|--------------------------|--------------------|
| | Share capital RM | Share premium RM | Revaluation surplus RM | Currency translation reserve RM | | |
| Balance at 1 March 2011 | 17,895,077 | 10,748,538 | 217,500 | 91,390 | (6,843,315) | 22,109,190 |
| Profit for the financial year | 0 | 0 | 0 | 0 | 230,618 | 230,618 |
| Currency translation differences for foreign operations (representing other comprehensive income for the financial year) | 0 | 0 | 0 | (28,465) | 0 | (28,465) |
| Total comprehensive income for the financial year | 0 | 0 | 0 | (28,465) | 230,618 | 202,153 |
| Balance at 29 February 2012 | 17,895,077 | 10,748,538 | 217,500 | 62,925 | (6,612,697) | 22,311,343 |
| Loss for the financial year | 0 | 0 | 0 | 0 | (10,841,063) | (10,841,063) |
| Currency translation differences for foreign operations (representing other comprehensive income for the financial year) | 0 | 0 | 0 | (51,342) | 0 | (51,342) |
| Total comprehensive income for the financial year | 0 | 0 | 0 | (51,342) | (10,841,063) | (10,892,405) |
| Issue of shares (representing total transactions with owners) | 1,280,000 | 768,000 | 0 | 0 | 0 | 2,048,000 |
| Balance at 28 February 2013 | 19,175,077 | 11,516,538 | 217,500 | 11,583 | (17,453,760) | 13,466,938 |

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013**

| | Note | 2013 RM | 2012 RM |
|--|------|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss)/Profit before tax | | | |
| - Continuing operations | | (4,194,991) | 1,551,595 |
| - Discontinued operations | | (6,394,721) | (584,668) |
| | | <u>(10,589,712)</u> | <u>966,927</u> |
| Adjustments for:- | | | |
| Amortisation and depreciation | | 2,301,532 | 2,645,671 |
| Gain on disposal of assets held for sale | | 0 | (50,000) |
| Impairment loss on goodwill | | 21,918 | 0 |
| Impairment loss on loans and receivables | | 1,917,076 | 301,571 |
| Interest expense | | 898,712 | 959,189 |
| Interest income | | (67,924) | (2,423) |
| Inventories written down | | 2,503,193 | 352,103 |
| Loss/(Gain) on disposal of property, plant and equipment | | 38,082 | (72,474) |
| Property, plant and equipment written off | | 334,259 | 740 |
| Reversal of impairment loss on loans and receivables | | 0 | (30,000) |
| Operating (loss)/profit before working capital changes | | <u>(2,642,864)</u> | <u>5,071,304</u> |
| Changes in:- | | | |
| Inventories | | (1,931,106) | 733,360 |
| Receivables and prepayments | | 3,660,374 | (2,251,671) |
| Payables and advance payments | | (1,227,319) | 1,162,339 |
| Cash (absorbed by)/generated from operations | | <u>(2,140,915)</u> | <u>4,715,332</u> |
| Interest paid | | (898,712) | (959,189) |
| Tax paid | | (756,074) | (1,000,139) |
| Tax refunded | | 0 | 5,370 |
| Net cash (used in)/from operating activities | | <u>(3,795,701)</u> | <u>2,761,374</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of subsidiary, net of cash acquired | 21 | (10,230) | 0 |
| Interest received | | 67,924 | 2,423 |
| Proceeds from disposal of assets held for sale | | 0 | 600,000 |
| Proceeds from disposal of property, plant and equipment | | 1,013,093 | 85,700 |
| Purchase of property, plant and equipment | 21 | (384,095) | (662,547) |
| Net cash from investing activities | | <u>686,692</u> | <u>25,576</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 2,048,000 | 0 |
| Repayment of hire purchase obligations | | (1,201,704) | (1,388,670) |
| Repayment of term loans | | (811,584) | (919,695) |
| Term loan raised | | 2,980,800 | 0 |
| Net cash from/(used in) financing activities | | <u>3,015,512</u> | <u>(2,308,365)</u> |
| Currency translation differences | | (66,252) | (22,126) |
| Net (decrease)/increase in cash and cash equivalents | | (159,749) | 456,459 |
| Cash and cash equivalents brought forward | | 1,813,133 | 1,356,674 |
| Cash and cash equivalents carried forward | 10 | <u>1,653,384</u> | <u>1,813,133</u> |

**STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2013**

| | Note | 28.2.2013 RM | 29.2.2012 RM | 1.3.2011 RM |
|--------------------------------|------|------------------|-------------------|-------------------|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 4 | 21,907 | 30,251 | 38,596 |
| Investments in subsidiaries | 6 | <u>2,600,001</u> | <u>3,213,670</u> | <u>5,599,598</u> |
| | | 2,621,908 | 3,243,921 | 5,638,194 |
| CURRENT ASSETS | | | | |
| Other receivables | 9 | <u>7,973,942</u> | <u>12,665,991</u> | <u>10,229,804</u> |
| Prepayments | | 85,200 | 5,550 | 5,550 |
| Cash and cash equivalents | 10 | <u>14,490</u> | <u>34,508</u> | <u>32,707</u> |
| | | 8,073,632 | 12,706,049 | 10,268,061 |
| CURRENT LIABILITIES | | | | |
| Other payables | 11 | <u>4,923,363</u> | <u>2,018,922</u> | <u>592,606</u> |
| | | 4,923,363 | 2,018,922 | 592,606 |
| NET CURRENT ASSETS | | 3,150,269 | 10,687,127 | 9,675,455 |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities | 13 | 0 | 7,000 | 7,000 |
| NET ASSETS | | <u>5,772,177</u> | <u>13,924,048</u> | <u>15,306,649</u> |
| EQUITY | | | | |
| Share capital | 14 | 19,175,077 | 17,895,077 | 17,895,077 |
| Share premium | | 11,516,538 | 10,748,538 | 10,748,538 |
| Accumulated losses | | (24,919,438) | (14,719,567) | (13,336,966) |
| TOTAL EQUITY | | <u>5,772,177</u> | <u>13,924,048</u> | <u>15,306,649</u> |

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013**

| | Note | 2013 RM | 2012 RM |
|---|------|---------------------|--------------------|
| Revenue | 15 | 1,120,711 | 1,877,956 |
| Other income | | 1,676 | 828,282 |
| Administrative and general expenses | | (11,329,258) | (4,088,839) |
| Loss before tax | 16 | <u>(10,206,871)</u> | <u>(1,382,601)</u> |
| Tax income | 18 | 7,000 | 0 |
| Loss for the financial year | | <u>(10,199,871)</u> | <u>(1,382,601)</u> |
| Other comprehensive income for the financial year | | 0 | 0 |
| Total comprehensive income for the financial year | | <u>(10,199,871)</u> | <u>(1,382,601)</u> |

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013**

| | Share capital RM | Non- distributable Share premium RM | Accumulated losses RM | Total equity RM |
|--|------------------------|---|-----------------------------|-----------------------|
| Balance at 1 March 2011 | 17,895,077 | 10,748,538 | (13,336,966) | 15,306,649 |
| Loss (representing total comprehensive income) for the financial year | 0 | 0 | (1,382,601) | (1,382,601) |
| Balance at 29 February 2012 | <u>17,895,077</u> | <u>10,748,538</u> | <u>(14,719,567)</u> | <u>13,924,048</u> |
| Loss (representing total comprehensive income) for the financial year | 0 | 0 | (10,199,871) | (10,199,871) |
| Issue of shares (representing total transactions with owners) | 1,280,000 | 768,000 | 0 | 2,048,000 |
| Balance at 28 February 2013 | <u>19,175,077</u> | <u>11,516,538</u> | <u>(24,919,438)</u> | <u>5,772,177</u> |

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013

| | Note | 2013 RM | 2012 RM |
|--|------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (10,206,871) | (1,382,601) |
| Adjustments for:- | | | |
| Depreciation | | 8,344 | 8,345 |
| Gain on winding up of subsidiary | | 0 | (828,282) |
| Impairment loss on investments in subsidiaries | | 613,669 | 1,086,567 |
| Impairment loss on loans and receivables | | 6,858,751 | 1,346,446 |
| Operating (loss)/profit before working capital changes | | <u>(2,726,107)</u> | <u>230,475</u> |
| Changes in:- | | | |
| Receivables and prepayments | | (2,246,352) | (3,782,633) |
| Payables | | <u>2,904,441</u> | <u>1,426,316</u> |
| Net cash used in operating activities | | <u>(2,068,018)</u> | <u>(2,125,842)</u> |
| CASH FLOWS FROM INVESTING ACTIVITY | | | |
| Capital repayment from subsidiary | | <u>0</u> | <u>2,127,643</u> |
| Net cash from investing activity | | 0 | 2,127,643 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Proceeds from issue of shares | | <u>2,048,000</u> | <u>0</u> |
| Net cash from financing activity | | 2,048,000 | 0 |
| Net (decrease)/increase in cash and cash equivalents | | (20,018) | 1,801 |
| Cash and cash equivalents brought forward | | 34,508 | 32,707 |
| Cash and cash equivalents carried forward | 10 | <u>14,490</u> | <u>34,508</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2013

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 Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 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 6.

The consolidated financial statements set out on pages 10 to 13 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 14 to 17 together with the notes thereto cover the Company solely.

