



AT Systematization Berhad (644800-X)



Annual Report 2009

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BOARD OF DIRECTORS

Beh Lai Lien
Executive Chairman / Managing Director

Lai Siaw Ling
Executive Director

Wong Pow Keong
Executive Director

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

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

Ooi Eng Guan (Appointed w.e.f. 30 January 2009)
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

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

Ooi Eng Guan (Appointed w.e.f. 30 January 2009)
Non-Independent Non-Executive Director

Lai Siaw Ling (Resigned w.e.f. 30 January 2009)
Executive Director

REMUNERATION COMMITTEE

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

Members
Lai Siaw Ling
Executive Director

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

NOMINATION COMMITTEE

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

Member
Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)
How Wee Ling (MAICSA 7033850)

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

SOLICITOR

Salina, Lim Kim Chuan & Co.
51-15-C2, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604 228 2785
Fax : 604 228 3161

PRINCIPAL BANKERS

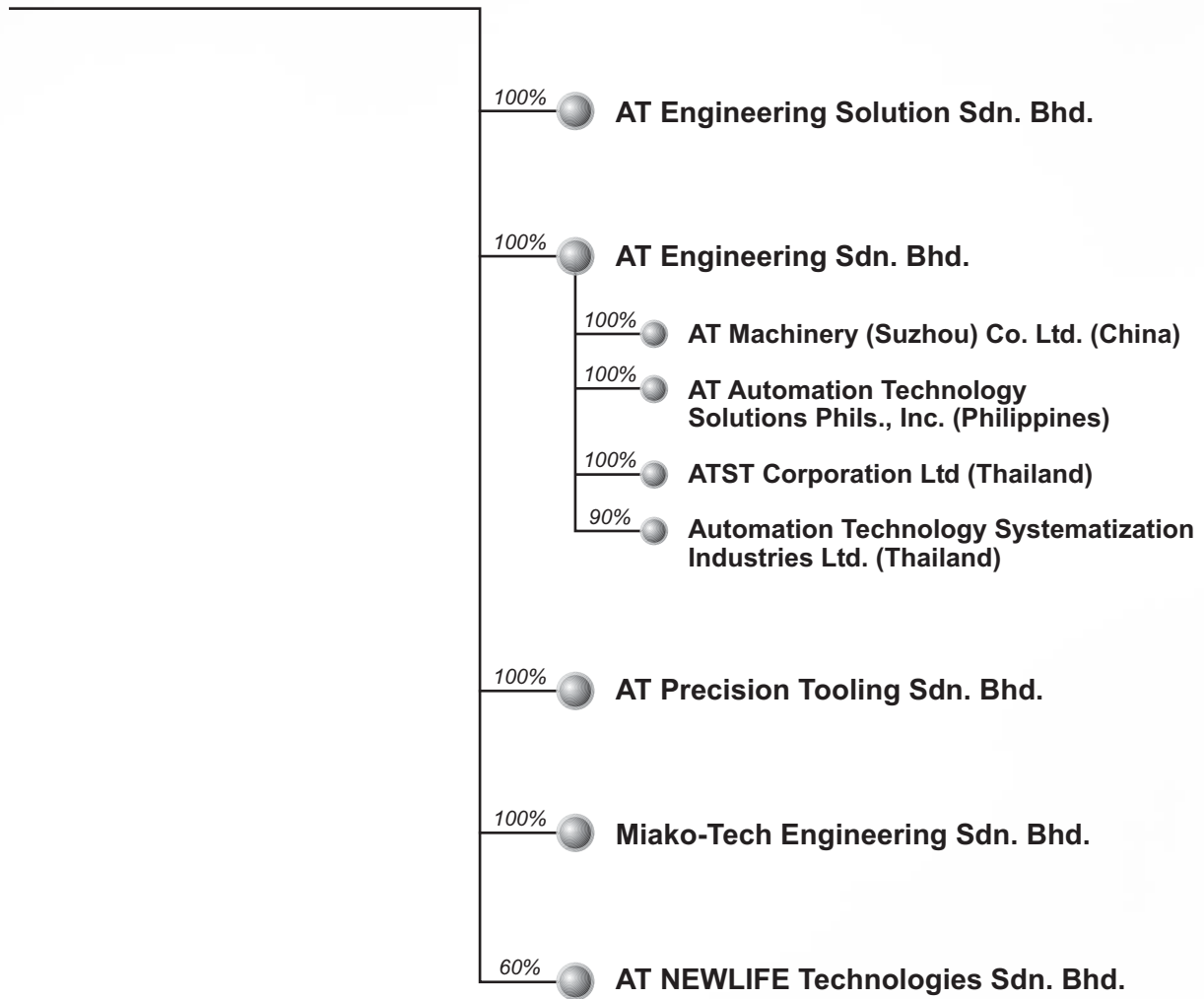
Malayan Banking Berhad (3812-K)
Public Bank Berhad (6463-H)