The presentation currency is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 June 2013.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

These are the first MFRS financial statements of the Group and the Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 March 2012 with a transition date of 1 March 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 29 February 2012 and 1 March 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 29 February 2012 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The transition from FRSs to MFRSs has not materially affected the reported financial position, financial performance and cash flows of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

| <u>MFRS (Issued as at the end of the reporting period)</u> | Effective for annual periods beginning on or after |
|--|---|
| MFRS 9 <i>Financial Instruments</i> | 1 January 2015 |
| MFRS 10 <i>Consolidated Financial Statements</i> | 1 January 2013 |
| MFRS 11 <i>Joint Arrangements</i> | 1 January 2013 |
| MFRS 12 <i>Disclosure of Interests in Other Entities</i> | 1 January 2013 |
| MFRS 13 <i>Fair Value Measurement</i> | 1 January 2013 |
| MFRS 119 <i>Employee Benefits</i> (amended in 2011) | 1 January 2013 |
| MFRS 127 <i>Separate Financial Statements</i> (amended in 2011) | 1 January 2013 |
| MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011) | 1 January 2013 |
| IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> | 1 January 2013 |
| Amendments to MFRS 1 <i>Government Loans</i> | 1 January 2013 |
| Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2013 |
| Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> | 1 January 2013 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127 <i>Investment Entities</i> | 1 January 2014 |
| Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i> | 1 July 2012 |
| Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2014 |
| Amendments to MFRSs contained in the document entitled " <i>Annual Improvements 2009 - 2011 Cycle</i> " | 1 January 2013 |

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

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 reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Basis of Consolidation (cont'd)**

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is 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. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Revaluations of land and 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 end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Property, Plant and Equipment (cont'd)

Leasehold land is depreciated on a straight-line basis over the lease terms of 56 to 60 years. Other 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 the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.4 Research and Development Expenditure

Research expenditure is recognised in profit or loss when incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is recognised in profit or loss when incurred.

Capitalised development expenditure, considered to have finite useful lives, is stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. Amortisation is calculated on a straight-line basis over the estimated commercial lives of the underlying products of 5 years. The amortisation period and method are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investments 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, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Non-current Assets (or Disposal Groups) Held for Sale

A non-current asset (or disposal group) 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 amounts of the asset (or all the assets and liabilities of the disposal group) are measured in accordance with applicable MFRSs. Upon classification as held for sale, the asset (or disposal group), other than financial assets within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, 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 profit or loss.

2.7 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and non-current assets (or disposal groups) classified as held for sale, 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. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, 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 profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

2.8 Inventories

Inventories of materials and goods 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial Assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus directly attributable transaction costs. After initial recognition, the financial asset is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

Determination of Fair Values

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process. After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 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 in profit or loss on a straight-line basis over the lease term.

2.12 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 end of the reporting period, 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 profit or loss. 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. in profit or loss or in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.12 Foreign Currency Transactions and Translation (cont'd)**

In translating the financial position and results of a foreign operation whose functional currency is not the 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 exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.13 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 end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.14 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.

2.15 Employee Benefits**Short-term Employee Benefits**

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.15 Employee Benefits (cont'd)****Defined Contribution Plans**

As required by law, employers in Malaysia make contributions to the statutory 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 in profit or loss in the period in which the associated services are rendered by the employee.

Termination Benefits

Termination benefits are recognised in profit or loss when the Group is demonstrably committed to either terminate the employee's employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

2.16 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 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 end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.17 Income Taxes (cont'd)**

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 end of the reporting period.

2.18 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. JUDGEMENTS AND ESTIMATION UNCERTAINTY**Judgements Made in Applying Accounting Policies**

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of non-financial assets

When the recoverable amount of a non-financial 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. The carrying amounts of major non-financial assets subject to impairment assessment are disclosed in Note 4.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)**Sources of Estimation Uncertainty (cont'd)**Allowance for inventories

Reviews are made periodically by 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 may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 8.

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. 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 impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 9.

4. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Long-term leasehold land RM | Short-term leasehold land RM | Buildings RM | Plant, machinery, tools and equipment RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|----------------------------------|--------------------------------------|---------------------------------------|-----------------|--|---|-------------------------|---------------------------------------|-------------|
| <u>Cost/Valuation</u> | | | | | | | | |
| Balance at 1 March 2011 | 2,800,000 | 1,400,000 | 14,490,000 | 17,781,552 | 6,246,477 | 2,326,930 | 378,618 | 45,423,577 |
| Additions | 0 | 0 | 0 | 1,224,508 | 215,493 | 237,526 | 0 | 1,677,527 |
| Disposals/Write-offs | 0 | 0 | 0 | 0 | (128,657) | (228,634) | (378,618) | (735,909) |
| Currency translation differences | 0 | 0 | 0 | (7,549) | (545) | 1,528 | 0 | (6,566) |
| Reclassifications | (2,800,000) | 2,800,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 29 February 2012 | 0 | 4,200,000 | 14,490,000 | 18,998,511 | 6,332,768 | 2,337,350 | 0 | 46,358,629 |
| Representing:- | | | | | | | | |
| - Cost | 0 | 0 | 0 | 18,998,511 | 6,332,768 | 2,337,350 | 0 | 27,668,629 |
| - Valuation | 0 | 4,200,000 | 14,490,000 | 0 | 0 | 0 | 0 | 18,690,000 |
| | 0 | 4,200,000 | 14,490,000 | 18,998,511 | 6,332,768 | 2,337,350 | 0 | 46,358,629 |
| Balance at 1 March 2012 | 0 | 4,200,000 | 14,490,000 | 18,998,511 | 6,332,768 | 2,337,350 | 0 | 46,358,629 |
| Additions | 0 | 0 | 0 | 295,399 | 163,583 | 431,613 | 0 | 890,595 |
| Disposals/Write-offs | 0 | 0 | 0 | (3,607,654) | (3,318,807) | (1,269,339) | 0 | (8,195,800) |
| Currency translation differences | 0 | 0 | 0 | 18,011 | 14,928 | 2,058 | 0 | 34,997 |
| Balance at 28 February 2013 | 0 | 4,200,000 | 14,490,000 | 15,704,267 | 3,192,472 | 1,501,682 | 0 | 39,088,421 |
| Representing:- | | | | | | | | |
| - Cost | 0 | 0 | 0 | 15,704,267 | 3,192,472 | 1,501,682 | 0 | 20,398,421 |
| - Valuation | 0 | 4,200,000 | 14,490,000 | 0 | 0 | 0 | 0 | 18,690,000 |
| | 0 | 4,200,000 | 14,490,000 | 15,704,267 | 3,192,472 | 1,501,682 | 0 | 39,088,421 |

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group

| | Long-term leasehold land RM | Short-term leasehold land RM | Buildings RM | Plant, machinery, tools and equipment RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|---|--------------------------------------|---------------------------------------|-----------------|--|---|-------------------------|---------------------------------------|-------------|
| <u>Depreciation and Impairment Loss</u> | | | | | | | | |
| Balance at 1 March 2011 | | | | | | | | |
| Accumulated depreciation | 109,892 | 62,222 | 628,815 | 9,248,604 | 4,686,325 | 1,713,625 | 0 | 16,449,483 |
| Accumulated impairment loss | 0 | 0 | 0 | 0 | 0 | 0 | 321,618 | 321,618 |
| | 109,892 | 62,222 | 628,815 | 9,248,604 | 4,686,325 | 1,713,625 | 321,618 | 16,771,101 |
| Depreciation | 48,599 | 31,111 | 329,720 | 1,485,131 | 397,616 | 295,673 | 0 | 2,587,850 |
| Disposals/Write-offs | 0 | 0 | 0 | 0 | (127,485) | (215,840) | (321,618) | (664,943) |
| Currency translation differences | 0 | 0 | 0 | (2,499) | 897 | 1,375 | 0 | (227) |
| Reclassifications | (158,491) | 158,491 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 29 February 2012 | | | | | | | | |
| Accumulated depreciation | 0 | 251,824 | 958,535 | 10,731,236 | 4,957,353 | 1,794,833 | 0 | 18,693,781 |
| Accumulated impairment loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 251,824 | 958,535 | 10,731,236 | 4,957,353 | 1,794,833 | 0 | 18,693,781 |
| Depreciation | 0 | 84,294 | 319,511 | 1,443,743 | 260,137 | 193,847 | 0 | 2,301,532 |
| Disposals/Write-offs | 0 | 0 | 0 | (2,660,582) | (2,947,599) | (1,202,185) | 0 | (6,810,366) |
| Currency translation differences | 0 | 0 | 0 | 7,944 | 10,291 | 1,852 | 0 | 20,087 |
| Balance at 28 February 2013 | | | | | | | | |
| Accumulated depreciation | 0 | 336,118 | 1,278,046 | 9,522,341 | 2,280,182 | 788,347 | 0 | 14,205,034 |
| Accumulated impairment loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 336,118 | 1,278,046 | 9,522,341 | 2,280,182 | 788,347 | 0 | 14,205,034 |
| <u>Carrying Amount</u> | | | | | | | | |
| Balance at 1 March 2011 | 2,690,108 | 1,337,778 | 13,861,185 | 8,532,948 | 1,560,152 | 613,305 | 57,000 | 28,652,476 |
| Balance at 29 February 2012 | 0 | 3,948,176 | 13,531,465 | 8,267,275 | 1,375,415 | 542,517 | 0 | 27,664,848 |
| Balance at 28 February 2013 | 0 | 3,863,882 | 13,211,954 | 6,181,926 | 912,290 | 713,335 | 0 | 24,883,387 |

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The short-term leasehold land and buildings were revalued on 28 February 2009 based on the market values given by independent professional valuers using the comparison method. Had the short-term leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been recognised in the financial statements are as follows:-

| | The Group | |
|---------------------------|-------------------|-------------------|
| | 2013 RM | 2012 RM |
| Short-term leasehold land | 3,885,985 | 3,950,561 |
| Buildings | 13,380,481 | 13,686,678 |
| | <u>17,266,466</u> | <u>17,637,239</u> |

The short-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

| | The Group | |
|--|------------------|------------------|
| | 2013 RM | 2012 RM |
| Plant, machinery, tools and equipment | 3,074,916 | 4,445,486 |
| Furniture, fittings and office equipment | 0 | 119,437 |
| Motor vehicles | 708,430 | 407,831 |
| | <u>3,783,346</u> | <u>4,972,754</u> |

The Company

| | Furniture, fittings and office equipment RM |
|-----------------------------|--|
| <u>Cost</u> | |
| Balance at 1 March 2011 | 83,443 |
| Movement during the year | 0 |
| Balance at 29 February 2012 | <u>83,443</u> |
| Movement during the year | 0 |
| Balance at 28 February 2013 | <u>83,443</u> |

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company

| | Furniture, fittings and office equipment RM |
|---------------------------------|--|
| <u>Accumulated Depreciation</u> | |
| Balance at 1 March 2011 | 44,847 |
| Depreciation | 8,345 |
| Balance at 29 February 2012 | <u>53,192</u> |
| Depreciation | 8,344 |
| Balance at 28 February 2013 | <u>61,536</u> |
| <u>Carrying Amount</u> | |
| Balance at 1 March 2011 | <u>38,596</u> |
| Balance at 29 February 2012 | <u>30,251</u> |
| Balance at 28 February 2013 | <u>21,907</u> |

5. DEVELOPMENT EXPENDITURE

The Group

| | RM |
|---------------------------------|------------------|
| <u>Cost</u> | |
| Balance at 1 March 2011 | 400,501 |
| Write-offs | <u>(400,501)</u> |
| Balance at 29 February 2012 | 0 |
| Movement during the year | 0 |
| Balance at 28 February 2013 | <u>0</u> |
| <u>Accumulated Amortisation</u> | |
| Balance at 1 March 2011 | 342,680 |
| Amortisation | 57,821 |
| Write-offs | <u>(400,501)</u> |
| Balance at 29 February 2012 | 0 |
| Movement during the year | 0 |
| Balance at 28 February 2013 | <u>0</u> |
| <u>Carrying Amount</u> | |
| Balance at 1 March 2011 | <u>57,821</u> |
| Balance at 29 February 2012 | <u>0</u> |
| Balance at 28 February 2013 | <u>0</u> |

6. INVESTMENTS IN SUBSIDIARIES

The Company

| | 2013 RM | 2012 RM |
|--------------------------|---------------------|---------------------|
| Unquoted shares, at cost | 17,007,050 | 17,007,050 |
| Impairment losses | <u>(14,407,049)</u> | <u>(13,793,380)</u> |
| | <u>2,600,001</u> | <u>3,213,670</u> |

The details of the subsidiaries are as follows:-

| Name of Subsidiary | Country of Incorporation | Effective Ownership Interest | | Principal Activity |
|---|----------------------------|------------------------------|------|---|
| | | 2013 | 2012 | |
| 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 |
| <u>Subsidiaries of AT Engineering Sdn. Bhd.</u> | | | | |
| AT Machinery (Suzhou) Co., Ltd.* | People's Republic of China | 100% | 100% | Ceased operations (Note 19) |
| Automation Technology Systematization Industries Limited* | Thailand | 100% | 100% | Ceased operations (Note 19) |
| ATST Corporation Limited* | Thailand | 100% | 100% | Dormant |
| AT Automation Technology Solutions Phils., Inc.* | Philippines | 100% | 100% | Dormant |
| Heroic Lake Holding Limited | Hong Kong | 100% | N/A | Investment holding |

* *In the process of dissolution, and consolidated using unaudited accounts*

In September 2012, the Group, through AT Engineering Sdn. Bhd., acquired the entire equity interest in Heroic Lake Holding Limited for cash consideration of RM11,781. The acquisition did not have any significant financial effect to the Group.

7. ASSETS HELD FOR SALE

The Group

| | Freehold land and buildings RM |
|-----------------------------|--------------------------------------|
| Balance at 1 March 2011 | 550,000 |
| Disposals | <u>(550,000)</u> |
| Balance at 29 February 2012 | 0 |
| Movement during the year | <u>0</u> |
| Balance at 28 February 2013 | <u>0</u> |

8. INVENTORIES

The Group

| | 2013 RM | 2012 RM |
|------------------|------------------|------------------|
| Raw materials | 660,649 | 1,328,677 |
| Work-in-progress | 629,412 | 487,966 |
| Finished goods | <u>626,538</u> | <u>672,043</u> |
| | <u>1,916,599</u> | <u>2,488,686</u> |

9. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|----------------------------|------------------|--------------------|--------------------|--------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Trade receivables | 5,135,195 | 13,253,582 | 0 | 0 |
| Allowance for impairment | <u>(345,935)</u> | <u>(2,498,570)</u> | <u>0</u> | <u>0</u> |
| | 4,789,260 | 10,755,012 | 0 | 0 |
| Other receivables:- | | | | |
| - Subsidiaries | 0 | 0 | 15,342,316 | 14,013,668 |
| - Allowance for impairment | 0 | 0 | <u>(7,377,466)</u> | <u>(1,348,769)</u> |
| | 0 | 0 | 7,964,850 | 12,664,899 |
| - Unrelated parties | <u>245,595</u> | <u>372,737</u> | <u>9,092</u> | <u>1,092</u> |
| | 245,595 | 372,737 | 7,973,942 | 12,665,991 |
| | <u>5,034,855</u> | <u>11,127,749</u> | <u>7,973,942</u> | <u>12,665,991</u> |

9. TRADE AND OTHER RECEIVABLES (cont'd)

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

| | The Group | | The Company | |
|------------------|------------------|-------------------|------------------|-------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Ringgit Malaysia | 4,509,812 | 5,918,371 | 7,973,942 | 12,665,991 |
| Renminbi | 0 | 1,728,111 | 0 | 0 |
| Thai Baht | 1,796 | 2,998,603 | 0 | 0 |
| US Dollar | 445,208 | 433,624 | 0 | 0 |
| Others | 78,039 | 49,040 | 0 | 0 |
| | <u>5,034,855</u> | <u>11,127,749</u> | <u>7,973,942</u> | <u>12,665,991</u> |

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The movements in allowance for impairment are as follows:-

| | The Group | |
|----------------------------------|----------------|------------------|
| | 2013 RM | 2012 RM |
| Balance at 1 March | 2,498,570 | 2,867,349 |
| Impairment loss recognised | 1,917,076 | 301,571 |
| Impairment loss reversed | 0 | (30,000) |
| Impairment loss written off | (4,071,055) | (640,107) |
| Currency translation differences | 1,344 | (243) |
| Balance at 28/29 February | <u>345,935</u> | <u>2,498,570</u> |

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

| | The Group | |
|-----------------------------|------------------|-------------------|
| | 2013 RM | 2012 RM |
| Not past due | 4,463,544 | 6,914,621 |
| Past due 1 to 30 days | 58,552 | 1,726,974 |
| Past due 31 to 120 days | 197,451 | 1,129,448 |
| Past due more than 120 days | 69,713 | 983,969 |
| | <u>4,789,260</u> | <u>10,755,012</u> |

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

9. TRADE AND OTHER RECEIVABLES (cont'd)**Trade Receivables (cont'd)**

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 28 February 2013, there were 2 (2012 : 2) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM2,524,444 (2012 : RM4,627,446). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

| | The Group | |
|----------------------------|------------------|-------------------|
| | 2013 RM | 2012 RM |
| Malaysia | 4,675,395 | 6,018,559 |
| People's Republic of China | 0 | 1,580,637 |
| Thailand | 0 | 2,781,937 |
| Others | 113,865 | 373,879 |
| | <u>4,789,260</u> | <u>10,755,012</u> |

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

| | The Company | |
|-----------------------------|------------------|------------------|
| | 2013 RM | 2012 RM |
| Balance at 1 March | 1,348,769 | 2,323 |
| Impairment loss recognised | 6,858,751 | 1,346,446 |
| Impairment loss written off | (830,054) | 0 |
| Balance at 28/29 February | <u>7,377,466</u> | <u>1,348,769</u> |

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

10. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|------------------|------------------|---------------|---------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Term deposits with a licensed bank (fixed rate) | 21,000 | 575,715 | 0 | 0 |
| Cash and bank balances | <u>1,632,384</u> | <u>2,725,233</u> | <u>14,490</u> | <u>34,508</u> |
| | <u>1,653,384</u> | <u>3,300,948</u> | <u>14,490</u> | <u>34,508</u> |

The carrying amounts of cash and cash equivalents pledged as security for credit facilities granted to the Group and not freely available for use are as follows:-

| | The Group | |
|------------------------------------|---------------|------------------|
| | 2013 RM | 2012 RM |
| Term deposits with a licensed bank | 21,000 | 575,715 |
| Cash and bank balances | <u>0</u> | <u>451,000</u> |
| | <u>21,000</u> | <u>1,026,715</u> |

The effective interest rate of term deposits as at 28 February 2013 was 3.15% (2012 : 2.50% to 3.15%) per annum.