STOCK EXCHANGE LISTING

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



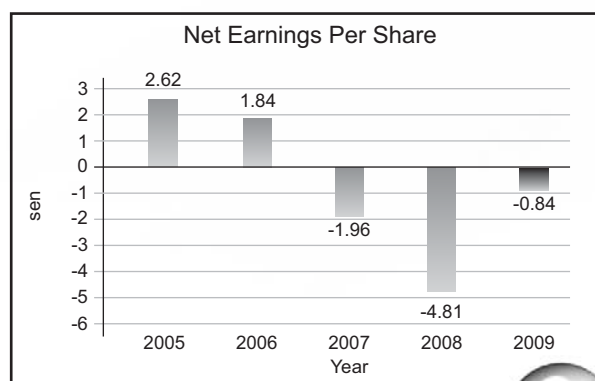
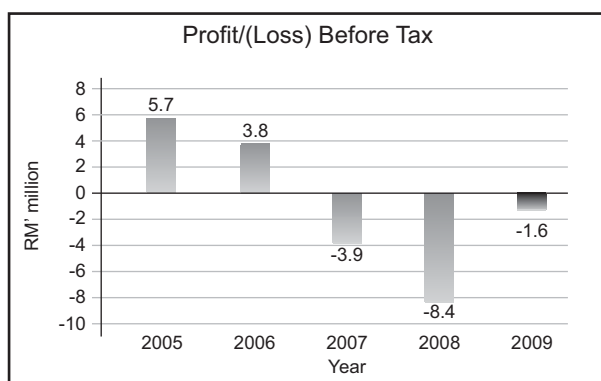
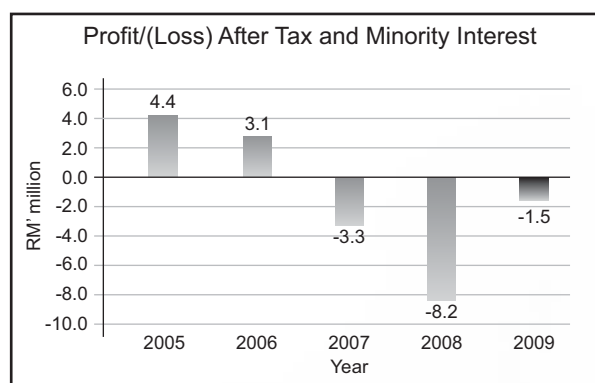
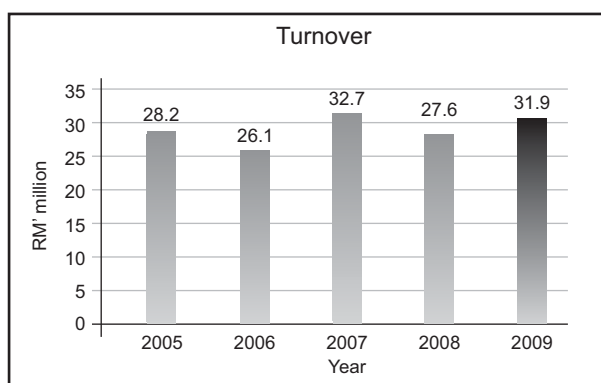
AT Systematization Berhad
(644800-X)



5 Years Financial Highlights

	Proforma	Audited	Audited	Audited	Audited
	FYE 28 February 2005 RM'000	FYE 28 February 2006 RM'000	FYE 28 February 2007 RM'000	FYE 29 February 2008 RM'000	FYE 28 February 2009 RM'000
Turnover	28,188	26,125	32,684	27,578	31,877
Profit/(Loss) Before Tax	5,659	3,805	(3,870)	(8,441)	(1,590)
Profit/(Loss) After Tax and Minority Interest	4,380	3,088	(3,289)	(8,238)	(1,512)
Weighted Average Number of Shares in Issue ('000)	167,451	167,451	167,451	171,316	178,951
Net Earnings Per Share (sen)	2.62	1.84	(1.96)	(4.81)	(0.84)

The financial highlights for the financial year ended 28 February 2005 are based on the assumption that the Group had been in existence throughout the financial year and are presented on proforma basis.



On behalf of the Board of Directors, I have great pleasure to present the Annual Report of the Company for the financial year ended 28 February 2009.

FINANCIAL RESULTS

For the financial year ended 28 February 2009, the Group's revenue increased by 15.6% to RM31.9 million as compared to RM27.6 million recorded in the previous financial year. In line with the higher revenue achieved in the financial year under review and coupled with the cost control measures, the net results of the Group has improved from net loss of RM8.3 million to net loss of RM1.6 million in the financial year under review.