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

| | The Group | | The Company | |
|------------------|------------------|------------------|---------------|---------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Ringgit Malaysia | 1,540,801 | 2,788,826 | 14,490 | 34,508 |
| Renminbi | 497 | 64,768 | 0 | 0 |
| Thai Baht | 0 | 57,470 | 0 | 0 |
| US Dollar | 105,580 | 379,349 | 0 | 0 |
| Others | <u>6,506</u> | <u>10,535</u> | <u>0</u> | <u>0</u> |
| | <u>1,653,384</u> | <u>3,300,948</u> | <u>14,490</u> | <u>34,508</u> |

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

| | The Group | | The Company | |
|---------------------------|------------------|--------------------|---------------|---------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Cash and cash equivalents | 1,653,384 | 3,300,948 | 14,490 | 34,508 |
| Bank overdrafts | <u>0</u> | <u>(1,487,815)</u> | <u>0</u> | <u>0</u> |
| | <u>1,653,384</u> | <u>1,813,133</u> | <u>14,490</u> | <u>34,508</u> |

11. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Trade payables | 3,445,476 | 5,521,401 | 0 | 0 |
| Other payables:- | | | | |
| - Subsidiary | 0 | 0 | 4,579,429 | 1,962,663 |
| - Director | 305,080 | 0 | 300,000 | 0 |
| - Unrelated parties | 2,233,398 | 1,677,985 | 43,934 | 56,259 |
| | <u>2,538,478</u> | <u>1,677,985</u> | <u>4,923,363</u> | <u>2,018,922</u> |
| | <u>5,983,954</u> | <u>7,199,386</u> | <u>4,923,363</u> | <u>2,018,922</u> |

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

| | The Group | | The Company | |
|------------------|------------------|------------------|------------------|------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Ringgit Malaysia | 4,452,115 | 5,157,434 | 4,923,363 | 2,018,922 |
| Renminbi | 1,510,086 | 1,589,096 | 0 | 0 |
| Thai Baht | 6,902 | 452,856 | 0 | 0 |
| Others | 14,851 | 0 | 0 | 0 |
| | <u>5,983,954</u> | <u>7,199,386</u> | <u>4,923,363</u> | <u>2,018,922</u> |

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiary and director are repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 14 to 90 days.

12. LOANS AND BORROWINGS - SECURED

The Group

| | 2013 RM | 2012 RM |
|-------------------------------------|-------------------|-------------------|
| Hire purchase payables (fixed rate) | 2,115,092 | 2,810,296 |
| Bank overdrafts (floating rate) | 0 | 1,487,815 |
| Term loans (floating rate) | 12,891,069 | 10,497,626 |
| Advance repayment of term loan | <u>(224,227)</u> | <u>0</u> |
| | <u>14,781,934</u> | <u>14,795,737</u> |
| Disclosed as:- | | |
| - Current liabilities | 1,391,723 | 3,083,348 |
| - Non-current liabilities | <u>13,390,211</u> | <u>11,712,389</u> |
| | <u>14,781,934</u> | <u>14,795,737</u> |

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4) and cash and cash equivalents (Note 10).

The effective interest rates of loans and borrowings as at 28 February 2013 ranged from 4.70% to 8.05% (2012 : 4.77% to 9.20%) per annum.

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

| | 2013 RM | 2012 RM |
|------------------|-------------------|-------------------|
| Ringgit Malaysia | 14,781,934 | 13,695,373 |
| Thai Baht | <u>0</u> | <u>1,100,364</u> |
| | <u>14,781,934</u> | <u>14,795,737</u> |

12. LOANS AND BORROWINGS - SECURED (cont'd)**Hire Purchase Payables**

Hire purchase payables are repayable over 3 to 5 years. The repayment analysis is as follows:-

| | 2013 RM | 2012 RM |
|---|------------------|------------------|
| Minimum hire purchase payments:- | | |
| - Within 1 year | 997,120 | 1,235,976 |
| - Later than 1 year and not later than 2 years | 722,009 | 967,023 |
| - Later than 2 years and not later than 5 years | 578,592 | 869,780 |
| Total contractual undiscounted cash flows | 2,297,721 | 3,072,779 |
| Future finance charges | (182,629) | (262,483) |
| Present value of hire purchase payables:- | | |
| - Within 1 year | 896,737 | 1,096,196 |
| - Later than 1 year and not later than 2 years | 669,400 | 883,726 |
| - Later than 2 years and not later than 5 years | 548,955 | 830,374 |
| | <u>2,115,092</u> | <u>2,810,296</u> |

The carrying amounts of hire purchase payables are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

Bank Overdrafts

Bank overdrafts were generally repayable on demand and their carrying amounts would approximate to the remaining contractual undiscounted cash flows.

12. LOANS AND BORROWINGS - SECURED (cont'd)
Term Loans

Term loans are repayable over 15 to 17 years. The repayment analysis is as follows:-

| | 2013 RM | 2012 RM |
|---|-------------------|-------------------|
| Gross loan instalments:- | | |
| - Within 1 year | 1,348,488 | 1,069,380 |
| - Later than 1 year and not later than 2 years | 1,348,488 | 1,069,380 |
| - Later than 2 years and not later than 5 years | 4,045,464 | 3,208,140 |
| - Later than 5 years | 12,193,040 | 10,215,569 |
| Total contractual undiscounted cash flows | 18,935,480 | 15,562,469 |
| Future finance charges | (6,044,411) | (5,064,843) |
| Present value of term loans:- | | |
| - Within 1 year | 643,376 | 499,337 |
| - Later than 1 year and not later than 2 years | 663,042 | 514,475 |
| - Later than 2 years and not later than 5 years | 2,219,805 | 1,721,172 |
| - Later than 5 years | 9,364,846 | 7,762,642 |
| | <u>12,891,069</u> | <u>10,497,626</u> |

The carrying amounts of term loans are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

13. DEFERRED TAX LIABILITIES

| | The Group | | The Company | |
|---|----------------|----------------|-------------|--------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Balance at 1 March | 426,000 | 475,000 | 7,000 | 7,000 |
| Deferred tax income relating to origination and reversal of temporary differences | (19,000) | (28,000) | (7,000) | 0 |
| Deferred tax liabilities over provided in prior year | (6,000) | (21,000) | 0 | 0 |
| Balance at 28/29 February | <u>401,000</u> | <u>426,000</u> | <u>0</u> | <u>7,000</u> |
| In respect of taxable/(deductible) temporary differences of:- | | | | |
| - Property, plant and equipment | 401,000 | 455,000 | N/A | 7,000 |
| - Inventories | 0 | (29,000) | N/A | 0 |
| | <u>401,000</u> | <u>426,000</u> | <u>N/A</u> | <u>7,000</u> |

13. DEFERRED TAX LIABILITIES (cont'd)

Save as disclosed above, as at 28 February 2013, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group and the Company to the extent of approximately RM952,000 and RM5,000 (2012 : RM929,000 and NIL) respectively. 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 | | The Company | |
|--|--------------------|--------------------|-----------------|------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Deductible temporary differences of financial instruments | 221,000 | 0 | 0 | N/A |
| Unused capital allowances | 2,930,000 | 2,253,000 | 6,000 | N/A |
| Unused tax losses | 8,668,000 | 7,138,000 | 892,000 | N/A |
| Taxable temporary differences of property, plant and equipment | <u>(3,808,000)</u> | <u>(3,717,000)</u> | <u>(20,000)</u> | <u>N/A</u> |
| | <u>8,011,000</u> | <u>5,674,000</u> | <u>878,000</u> | <u>N/A</u> |

14. SHARE CAPITAL

| | 2013 | | 2012 | |
|--------------------------------|--------------------|-------------------|--------------------|-------------------|
| | No. of shares | RM | No. of shares | RM |
| Ordinary shares of RM0.10 each | | | | |
| Authorised | <u>250,000,000</u> | <u>25,000,000</u> | <u>250,000,000</u> | <u>25,000,000</u> |
| Issued and fully paid-up:- | | | | |
| Balance at 1 March | 178,950,765 | 17,895,077 | 178,950,765 | 17,895,077 |
| Issued during the year | <u>12,800,000</u> | <u>1,280,000</u> | <u>0</u> | <u>0</u> |
| Balance at 28/29 February | <u>191,750,765</u> | <u>19,175,077</u> | <u>178,950,765</u> | <u>17,895,077</u> |

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM17,895,077 to RM19,175,077 by way of private placement of 12,800,000 new ordinary shares of RM0.10 each at an issue price of RM0.16 per share.

After the reporting period, the issued and fully paid-up share capital of the Company was further increased from RM19,175,077 to RM19,684,577 by way of private placement of 5,095,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 per share.

15. REVENUE

| | The Group | | The Company | |
|--------------------------------|------------|------------|-------------|------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Continuing Operations | | | | |
| Sale of goods | 23,186,713 | 27,484,402 | 0 | 0 |
| Rendering of services | 0 | 0 | 1,120,711 | 1,877,956 |
| | 23,186,713 | 27,484,402 | 1,120,711 | 1,877,956 |
| Discontinued Operations | | | | |
| Sale of goods | 1,939,030 | 9,732,345 | 0 | 0 |
| | 25,125,743 | 37,216,747 | 1,120,711 | 1,877,956 |

16. (LOSS)/PROFIT BEFORE TAX

| | The Group | | The Company | |
|---|------------|------------|-------------|------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| (Loss)/Profit before tax is arrived at after charging:- | | | | |
| Amortisation of development expenditure | 0 | 57,821 | 0 | 0 |
| Auditors' remuneration | 79,651 | 77,666 | 20,000 | 18,000 |
| Depreciation of property, plant and equipment | 2,301,532 | 2,587,850 | 8,344 | 8,345 |
| Directors' remuneration:- | | | | |
| - Fees | 356,000 | 216,000 | 242,000 | 216,000 |
| - Other emoluments | 1,615,549 | 1,265,754 | 1,138,472 | 1,179,024 |
| Fee expense for financial instruments not at fair value through profit or loss | 34,147 | 23,113 | 50 | 57 |
| Impairment loss on goodwill* | 21,918 | 0 | 0 | 0 |
| Impairment loss on investments in subsidiaries* | 0 | 0 | 613,669 | 1,086,567 |
| Impairment loss on loans and receivables:- | | | | |
| - Subsidiaries | 0 | 0 | 6,858,751 | 1,346,446 |
| - Unrelated parties | 1,917,076 | 301,571 | 0 | 0 |
| Interest expense for financial liabilities not at fair value through profit or loss | 898,712 | 959,189 | 0 | 0 |
| Inventories written down | 2,503,193 | 352,103 | 0 | 0 |
| Loss on disposal of property, plant and equipment | 38,082 | 0 | 0 | 0 |
| Property, plant and equipment written off | 334,259 | 740 | 0 | 0 |

* Included in administrative and general expenses

16. (Loss)/PROFIT BEFORE TAX (cont'd)

| | The Group | | The Company | |
|---|------------|---------------|-------------|------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Realised loss on foreign exchange | 50 | 4,718 | 0 | 0 |
| Rental of equipment | 0 | 14,306 | 0 | 0 |
| Rental of premises | 250,654 | 260,027 | 0 | 0 |
| and crediting:- | | | | |
| Gain on disposal of assets held for sale | 0 | 50,000 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 0 | 72,474 | 0 | 0 |
| Gain on winding up of subsidiary | 0 | 0 | 0 | 828,282 |
| Interest income for financial assets not at fair value through profit or loss | 67,924 | 2,423 | 0 | 0 |
| Realised gain on foreign exchange | 91,333 | 53,592 | 0 | 0 |
| Rental of premises | 732,840 | 532,140 | 0 | 0 |
| Reversal of impairment loss on loans and receivables | 0 | 30,000 | 0 | 0 |
| | <u>0</u> | <u>30,000</u> | <u>0</u> | <u>0</u> |

17. EMPLOYEE BENEFITS EXPENSE

| | The Group | | The Company | |
|------------------------------|------------------|-------------------|------------------|------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Short-term employee benefits | 8,886,191 | 9,543,307 | 1,432,849 | 1,342,135 |
| Defined contribution plans | 672,053 | 665,406 | 101,453 | 162,600 |
| Termination benefits | 332,004 | 0 | 0 | 0 |
| | <u>9,890,248</u> | <u>10,208,713</u> | <u>1,534,302</u> | <u>1,504,735</u> |

18. TAX EXPENSE/(INCOME)

| | The Group | | The Company | |
|---|----------------|----------------|----------------|------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Tax based on results for the year:- | | | | |
| Malaysian income tax | 267,000 | 794,000 | 0 | 0 |
| Deferred tax | (19,000) | (28,000) | (7,000) | 0 |
| | <u>248,000</u> | <u>766,000</u> | <u>(7,000)</u> | <u>0</u> |
| Tax under/(over) provided in prior year:- | | | | |
| Malaysian income tax | 9,351 | (8,691) | 0 | 0 |
| Deferred tax | (6,000) | (21,000) | 0 | 0 |
| | <u>251,351</u> | <u>736,309</u> | <u>(7,000)</u> | <u>0</u> |
| Attributed to:- | | | | |
| - Continuing operations | 251,351 | 736,309 | (7,000) | 0 |
| - Discontinued operations | 0 | 0 | 0 | 0 |
| | <u>251,351</u> | <u>736,309</u> | <u>(7,000)</u> | <u>0</u> |

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

| | The Group | | The Company | |
|--|-------------|--------------|---------------|-------------|
| | 2013 % | 2012 % | 2013 % | 2012 % |
| Applicable tax rate | (25.00) | 25.00 | (25.00) | (25.00) |
| Non-deductible expenses | 22.07 | 51.73 | 22.79 | 45.26 |
| Non-taxable income | (0.23) | 0.00 | 0.00 | (14.98) |
| Increase in unrecognised deferred tax assets | 5.50 | 7.95 | 2.14 | 0.00 |
| Reinvestment allowances claimed | 0.00 | (5.46) | 0.00 | 0.00 |
| Utilisation of group relief | 0.00 | 0.00 | 0.00 | (5.28) |
| Average effective tax rate | <u>2.34</u> | <u>79.22</u> | <u>(0.07)</u> | <u>0.00</u> |

19. DISCONTINUED OPERATIONS

The Group

During the financial year, AT Machinery (Suzhou) Co., Ltd. ("ATMS") and Automation Technology Systematization Industries Limited ("ATSI") ceased their operations of design and manufacture of industrial automation systems and machinery.

19. DISCONTINUED OPERATIONS (cont'd)

The results attributed to the discontinued operations are as follows:-

| | Note | 2013 | | | 2012 | | |
|--|------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| | | ATMS RM | ATSI RM | Total RM | ATMS RM | ATSI RM | Total RM |
| Revenue | 15 | 1,465,552 | 473,478 | 1,939,030 | 5,844,660 | 3,887,685 | 9,732,345 |
| Cost of sales | | (3,332,588) | (1,303,297) | (4,635,885) | (4,993,048) | (3,060,638) | (8,053,686) |
| Gross (loss)/profit | | <u>(1,867,036)</u> | <u>(829,819)</u> | <u>(2,696,855)</u> | <u>851,612</u> | <u>827,047</u> | <u>1,678,659</u> |
| Other income | | 402 | 194,479 | 194,881 | 3,130 | 2,585 | 5,715 |
| Administrative and general expenses | | (1,046,371) | (2,511,341) | (3,557,712) | (1,101,837) | (875,701) | (1,977,538) |
| Selling and distribution expenses | | (118,466) | (181,713) | (300,179) | (45,578) | (201,733) | (247,311) |
| Finance costs | | (727) | (34,129) | (34,856) | 0 | (44,193) | (44,193) |
| Loss before tax | 16 | <u>(3,032,198)</u> | <u>(3,362,523)</u> | <u>(6,394,721)</u> | <u>(292,673)</u> | <u>(291,995)</u> | <u>(584,668)</u> |
| Tax expense | 18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loss for the financial year of discontinued operations | | <u>(3,032,198)</u> | <u>(3,362,523)</u> | <u>(6,394,721)</u> | <u>(292,673)</u> | <u>(291,995)</u> | <u>(584,668)</u> |

19. DISCONTINUED OPERATIONS (cont'd)

The cash flows attributed to the discontinued operations are as follows:-

| | 2013 | | | 2012 | | |
|--|-----------------|------------------|------------------|------------------|--------------------|--------------------|
| | ATMS RM | ATSI RM | Total RM | ATMS RM | ATSI RM | Total RM |
| Net cash from/(used in) operating activities | (56,342) | (324,634) | (380,976) | (108,419) | (1,382,559) | (1,490,978) |
| Net cash from/(used in) investing activities | (7,905) | 791,743 | 783,838 | (3,086) | (185,911) | (188,997) |
| Net cash used in financing activities | 0 | (1,100,364) | (1,100,364) | 0 | (123,954) | (123,954) |
| Net cash inflow/(outflow) | <u>(64,247)</u> | <u>(633,255)</u> | <u>(697,502)</u> | <u>(111,505)</u> | <u>(1,692,424)</u> | <u>(1,803,929)</u> |

The assets and liabilities of the subsidiaries at the end of the reporting period included in the consolidated statement of financial position are as follows:-

| | 2013 | | | 2012 | | |
|-------------------------------|------------------|---------------|------------------|------------------|------------------|------------------|
| | ATMS RM | ATSI RM | Total RM | ATMS RM | ATSI RM | Total RM |
| Assets | | | | | | |
| Property, plant and equipment | 0 | 0 | 0 | 54,199 | 1,025,456 | 1,079,655 |
| Inventories | 78,221 | 0 | 78,221 | 351,468 | 381,634 | 733,102 |
| Trade and other receivables | 0 | 1,796 | 1,796 | 1,894,079 | 3,021,807 | 4,915,886 |
| Cash and cash equivalents | 497 | 0 | 497 | 64,744 | 633,255 | 697,999 |
| | <u>78,718</u> | <u>1,796</u> | <u>80,514</u> | <u>2,364,490</u> | <u>5,062,152</u> | <u>7,426,642</u> |
| Liabilities | | | | | | |
| Trade and other payables | 1,510,086 | 35,055 | 1,545,141 | 1,589,097 | 481,009 | 2,070,106 |
| Loans and borrowings | 0 | 0 | 0 | 0 | 1,100,364 | 1,100,364 |
| | <u>1,510,086</u> | <u>35,055</u> | <u>1,545,141</u> | <u>1,589,097</u> | <u>1,581,373</u> | <u>3,170,470</u> |