BUSINESS PROSPECTS

Global economic outlook for the year 2009 is expected to be adversely affected by the global economic crisis and financial meltdown in USA triggered by subprime mortgage crisis in 2008. The collapse of the US financial markets brings contagion effects across most of the world economies including Asian countries, tightening credit financing and dampening industrial and consumer spending. During this uncertain economic situation, the Group has initiated aggressive cost rationalization and cost control measures to contain its operating expenses as well as propelling it towards efficient operating excellence. The Group will constantly review its manufacturing processes in order to deliver quality products at competitive price and to eliminate waste. We are confident that the Group is in a better position today to support our existing customers. The Board of Directors feels the slow-down of the semiconductors industry which we generally support and foresee the demand for semiconductors is likely to decline moderately in short term. Apart from continuously supporting our customers in semiconductors and electronics industry, sales and marketing department has established contacts and penetrated into other industries in order to expand our products. We continue to build on our strengths and will re-strategize our business models. Barring any unforeseen circumstances, the Group expects to achieve better results in the next financial year.

APPRECIATION

On behalf of the Board, I would like to thank our management team and employees for their efforts, dedication and commitment in the Group.

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

Beh Lai Lien

Executive Chairman/ Managing Director

Beh Lai Lien

Executive Chairman cum Managing Director

Mr. Beh Lai Lien, aged 54, a Malaysian, is the Executive Chairman cum Managing Director of AT Systematization Berhad ("ATS"). He was appointed to the Board on 22 December 2004.

Mr. Beh graduated in 1979 with a Diploma in Mechanical Engineering, from the Wellington Polytechnic (now known as Massey University) in Wellington, New Zealand. As the founder of the ATS Group, he has contributed significantly to the growth and success of the Group. He has accumulated approximately 28 years of experience in the Industrial Automation Systems and Machinery business.

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

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

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

Lai Siaw Ling

Executive Director

Mr Lai Siaw Ling, aged 46, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on 22 December 2004 and is a member of the Remuneration Committee of the Company.

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

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

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

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

Wong Pow Keong

Executive Director

Mr. Wong Pow Keong, aged 43, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on 22 December 2004.

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

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

Mohd Daniel Bin Mat Noh

Independent Non-Executive Director

Encik Mohd Daniel Bin Mat Noh, aged 50, a Malaysian, was appointed as an Independent Non-Executive Director of ATS on 22 December 2004 and is also a member of Audit, Nomination and Remuneration Committees of the Company.

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

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

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

Mr. Hui Khee Sum @ Hooi Kee Sum, aged 66, a Malaysian, was appointed as an Independent Non-Executive Director of ATS on 22 December 2004 and is also a member of Audit, Nomination and Remuneration Committees of the Company. He is a Fellow Member of The Institute of Chartered Accountants in England & Wales. He did his accountancy articleship in London and qualified as Chartered Accountant in 1969.

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

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

Ooi Eng Guan
Non-Independent Non-Executive Director

Mr. Ooi Eng Guan, aged 37, a Malaysian, is a Non-Independent Non-Executive Director of ATS. He was appointed to the Board on 30 January 2009.

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

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

Other information on Directors:-

- (i) The securities in the Company held by Directors are as disclosed on page 73 of this Annual Report.
- (ii) None of the Directors have any directorship in other public companies in Malaysia.
- (iii) None of the Directors of the Company has been convicted of any offences within the past 10 years other than traffic offenses, if any.

Audit Committee

The present members of the Committee comprise:-

Mohd Daniel Bin Mat Noh
Chairman
Independent Non-Executive Director

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

Ooi Eng Guan (Appointed w.e.f. 30 January 2009)
Member
Non-Independent Non-Executive Director

Lai Siaw Ling (Resigned w.e.f. 30 January 2009)
Member
Executive Director

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. OBJECTIVES

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

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

2. MEMBERSHIP AND COMPOSITION

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

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

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

3. AUTHORITY

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

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

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

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

4. DUTIES AND RESPONSIBILITIES

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

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

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

- Review any related party transaction and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market and other legislative and reporting requirements;
- Review the external auditors' management letter and management's response;
- Able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary;
- Consider the major findings of internal investigations and management's response; and
- Performing any other relevant duties assigned by the Board of Directors.

5. MEETINGS

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

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

6. QUORUM AND REPORTING PROCEDURES

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

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

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

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

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

7. ATTENDANCE OF MEETINGS

The information on the attendance of each member at the Committee meetings held during the financial year ended 28 February 2009 was as follows:-

Name	No. of Meetings Held	Attendance
Mohd Daniel Bin Mat Noh	4	4
Hui Khee Sum @ Hooi Kee Sum	4	4
Lai Siaw Ling (Resigned w.e.f. 30 January 2009)	4	4
Ooi Eng Guan (Appointed w.e.f. 30 January 2009)	N/A	N/A

8. SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 28 February 2009 were as follows:-

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

9. INTERNAL AUDIT FUNCTION

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

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

The cost incurred for the internal audit function during the financial year ended 28 February 2009 amounted to RM15,000.

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

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

As at 28 February 2009, the Company has not granted any option under ESOS to the Directors and eligible employees of the Group.