20. (LOSS)/EARNINGS PER SHARE

The Group

The basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

| | 2013 | 2012 |
|--|---------------------|--------------------|
| (Loss)/Profit for the financial year:- | | |
| - Continuing operations (RM) | (4,446,342) | 815,286 |
| - Discontinued operations (RM) | (6,394,721) | (584,668) |
| | <u>(10,841,063)</u> | <u>230,618</u> |
| Number of shares in issue as at 1 March | 178,950,765 | 178,950,765 |
| Effect of shares issued | 6,663,014 | 0 |
| Weighted average number of shares in issue | <u>185,613,779</u> | <u>178,950,765</u> |
| Basic (loss)/earnings per share:- | | |
| - Continuing operations (sen) | (2.40) | 0.46 |
| - Discontinued operations (sen) | (3.44) | (0.33) |
| | <u>(5.84)</u> | <u>0.13</u> |

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

21. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The Group

Acquisition of Subsidiary

| | 2013 RM | 2012 RM |
|---|---------------|------------|
| Receivables | 199 | 0 |
| Cash and cash equivalents | 1,551 | 0 |
| Payables | (11,887) | 0 |
| Net liabilities assumed | (10,137) | 0 |
| Goodwill | 21,918 | 0 |
| Cash consideration paid | 11,781 | 0 |
| Cash and cash equivalents acquired | (1,551) | 0 |
| Acquisition of subsidiary, net of cash acquired | <u>10,230</u> | <u>0</u> |

21. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**Purchase of Property, Plant and Equipment**

| | 2013 RM | 2012 RM |
|---|------------------|--------------------|
| Cost of property, plant and equipment purchased | 890,595 | 1,677,527 |
| Amount financed through hire purchase | <u>(506,500)</u> | <u>(1,014,980)</u> |
| Net cash disbursed | <u>384,095</u> | <u>662,547</u> |

22. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

| | The Group | | The Company | |
|---|------------|------------|------------------|------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Key management personnel compensation:- | | | | |
| - Short-term employee benefits | 2,019,022 | 1,330,302 | 1,295,073 | 1,243,572 |
| - Defined contribution plan | 141,049 | 151,452 | 85,399 | 151,452 |
| | 2,160,071 | 1,481,754 | 1,380,472 | 1,395,024 |
| Capital repayment from subsidiary | 0 | 0 | 0 | 2,127,643 |
| Management fee charged to subsidiaries | <u>0</u> | <u>0</u> | <u>1,120,711</u> | <u>1,877,956</u> |

23. SEGMENT REPORTING

The Group

Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the design, manufacture and fabrication of industrial automation systems, machinery, industrial and engineering parts.

23. SEGMENT REPORTING (cont'd)**Geographical Information**

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

| | External Revenue | | Non-current Assets | |
|----------------------------|-------------------|-------------------|--------------------|-------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Malaysia | 21,178,954 | 25,654,176 | 24,883,387 | 26,585,193 |
| People's Republic of China | 1,469,152 | 5,846,416 | 0 | 54,199 |
| Thailand | 1,197,138 | 3,637,362 | 0 | 1,025,456 |
| Other countries | 1,280,499 | 2,078,793 | 0 | 0 |
| | <u>25,125,743</u> | <u>37,216,747</u> | <u>24,883,387</u> | <u>27,664,848</u> |

Major Customer

For the financial year ended 28 February 2013, there was 1 (2012 : 1) major customer that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM11,659,828 (2012 : RM15,724,680).

24. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

| | 2013 RM | 2012 RM |
|---------------------------------|------------------|------------|
| Approved but not contracted | 1,276,000 | 0 |
| Contracted but not provided for | 1,144,000 | 0 |
| | <u>2,420,000</u> | <u>0</u> |

25. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM22,270,000 (2012 : RM23,480,000). The total utilisation of these credit facilities as at 28 February 2013 amounted to approximately RM14,782,000 (2012 : RM13,800,000).

25. CONTINGENT LIABILITIES - UNSECURED (cont'd)

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.10. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

26. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 25.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

26. FINANCIAL RISK MANAGEMENT (cont'd)**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. The major functional currency within the Group is Ringgit Malaysia ("RM") whereas the major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also 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 cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | The Group | |
|---------------------------------------|--|--|
| | (Increase)/ Decrease in Loss 2013 RM | Increase/ (Decrease) in Profit 2012 RM |
| Appreciation of USD against RM by 10% | 50,227 | 61,896 |
| Depreciation of USD against RM by 10% | <u>(50,227)</u> | <u>(61,896)</u> |

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

26. FINANCIAL RISK MANAGEMENT (cont'd)**Interest Rate Risk (cont'd)**

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | The Group | |
|---|--|--|
| | (Increase)/ Decrease in Loss 2013 RM | Increase/ (Decrease) in Profit 2012 RM |
| Increase in interest rates by 50 basis points | (60,055) | (59,968) |
| Decrease in interest rates by 50 basis points | <u>60,055</u> | <u>59,968</u> |

27. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

| | The Group | |
|----------------------------|-------------------|-------------------|
| | 2013 RM | 2012 RM |
| Total loans and borrowings | 14,781,934 | 14,795,737 |
| Total equity | <u>13,466,938</u> | <u>22,311,343</u> |
| Total capital | <u>28,248,872</u> | <u>37,107,080</u> |
| Debt-to-equity ratio | <u>1.10 : 1</u> | <u>0.66 : 1</u> |

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

| | The Group | | The Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Total accumulated losses of the Company and its subsidiaries:- | | | | |
| - Realised | (38,254,113) | (17,305,917) | (24,919,438) | (14,712,567) |
| - Unrealised | 716,467 | 691,467 | 0 | (7,000) |
| | <u>(37,537,646)</u> | <u>(16,614,450)</u> | <u>(24,919,438)</u> | <u>(14,719,567)</u> |
| Consolidation adjustments and eliminations | 20,083,886 | 10,001,753 | 0 | 0 |
| Total accumulated losses as per statement of financial position | <u>(17,453,760)</u> | <u>(6,612,697)</u> | <u>(24,919,438)</u> | <u>(14,719,567)</u> |

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

AS AT 12 JULY 2013

| Postal Address/ Location of the Property | Description/ Existing Use | Approximate Age of Building/ Tenure/ Date of Expiry of Lease | Land Area/ Built-up Area (sq. ft.) | Net Carrying Amount as at 29 February 2012 | 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 | 14 years/ 60 years lease expiring on 18 October 2055 | 56,057/ 17,600 | 3,098,558 | 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 | 56 years lease expiring on 22 January 2062 11 years 6 years | 109,426/ 89,845 | 14,381,083 | 28 February 2009 (Date of Valuation) |

SHARE CAPITAL AS AT JULY 5, 2013

| | | |
|----------------------------|---|---|
| Authorised Capital | : | RM25,000,000.00 |
| Issued and Paid-up Capital | : | RM19,684,576.50 |
| Class of Shares | : | Ordinary Shares of RM0.10 each |
| Voting Rights | : | One voting right for one ordinary share |

DISTRIBUTION OF SHAREHOLDERS AS AT JULY 5, 2013

| Size of Holdings | No. of Holders | No. of Shares | % |
|---------------------|----------------|--------------------|---------------|
| Less than 100 | 7 | 265 | 0.00 |
| 100 – 1,000 | 213 | 185,441 | 0.09 |
| 1,001 – 10,000 | 500 | 3,304,374 | 1.68 |
| 10,001 – 100,000 | 799 | 35,436,677 | 18.00 |
| 100,001 – 9,842,287 | 212 | 135,188,708 | 68.68 |
| 9,842,288 and above | 1 | 22,730,300 | 11.55 |
| Total | 1,732 | 196,845,765 | 100.00 |

DIRECTORS' SHAREHOLDING AS AT JULY 5, 2013

| Name | Direct Shareholding | % | Indirect Shareholding | % |
|---------------------------------|---------------------|------|-----------------------|---|
| Dato' Sri Ahmad Said Bin Hamdan | - | - | - | - |
| Ir. Auniah Binti Ali | - | - | - | - |
| Dr. Ch'ng Huck Khoon | - | - | - | - |
| Cham Owi Tong | 44,900 | 0.02 | - | - |
| Chang Vun Lung | - | - | - | - |
| Mak Siew Wei | 6,120,000 | 3.11 | - | - |