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

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

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

A. BOARD OF DIRECTORS

The role of the Board

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

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

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

Board Balance

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

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

Board Balance (Cont'd)

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

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

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

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

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

Board Meeting

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

There were four (4) Board Meeting held during the financial year ended 28 February 2009. The record of attendance for each Director at those meetings is set out below:-

Directors	Number of meetings attended
Beh Lai Lien	4/4
Lai Siaw Ling	4/4
Wong Pow Keong	4/4
Mohd Daniel Bin Mat Noh	4/4
Hui Khee Sum @ Hooi Kee Sum	4/4
Ooi Eng Guan (Appointed w.e.f. 30 January 2009)	N/A

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

Supply of Information

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

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

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

Appointment to the Board

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

Re-election of the Directors

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

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

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

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

Directors' Training

All directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia.

Directors' Training (Cont'd)

Other than Mr. Hui Khee Sum and Mohd Daniel Bin Mat Noh who were not able to attend any training due to their respective tight traveling schedules, the rest of the Directors of the Company attended various seminars and training programmes during the financial year ended 28 February 2009 as follows:

1. Building High Performance Team
2. The Executive Committee (TEC) Program
3. Financial Management
4. How to make decision: Six Hats Thinking
5. Can We Really Manage The Future
6. Innovate or Perish
7. Managing Foreign Currency Exposure
8. Guerrilla Business Intensive

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

Remuneration

The amounts of remuneration paid to Directors for the financial year ended 28 February 2009 are set out below:-

Category	Fees (RM)	Salaries & Employee Provident Fund (RM)	Other Emoluments (RM)	Benefits in-kind (RM)	Total (RM)
Executive Directors	108,000	1,139,004	6,000	71,850	1,324,854
Non-Executive Directors	72,000	-	-	-	72,000

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

Remuneration bands	Number of Directors	
	Executive	Non Executive
Below RM50,000	-	3
RM300,001-RM350,000	1	-
RM400,001-RM450,000	1	-
RM600,001-RM650,000	1	-

B. Board Committees

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

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

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

Audit Committee

The terms of reference and the function of the Audit Committee are discussed on pages 9 to 12 of the Annual Report 2009.

Nomination Committee

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

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

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

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

Remuneration Committee

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

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

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

C. SHAREHOLDERS

Relationship with Shareholders and Investors

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

C. SHAREHOLDERS (Cont'd)

Relationship with Shareholders and Investors (Cont'd)

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

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

D. ACCOUNTABILITY AND AUDIT

i Financial Reporting

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

ii Internal Control

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

iii Relationship with the Auditors

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

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

Compliance Statement

Throughout the financial year ended 28 February 2009, the Group has complied, with all the Best Practices of corporate governance set out in Part 2 to the Code, except for the following:

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

This statement was made in accordance with a resolution of the Board dated 25 June 2009.

Statement of Directors' Responsibilities

Pursuant to Rule 15.26 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market

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

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

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

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

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

This statement was made in accordance with a resolution of the Board dated 25 June 2009.

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

RESPONSIBILITY

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

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

RISK MANAGEMENT FRAMEWORK

This enterprise risk management framework addresses the following key initiatives:

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

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to a professional firm of consultants, which provides the Board with much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The cost incurred for the internal audit function for the year ended 28 February 2009 amounted to RM15,000.

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

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

KEY ELEMENTS OF INTERNAL CONTROL

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

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

Based on the internal auditors' report for the financial year ended 28 February 2009, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. The Board is of the view that there were no significant weaknesses in internal control which resulted in material losses, contingencies or uncertainties during the financial year.

This statement was made in accordance with a resolution of the Board dated 25 June 2009.

Utilisation of Proceeds

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

Share Buy-backs

During the financial year ended 28 February 2009, the Group did not enter into any share buyback transactions.

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

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

Imposition of Sanctions / Penalties

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

Non-Audit Fees

Except for the total fees of RM13,600 incurred in respect of services for tax compliance work, there was no other Non-Audit fee paid to the external auditors or company affiliated to the auditors' firm by the Group during the financial year.

Profit Guarantees

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

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interest either still subsisting as at 28 February 2009 or entered into since the end of the previous financial year.

Revaluation Policy

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

Options, Warrants or Convertible Securities

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

Corporate Social Responsibilities (“CSR”)

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

Recurrent related party transactions of revenue nature

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

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Directors' 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 2009.

PRINCIPAL ACTIVITIES

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

RESULTS

	The Group RM	The Company RM
Net (loss)/profit for the financial year attributable to shareholders of the Company	<u>(1,511,651)</u>	<u>82,454</u>

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

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

EMPLOYEE SHARE OPTION SCHEME

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

EMPLOYEE SHARE OPTION SCHEME (cont'd)

The principal features of the ESOS are as follows:-

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

As at 28 February 2009, the Company has not granted any option to the Group's eligible employees.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS OF THE COMPANY

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

Beh Lai Lien
 Lai Siaw Ling
 Wong Pow Keong
 Hui Khee Sum @ Hooi Kee Sum
 Mohd Daniel Bin Mat Noh
 Ooi Eng Guan (appointed on 30.1.2009)

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

Name of Director	Number of Ordinary Shares of RM0.10 Each					
	Direct Interest			Deemed Interest		
	At 1.3.2008/*	Bought	Sold	At 28.2.2009	At 1.3.2008/*	At 28.2.2009
Beh Lai Lien	1,089,174	398,100	0	1,487,274	84,547,324	84,547,324
Lai Siaw Ling	12,718	0	0	12,718	84,412,124	84,412,124
Wong Pow Keong	250,000	155,000	0	405,000	84,412,124	84,412,124
Hui Khee Sum @ Hooi Kee Sum	100,000	0	0	100,000	0	0
Mohd Daniel Bin Mat Noh	115,000	0	0	115,000	0	0
Ooi Eng Guan	0*	0	0	0	0*	0

* Date of appointment

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

DIRECTORS' BENEFITS

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

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

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 19 JUNE 2009**

Lai Siaw Ling

Wong Pow Keong

Statement by Directors & Statutory Declaration

STATEMENT BY DIRECTORS

We, Lai Siaw Ling and Wong Pow Keong, being two of the directors of AT Systematization Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 33 to 71 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 28 February 2009 and of their financial performance and cash flows for the financial year then ended.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 19 JUNE 2009**

Lai Siaw Ling

Wong Pow Keong

STATUTORY DECLARATION

I, Lee Chee Tatt, being the officer primarily responsible for the financial management of AT Systematization Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 71 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee Chee Tatt at Georgetown in the
State of Penang on this 19 June 2009

Lee Chee Tatt

Before me

Karupayee Kamalam A/P R.Mottai
Commissioner for Oaths

Independent Auditors' Report to the Members

of AT SYSTEMATIZATION BERHAD (Incorporated in Malaysia)

Company No: 644800-X

Report on the Financial Statements

We have audited the financial statements of AT Systematization Berhad ("the Company") and its subsidiaries ("the Group") set out on pages 33 to 71, which comprise the balance sheets as at 28 February 2009, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report to the Members

of AT SYSTEMATIZATION BERHAD (Incorporated in Malaysia)

Company No: 644800-X (Cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Act so as to give a true and fair view of the financial position of the Group and the Company as at 28 February 2009 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

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

Other Matters

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

Horwath

Firm No: AF 1018
Chartered Accountants

Penang

19 June 2009

Onn Kien Hoe

Approval No: 1772/09/10 (J/PH)
Partner

Consolidated Balance Sheet

As At 28 February 2009

	Note	2009 RM	2008 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	26,749,148	28,419,618
Prepaid lease payments	5	5,209,014	5,319,934
Investment property	6	550,000	1,101,600
Development expenditure	8	218,021	298,121
		<u>32,726,183</u>	<u>35,139,273</u>
CURRENT ASSETS			
Assets held for sale	9	780,000	0
Inventories	10	3,694,045	4,868,061
Trade receivables	11	7,241,622	8,333,507
Other receivables, deposits and prepayments		1,207,530	1,144,148
Current tax assets		31,143	466,450
Cash and bank balances	12	2,161,264	2,093,878
		<u>15,115,604</u>	<u>16,906,044</u>
CURRENT LIABILITIES			
Trade payables	13	3,448,990	4,152,052
Other payables and accruals		1,951,594	3,181,330
Hire purchase payables	14	1,099,000	916,315
Bank borrowings - secured	15	5,564,242	5,024,732
Current tax liabilities		320	5,655
		<u>12,064,146</u>	<u>13,280,084</u>
NET CURRENT ASSETS		3,051,458	3,625,960
NON-CURRENT LIABILITIES			
Hire purchase payables	14	2,145,180	2,578,507
Term loans - secured	16	9,407,291	10,952,102
Deferred tax liabilities	17	350,000	355,000
		<u>11,902,471</u>	<u>13,885,609</u>
NET ASSETS		<u>23,875,170</u>	<u>24,879,624</u>
FINANCED BY:-			
Share capital	18	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Revaluation surplus		180,000	0
Currency translation reserve		229,891	(150,011)
Accumulated losses		(5,496,089)	(3,984,438)
SHAREHOLDERS' EQUITY		<u>23,557,417</u>	<u>24,509,166</u>
Minority interest		317,753	370,458
TOTAL EQUITY		<u>23,875,170</u>	<u>24,879,624</u>

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

Consolidated Income Statement

For The Financial Year Ended 28 February 2009

	Note	2009 RM	2008 RM
Revenue	19	31,877,353	27,578,362
Other income		1,277,026	499,782
Changes in inventories of work-in-progress and finished goods		(1,281,599)	467,820
Raw materials and consumables used		(11,821,068)	(13,404,304)
Amortisation and depreciation		(3,180,625)	(2,861,491)
Employee benefits expense	20	(12,065,999)	(12,542,402)
Impairment loss of property, plant and equipment		(321,618)	0
Finance costs	21	(1,369,356)	(1,210,095)
Other expenses		(4,703,729)	(6,968,493)
Loss before tax	22	<u>(1,589,615)</u>	<u>(8,440,821)</u>
Tax income	23	16,391	165,618
Net loss for the year		<u>(1,573,224)</u>	<u>(8,275,203)</u>
Attributable to:-			
- Shareholders of the Company		(1,511,651)	(8,238,313)
- Minority interest		(61,573)	(36,890)
		<u>(1,573,224)</u>	<u>(8,275,203)</u>
Loss per share (sen)			
	24		
- Basic		<u>(0.84)</u>	<u>(4.81)</u>
- Diluted		<u>(0.84)</u>	<u>(4.81)</u>