THIRTY LARGEST SECURITIES HOLDERS AS AT JULY 5, 2013

| No. | Name | Shareholdings | % |
|-----|--|--------------------|--------------|
| 1 | Citigroup Nominees (Asing) Sdn. Bhd. GSI For Avestra Asset Management Limited (Worberg GBL FD) | 22,730,300 | 11.58 |
| 2 | UOBM Nominees (Asing) Sdn. Bhd. Exempt An For Sanston Financial Group Limited | 9,434,100 | 4.79 |
| 3 | Citigroup Nominees (Asing) Sdn. Bhd. Goldman Sachs International | 8,277,300 | 4.21 |
| 4 | JF Apex Nominees (Asing) Sdn. Bhd. Sanston Financial Group Limited For Avestra Asset Management Limited | 6,871,800 | 3.49 |
| 5 | RHB Nominees (Asing) Sdn. Bhd. DMG & Partners Securities Pte. Ltd. For Vintage Global Investments Ltd. (164390) | 6,200,000 | 3.15 |
| 6 | Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mak Siew Wei | 6,120,000 | 3.11 |
| 7 | DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG London | 5,837,400 | 2.97 |
| 8 | HDM Nominees (Asing) Sdn. Bhd. Phillip Securities Pte. Ltd. For Worberg Global Fund (Avestra Asset) | 4,000,000 | 2.03 |
| 9 | Ng Teng Yau | 3,700,000 | 1.88 |
| 10 | Lai Yee Voon | 3,000,000 | 1.52 |
| 11 | Izham Hakimi Bin Hamdi | 3,000,000 | 1.52 |
| 12 | Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Eng Huat | 2,936,300 | 1.49 |
| 13 | HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Eng Huat (M01) | 2,700,000 | 1.37 |
| 14 | Lim Liew Hong | 2,680,000 | 1.36 |
| 15 | Quek Yong Wah | 2,169,800 | 1.10 |
| 16 | CIMSEC Nominees (Asing) Sdn. Bhd. CIMB For Aminuddin Yusof Lana (PB) | 2,000,000 | 1.01 |
| 17 | Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ang Piang Kok | 2,000,000 | 1.01 |
| 18 | Chong Ah Moy @ Chong Kim Lan | 1,915,300 | 0.97 |
| 19 | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Bu Yaw Seng (MY1361) | 1,688,100 | 0.86 |
| 20 | Lee Say Pin | 1,673,000 | 0.85 |
| 21 | Ng Wei Fong | 1,658,900 | 0.84 |
| 22 | Tan Sew Hong | 1,600,000 | 0.81 |
| 23 | Tan Ah Lee | 1,300,000 | 0.66 |
| 24 | Tan Lay Peng | 1,200,000 | 0.61 |
| 25 | Wee Kok Chuan | 1,165,400 | 0.59 |
| 26 | ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Cheong Yoon Hoe @ Cheong Jon Ho (001) | 1,140,000 | 0.58 |
| 27 | Beh Lai Lien | 1,083,200 | 0.55 |
| 28 | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Thong Mei Chin (MY1346) | 988,000 | 0.50 |
| 29 | Wong Pow Keong | 892,711 | 0.45 |
| 30 | RHB Nominees (Asing) Sdn. Bhd. DMG & Partners Securities Pte. Ltd. For Nobel Elite Limited (164287) | 851,400 | 0.43 |
| | TOTAL | 110,813,011 | 56.29 |

NOTICE OF NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at Meranti Room, Level 2, Hotel Equatorial Melaka, Bandar Hilir, 75000 Melaka on Monday, August 26, 2013 at 8.00 a.m. for the following purposes :

AGENDA

- | | |
|---|----------------------------|
| 1. To receive the Audited Financial Statements for the year ended February 28, 2013 together with the Directors' and Auditors' Reports thereon. | (Please refer to Note A) |
| 2. To approve the payment of Directors' Fees of up to RM1,971,549 for the financial year ending February 28, 2014 and payment of such Fees to the Directors of the Company. | Resolution 1 |
| 3. To re-elect the following Directors retiring under the respective provisions of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:- | |
| (i) Dato' Sri Ahmad Said Bin Hamdan | (Article 132) Resolution 2 |
| (ii) Mr. Cham Owi Tong | (Article 137) Resolution 3 |
| (iii) Mr. Chang Vun Lung | (Article 137) Resolution 4 |
| (iv) Mr. Mak Siew Wei | (Article 137) Resolution 5 |
| 4. To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. | Resolution 6 |

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs. Baker Tilly Monteiro Heng for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath and of the intention to move the following motion to be passed as an Ordinary Resolution:-

"THAT Messrs. Baker Tilly Monteiro Heng be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath and to hold office until the conclusion of the next Annual General Meeting AND THAT authority be and is hereby given for the Directors to determine their remuneration."

AS SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following resolutions:-

ORDINARY RESOLUTION

- 5.1 Authority To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965 Resolution 7

“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.”

SPECIAL RESOLUTION

- 5.2 Proposed Alteration of the Articles of Association Resolution 8

“That the Proposed Alteration of the Articles of Association of the Company as set out in the Appendix A attached together with the Annual Report 2013 be and are hereby approved.”

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)
LEE MEI MEI (MAICSA 7062284)
Company Secretaries

Dated : August 2, 2013
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 Suite S-21-H, 2^{1st} Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 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 7

The proposed resolution, 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, 17,895,000 new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Eighth Annual General Meeting held on August 24, 2012 which will lapse at the conclusion of the Ninth Annual General Meeting.

2. Resolution 8

The proposed resolution 8, if approved, will result in the Articles of Association of the Company to be amended in the manner as set out in Appendix A attached to the Annual Report 2013.

Kindly note that the date of the General Meeting Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the Ninth Annual General Meeting shall be on August 20, 2013.

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 Ninth Annual General Meeting of the Company.

Mak Siew Wei
30, Jalan Sepah Puteri 5/16,
Bandar Seri Utama,
47810 Kota Damansara, Selangor

Date: July 16, 2013

The Board of Directors
AT Systematization Berhad
Suite S-21-H, 21st Floor,
Menara Northam,
55, Jalan Sultan Ahmad Shah,
10050 Penang

Dear Sirs

NOMINATION OF AUDITORS

I, Mak Siew Wei being a Shareholder of AT Systematization Berhad hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my intention to nominate Messrs. Baker Tilly Monteiro Heng of Baker Tilly MH Tower, Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath of 17.01 Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Penang and of my intention to move the following motion to be passed as an Ordinary Resolution at the Annual General Meeting of the AT Systematization Berhad:-

“THAT Messrs. Baker Tilly Monteiro Heng be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath to hold office until the conclusion of the next Annual General Meeting AND THAT authority be and is hereby given for the Directors to determine their remuneration.”

Yours faithfully

(signed) _____
MAK SIEW WEI

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY

1. THAT Article 2 of the Company's Articles of Association be altered by deleting in full the undermentioned Definitions and substituted in lieu thereof with the new Definitions as set out below :-

Existing Definitions

"Bursa Depository" means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W).

New Definitions

"Bursa Depository" means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) **or by whatever name from time to time called.**

"Deposited Security" means a security, as defined in Section 2 of the Central Depositories Act, standing to the credit of a Securities Account of a Depositor and includes security in a Securities Account that is in suspense subject to the provisions of the Central Depositories Act and the Rules.

"Deposited Security" means **a security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.**

"Depositor" means a holder of a Securities Account.

"Depositor" means a holder of securities account **established by the Bursa Depository.**

"Listing Requirements" means the Listing Requirements of the Exchange for the including any modification or amendment thereto that may be made from time to time.

"Listing Requirements" means the Bursa Securities **ACE Market Listing Requirements** including any amendment thereto that may be made from time to time.

"Market Day" means a day on which the Exchange is open for trading.

"Market Day" means **a day on which the stock market of the Bursa Securities is open for trading in Securities.**

"Members" means any person/persons for the time being holding shares in the Company and whose names appear in the Company's Register of Members (except the Depository or its nominee company in whose name the Deposited Security is registered) including Depositors whose names appear on the Record of Depositors in respect of the shares in the Company.

"Member" means **unless otherwise expressed to the contrary, includes a Depositor who will be treated as if he were a member pursuant to Section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee.**

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

1. THAT Article 2 of the Company's Articles of Association be altered by deleting in full the undermentioned Definitions and substituted in lieu thereof with the new Definitions as set out below (Continued...):-

Existing Definitions

"Securities" means Debentures, stocks, shares and other form of convertible securities of the Company and includes any right or option in respect thereof and the meaning assigned to it in the Central Depositories Act.

"Securities Account" means an account established by the Depository for a Depositor for the recording of deposit of securities and for dealing in such securities as permitted under the Central Depositories Act and/ or the Rules

New Definitions

"Securities" has the meaning given in **Section 2(1) of the Capital Markets and Services Act 2007.**

"Securities Account" means an account established by the **Bursa Depository** for a Depositor for the recording of deposit of securities and for dealing in such securities **by the Depositor.**

2. THAT the undermentioned Definition under Article 2 of the Company's Articles of Association:-

Approved Market Place A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order 1998 as may be amended, modified or altered from time to time.

be deleted in its entirety.

3. THAT the undermentioned Definitions be inserted under Article 2 of the Company's Articles of Association:-

"Auditor" means an auditor who is registered under Section 310 of the Securities Commission Act 1993.

"Convertible Securities" means securities which are convertible or exercisable, by their terms of issue, into listed shares.

"Dividend Reinvestment Scheme" means a scheme which enables shareholders to reinvest cash dividend into new shares.

"Registrar" means Registrar of Companies under the Act and includes any Regional Deputy or Assistant Registrar of Companies.