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

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 28 February 2009

	Non-distributable							Total equity RM
	Share capital RM	Share premium RM	Revaluation surplus RM	Currency translation reserve RM	Retained profits/ (Accumulated losses) RM	Shareholders' equity RM	Minority interest RM	
Balance at 1 March 2007	16,745,077	10,678,367	0	(129,673)	4,253,875	31,547,646	415,313	31,962,959
Issue of shares	1,150,000	172,500	0	0	0	1,322,500	0	1,322,500
Share issue expenses	0	(102,329)	0	0	0	(102,329)	0	(102,329)
Currency translation differences	0	0	0	(20,338)	0	(20,338)	(7,965)	(28,303)
Net loss recognised directly in equity	0	(102,329)	0	(20,338)	0	(122,667)	(7,965)	(130,632)
Net loss for the year	0	0	0	0	(8,238,313)	(8,238,313)	(36,890)	(8,275,203)
Total recognised expense	0	(102,329)	0	(20,338)	(8,238,313)	(8,360,980)	(44,855)	(8,405,835)
Balance at 29 February 2008	17,895,077	10,748,538	0	(150,011)	(3,984,438)	24,509,166	370,458	24,879,624
Revaluation increase of buildings	0	0	180,000 *	0	0	180,000	0	180,000
Currency translation differences	0	0	0	379,902	0	379,902	8,868	388,770
Net gain recognised directly in equity	0	0	180,000	379,902	0	559,902	8,868	568,770
Net loss for the year	0	0	0	0	(1,511,651)	(1,511,651)	(61,573)	(1,573,224)
Total recognised income/(expense)	0	0	180,000	379,902	(1,511,651)	(951,749)	(52,705)	(1,004,454)
Balance at 28 February 2009	17,895,077	10,748,538	180,000	229,891	(5,496,089)	23,557,417	317,753	23,875,170
Gross revaluation increase			240,000					
Deferred tax effects thereof (Note 17)			(60,000)					
			180,000 *					

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

Consolidated Cash Flow Statement

For The Financial Year Ended 28 February 2009

	Note	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,589,615)	(8,440,821)
Adjustments for:-			
Allowance for doubtful debts		63,100	0
Allowance for doubtful debts written-back		(50,000)	(25,000)
Allowance for slow moving inventories		0	103,300
Amortisation and depreciation		3,180,625	2,861,491
Bad debts written-off		6,851	383,775
Development expenditure written-off		0	12,097
Gain on disposal of property, plant and equipment		(12,051)	(60,959)
Gain on disposal of subsidiary		0	(110,000)
Gain on fair value adjustment of investment property		(228,400)	0
Impairment loss of property, plant and equipment		321,618	0
Interest expense		1,369,356	1,210,095
Interest income		(4,562)	(21,362)
Inventories written-down		495,146	0
Inventories written-off		0	48,694
Revaluation decrease of property, plant and equipment		355,270	0
Operating profit/(loss) before working capital changes		<u>3,907,338</u>	<u>(4,038,690)</u>
Decrease/(Increase) in inventories		678,870	(1,124,977)
Decrease in receivables		1,008,552	8,258,134
Decrease in payables		<u>(1,932,798)</u>	<u>(598,356)</u>
Cash generated from operations		3,661,962	2,496,111
Interest paid		(1,369,356)	(1,210,095)
Tax paid		(50,828)	(69,421)
Tax refunded		432,191	0
Net cash from operating activities		<u>2,673,969</u>	<u>1,216,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,562	21,362
Proceeds from disposal of property, plant and equipment		15,330	638,548
Proceeds from disposal of subsidiary		0	210,000
Purchase of property, plant and equipment	25	<u>(945,790)</u>	<u>(2,776,869)</u>
Net cash used in investing activities		(925,898)	(1,906,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term bank borrowings (net)		(101,566)	(503,623)
Issue of shares		0	1,322,500
Repayment of hire purchase obligations		(1,002,642)	(849,760)
Repayment of term loans		(1,437,669)	(1,395,321)
Share issue expenses paid		0	(102,329)
Net cash used in financing activities		<u>(2,541,877)</u>	<u>(1,528,533)</u>
Currency translation differences		327,258	(9,287)
Net decrease in cash and cash equivalents		<u>(466,548)</u>	<u>(2,228,184)</u>
Cash and cash equivalents brought forward		(1,336,078)	892,106
Cash and cash equivalents carried forward	25	<u>(1,802,626)</u>	<u>(1,336,078)</u>

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

Balance Sheet

As At 28 February 2009

	Note	2009 RM	2008 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	55,284	63,628
Investment in subsidiaries	7	<u>15,036,412</u>	<u>15,036,412</u>
		15,091,696	15,100,040
CURRENT ASSETS			
Deposits		0	110
Amounts owing by subsidiaries	7	12,957,575	12,861,607
Cash and bank balances	12	91,281	134,126
		<u>13,048,856</u>	<u>12,995,843</u>
CURRENT LIABILITIES			
Non-trade payables and accruals		181,672	226,457
		<u>181,672</u>	<u>226,457</u>
NET CURRENT ASSETS			
		12,867,184	12,769,386
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	7,000	0
NET ASSETS			
		<u>27,951,880</u>	<u>27,869,426</u>
FINANCED BY:-			
Share capital	18	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Accumulated losses		(691,735)	(774,189)
SHAREHOLDERS' EQUITY		<u>27,951,880</u>	<u>27,869,426</u>

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

Income Statement

For The Financial Year Ended 28 February 2009

	Note	2009 RM	2008 RM
Revenue	19	1,680,000	1,637,352
Depreciation		(8,344)	(8,247)
Employee benefits expense	20	(1,250,044)	(1,391,806)
Other expenses		(332,158)	(744,437)
Profit/(Loss) before tax	22	<u>89,454</u>	<u>(507,138)</u>
Tax (expense)/income	23	(7,000)	9,396
Net profit/(loss) for the year		<u>82,454</u>	<u>(497,742)</u>

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

Statement Of Changes In Equity

For The Financial Year Ended 28 February 2009

	Share capital RM	<u>Non- distributable</u> Share premium RM	Accumulated losses RM	Shareholders' equity RM
Balance at 1 March 2007	16,745,077	10,678,367	(276,447)	27,146,997
Issue of shares	1,150,000	172,500	0	1,322,500
Share issue expenses	0	(102,329)	0	(102,329)
Net loss for the year	0	0	(497,742)	(497,742)
Total recognised expense	0	(102,329)	(497,742)	(600,071)
Balance at 29 February 2008	<u>17,895,077</u>	<u>10,748,538</u>	<u>(774,189)</u>	<u>27,869,426</u>
Net profit for the year	0	0	82,454	82,454
Balance at 28 February 2009	<u>17,895,077</u>	<u>10,748,538</u>	<u>(691,735)</u>	<u>27,951,880</u>

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

Cash Flow Statement

For The Financial Year Ended 28 February 2009

	Note	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		89,454	(507,138)
Adjustments for:-			
Depreciation		8,344	8,247
Loss on disposal of subsidiary		0	292,002
Operating profit/(loss) before working capital changes		<u>97,798</u>	<u>(206,889)</u>
Increase in receivables		(95,858)	(1,476,917)
Decrease in payables		<u>(44,785)</u>	<u>(732,702)</u>
Net cash used in operating activities		(42,845)	(2,416,508)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of subsidiary		0	210,000
Purchase of property, plant and equipment	25	0	(15,928)
Subscription for shares in subsidiaries		0	(1,600,000)
Net cash used in investing activities		<u>0</u>	<u>(1,405,928)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		0	1,322,500
Share issue expenses paid		<u>0</u>	<u>(102,329)</u>
Net cash from financing activities		0	1,220,171
Net decrease in cash and cash equivalents		<u>(42,845)</u>	<u>(2,602,265)</u>
Cash and cash equivalents brought forward		134,126	2,736,391
Cash and cash equivalents carried forward	25	<u>91,281</u>	<u>134,126</u>

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

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009

1. GENERAL INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 19 June 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

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

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

On 1 March 2008, the Group and the Company adopted the following revised FRSs and new IC Interpretation which are relevant to their operations and effective for financial periods beginning on or after 1 July 2007:-

FRS 107 *Cash Flow Statements*
FRS 112 *Income Taxes*
FRS 118 *Revenue*
FRS 134 *Interim Financial Reporting*
FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
IC Interpretation 8 *Scope of FRS 2*

The adoption of these revised FRSs and new IC Interpretation did not result in any significant changes in the accounting policies 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 FRSs and IC Interpretations which have been issued as at the balance sheet date but are not yet effective:-

Standard/Interpretation	Effective for financial periods beginning on or after
FRS 4 <i>Insurance Contracts</i>	1 January 2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8 <i>Operating Segments</i>	1 July 2009
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2010

FRS 4 and IC Interpretation 9 will not be applicable to the Group and the Company. The adoption of FRS 8 and IC Interpretation 10 is not expected to have any significant impacts on the financial statements. By virtue of the exemptions given by FRS 7 and FRS 139, the impacts on the financial statements upon initial application of these FRSs are not disclosed.

2.2 Basis of Consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Financial Instruments

Recognised Financial Instruments

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

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 28 to the financial statements.