"Share Issuance Scheme" means a scheme involving a new issuance of shares to the employees.

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

4. THAT the existing Article 10 of the Articles of Association as follows:-

“The share capital of the Company at the date of adoption of these Articles is Ringgit Malaysia Twenty-Five Million (RM25,000,000) divided into 250,000,000 ordinary shares of RM0.10 each”

to be deleted in its entirety.

5. THAT the existing Article 14 (2) of the Articles of Association to be amended from:-

“every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and no Director shall participate in a share scheme for employees unless the Members in general meeting have approved the allotment to such Director Provided Always that a Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue.”

to:

*“every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and no Director shall participate in a **Share Issuance Scheme** for employees unless the Members in general meeting have approved the allotment to such Director Provided Always that a Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue.”*

6. THAT the existing Article 50 of the Articles of Association to be amended from:-

“Every transfer of shares or securities or any class of listed securities in the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with sub-Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.”

to:

*“Every transfer of shares or securities or any class of listed securities in the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act but subject to **Section** 107C(2) of the Act and any exemption that may be made from compliance with **Section** 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.”*

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

7. THAT the existing Article 58 of the Articles of Association to be amended from:-

“(1) *Where:-*

(a) the securities of the Company are listed on an Approved Market Place; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment)(No.2) Act, 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon the request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as “the Foreign Register”), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as “the Malaysian Register”) provided that there shall be no change in the ownership of such securities.

(2) For the avoidance of doubt, the Company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.”

to:

“Where:-

*(a) the Securities of the Company are listed on **another stock exchange**; and*

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,

*the Company shall, upon the request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the Share Registrar of the Company in the jurisdiction of the **other stock exchange**, to the register of holders maintained by the Share Registrar of the Company in Malaysia **and vice versa** provided that there shall be no change in the ownership of such Securities.”*

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

8. THAT the existing Article 73 of the Articles of Association to be amended from:-

“Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.”

to:

*“Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its share capital by the creation and issue of new shares **including issuance of shares pursuant to a Dividend Reinvestment Scheme**, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.”*

9. THAT the existing Article 78 of the Articles of Association to be amended from:-

“(1) All notices convening general meetings shall be given to all shareholders at least fourteen (14) days before the meeting or twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting and notices of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed including the Exchange.

(2) Every notice calling a general meeting shall specify the place, day and hour of the meeting and in the case of special business, the general nature of that business accompanied by a statement regarding the effect of any proposed resolution in respect of such business and in the case of an annual general meeting, shall specify the meeting as such.”

to:

“The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days’ notice or 21 days’ notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting must be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the Bursa Securities upon which the Company is listed.

Such meeting of its Members may be held within Malaysia at more than one venue using any technology that allows all Members a reasonable opportunity to participate.”

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

10. THAT the existing Article 103 of the Articles of Association to be amended from:-

“A Member may appoint more than two (2) proxies to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. If a Member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.”

to:

“A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting and there is no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company and that where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy appointed to attend and vote instead of a member shall also have the same right as the member to speak at the meeting.”

11. THAT the existing Article 104 of the Articles of Association to be amended from:-

“Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.”

to:

“(1) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(2) An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.”

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

12. THAT the existing Article 139 of the Articles of Association to be amended from:-

“The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the continuing Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a general meeting of the Company.”

to:

*“The **remaining** Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the **remaining** Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a general meeting of the Company.”*

13. THAT the existing Article 171 of the Articles of Association to be amended from:-

“Any dividend, interest or other money payable in cash in respect of shares may be paid by direct debit, bank transfer, cheque or warrant and sent through post direct to the registered address of the holder or to such person and to such address as the holder may in writing direct or, in consequence of the death or bankruptcy of the holder, to any one of such person or to such person and to such address as such holder may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or person entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant shall operate as a good discharge to the company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

to:

“Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the Register or to such person and to such address as the holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.”

AT SYSTEMATIZATION BERHAD (644800-X)

PROPOSED ALTERATION OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (CONTINUED...)

14. THAT the existing Article 187 of the Articles of Association to be amended from:-

“The Company may give any notice or other documents to a Member either:-

- (1) personally or by sending it by post in a prepaid envelope addressed to the Member at his registered address in Malaysia as appearing in the Register of Members and the Record of Depositors or by leaving it at that address or the address (if any) in Malaysia supplied by him to the Company for the giving of notices to him: or*
- (2) by sending it by courier addressed to the Member at his registered address in Malaysia as appearing in the Register of Members and the Record of Depositors or the address (if any) in Malaysia supplied by him to the Company for the giving of notices to him.*

A member who has not supplied to the Company an address within Malaysia for the service of notices shall not be entitled to receive notices from the Company.”

to:

“The Company may give any notice or other documents to a Member either:-

- (1) personally or by sending it by post in a prepaid envelope addressed to the Member at his registered address as appearing in the Register of Members and the Record of Depositors: or*
- (2) by sending it by courier addressed to the Member at his registered address in Malaysia as appearing in the Register of Members and the Record of Depositors”.*

AT SYSTEMATIZATION BERHAD

(Company No. 644800-X)

(Incorporated in Malaysia)

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 Ninth Annual General Meeting of the Company to be held at Meranti Room, Level 2, Hotel Equatorial Melaka, Bandar Hilir, 75000 Melaka on Monday, August 26, 2013 at 8.00 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 RM242,000 for the financial year ending February 28, 2014 and payment of such Fees to the Directors of the Company. | | |
| 2. To re-elect the following Directors retiring under the respective provisions of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:- Dato' Sri Ahmad Said Bin Hamdan (Article 132) | | |
| 3. Mr. Cham Owi Tong (Article 137) | | |
| 4. Mr. Chang Vun Lung (Article 137) | | |
| 5. Mr. Mak Siew Wei (Article 137) | | |
| 6. To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. | | |
| 7. To pass the following resolutions under Special Business :- <u>Ordinary Resolution</u> Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 8. <u>Special Resolution</u> Alteration of the Articles of Association. | | |

| |
|-----------------------------------|
| Number of Ordinary Shares held |
| |

Signature of Member (s) _____

Signed this day of....., 2013.

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 Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 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)
Suite S-21-H, 21st Floor,
Menara Northham,
55, Jalan Sultan Ahmad Shah,
10050 Penang.

Please fold across the line and close

**AT SYSTEMATIZATION BERHAD (644800-X)**

PLOT 82, LINTANG BAYAN LEPAS, PHASE 4,
BAYAN LEPAS INDUSTRIAL PARK,
11900 BAYAN LEPAS, PENANG
TEL: 6-04-6447771 FAX: 6-04-6447773

Registered Office:
Suite S-21-H, 21st Floor,
Menara Northam,
55 Jalan Sultan Ahmad Shah,
10050 Penang

August 6, 2013

To: Our Shareholders

Dear Sir/Madam,

ADDENDUM AND ERRATA TO THE ANNUAL REPORT 2013

With reference to the Notice of the Ninth Annual General Meeting under Explanatory Notes on Special Business (Note 1) on Page 87 of the Annual Report 2013, we wish to inform that as at the date of the notice, **509,500** new shares were issued pursuant to the mandate granted to the Directors at the Eighth Annual General Meeting instead of **17,895,000** as stated previously. We also wish to add that the following paragraph should be included immediately after the second paragraph:-

As of July 20, 2013, the Company has utilised the proceeds of RM0.509 million as follows:

| Description | Note | Proposed utilization of proceeds (RM'000) | Actual utilization (RM'000) | Balance (RM'000) | Estimated timeframe for the utilisation of proceeds (RM'000) |
|--|------|---|-----------------------------|------------------|--|
| Purchase of glove counting machines | (a) | 300 | 0 | 300 | Within three (3) months |
| Development and production of wheelchair washing machines | (b) | 189 | 102 | 87 | Within three (3) months |
| Estimated expenses in relation to the Proposed Private Placement | (c) | 20 | 15 | 5 | Within one (1) month |
| Total | | 509 | 117 | 392 | |

Notes:

- (a) *RM300,000 will be set aside for the purchase of eight (8) sets of glove counting machines to be imported from China. These glove counting machines will be marketed and traded with local glove manufacturers in Malaysia. AT will also provide maintenance services to the local buyers of the said machine.*
- (b) *RM189,500 of the gross proceeds will be allocated to further the implementation of the development and production of wheel-chair washing machines. The Company has developed the prototype and holds the rights to manufacture the wheel-chair washing machines.*
- (c) *The estimated expenses relating to the Proposed Private Placement of RM20,000 comprise the professional fees, fees payable to relevant authorities and other miscellaneous expenses. Any surplus or shortfall of the estimated expenses for the Proposed Private Placement will be adjusted accordingly to the working capital of the Group.*

Kindly also note that the gross proceeds raised from the Private Placement mentioned under 'Other Disclosure Requirements – Utilization of Proceeds' on Page 24 should be read as **RM509,500** instead of **RM560,450** and the table on the utilization of proceeds will be superseded with the above table accordingly.

We apologize for any inconvenience caused.

Yours faithfully,
Cham Owi Tong
Executive Director



AT Systematization Berhad (644800-X)

Plot 82, Lintang Bayan Lepas, Bayan Lepas Industrial Park,
Phase IV, 11900 Bayan Lepas, Penang, Malaysia.

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