Fair Values

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

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

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

2.4 Property, Plant and Equipment

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, Plant and Equipment (cont'd)

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

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

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

2.5 Investment Property

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

2.6 Investment in Subsidiaries

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

2.7 Research and Development Expenditure

Research expenditure is recognised as an expense when incurred.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Non-current Assets Held for Sale

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

2.9 Impairment of Assets

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

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

2.10 Inventories

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

2.11 Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Payables

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

2.13 Leases

Finance Lease

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

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

Operating Lease

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

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

2.14 Loans and Borrowings

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Foreign Currency Transactions and Translation

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

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

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

2.16 Share Capital

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

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

2.17 Income Recognition

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

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

Interest income is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Income Taxes

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

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

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

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

2.19 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Employee Benefits (cont'd)

Equity Compensation Benefits

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

2.20 Cash and Cash Equivalents

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

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

Critical Judgements

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

(i) Allowance for Inventories

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

(ii) Allowance for Doubtful Debts

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

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)

Key Sources of Estimation Uncertainty

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

(i) Amortisation and Depreciation

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

(ii) Impairment of Assets

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

(iii) Income Taxes

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

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Cost/Valuation</u>						
Balance at 1 March 2007	5,083,984	11,110,927	4,620,700	3,885,746	9,390,617	34,091,974
Additions	0	2,755,971	1,041,312	20,240	1,232,880	5,050,403
Disposals/Write-off	0	(452,039)	(50,008)	(342,359)	0	(844,406)
Reclassification	10,301,879	0	0	0	(10,301,879)	0
Currency translation differences	0	(9,859)	(10,263)	(510)	0	(20,632)
Balance at 29 February 2008	15,385,863	13,405,000	5,601,741	3,563,117	321,618	38,277,339
Representing:-						
Cost	15,385,863	13,405,000	5,601,741	3,563,117	321,618	38,277,339
Balance at 1 March 2008	15,385,863	13,405,000	5,601,741	3,563,117	321,618	38,277,339
Additions	0	1,576,734	120,432	624	0	1,697,790
Disposals/Write-off	0	(3,400)	(6,252)	(42,393)	0	(52,045)
Reclassification	0	0	106,915	(106,915)	0	0
Revaluation	(895,863)	0	0	0	0	(895,863)
Currency translation differences	0	36,000	57,206	23,966	0	117,172
Balance at 28 February 2009	14,490,000	15,014,334	5,880,042	3,438,399	321,618	39,144,393
Representing:-						
Cost	0	15,014,334	5,880,042	3,438,399	321,618	24,654,393
Valuation	14,490,000	0	0	0	0	14,490,000
	14,490,000	15,014,334	5,880,042	3,438,399	321,618	39,144,393
<u>Depreciation and Impairment Loss</u>						
Balance at 1 March 2007						
- Accumulated depreciation	182,585	3,581,072	2,098,126	1,581,164	0	7,442,947
- Accumulated impairment loss	0	0	0	0	0	0
	182,585	3,581,072	2,098,126	1,581,164	0	7,442,947
Depreciation	290,291	1,231,107	661,733	500,076	0	2,683,207
Disposals/Write-off	0	(13,496)	(9,979)	(243,342)	0	(266,817)
Currency translation differences	0	(429)	(1,214)	27	0	(1,616)
Balance at 29 February 2008	472,876	4,798,254	2,748,666	1,837,925	0	9,857,721
- Accumulated depreciation	0	0	0	0	0	0
- Accumulated impairment loss	472,876	4,798,254	2,748,666	1,837,925	0	9,857,721
Depreciation	307,717	1,450,977	741,767	489,144	0	2,989,605
Impairment loss	0	0	0	0	321,618	321,618
Disposals/Write-off	0	(3,046)	(3,328)	(42,392)	0	(48,766)
Revaluation	(780,593)	0	0	0	0	(780,593)
Currency translation differences	0	6,938	31,475	17,247	0	55,660
Balance at 28 February 2009	0	6,253,123	3,518,580	2,301,924	0	12,073,627
- Accumulated depreciation	0	0	0	0	321,618	321,618
- Accumulated impairment loss	0	6,253,123	3,518,580	2,301,924	321,618	12,395,245
<u>Carrying Amount</u>						
Balance at 1 March 2007	4,901,399	7,529,855	2,522,574	2,304,582	9,390,617	26,649,027
Balance at 29 February 2008	14,912,987	8,606,746	2,853,075	1,725,192	321,618	28,419,618
Balance at 28 February 2009	14,490,000	8,761,211	2,361,462	1,136,475	0	26,749,148

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

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

The buildings of the Group were revalued on 28 February 2009 based on the value given by a firm of independent professional valuers using the open market value basis. Subsequent additions are shown at cost while disposals are at valuation or cost as appropriate. Had the buildings been stated in the financial statements at cost less accumulated depreciation, the carrying amount would be RM14,605,270 (2008 : RM14,912,987).

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

	2009 RM	2008 RM
Buildings	14,490,000	14,912,987
Plant, machinery, tools and equipment	<u>1,874,617</u>	<u>2,170,917</u>
	<u>16,364,617</u>	<u>17,083,904</u>

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

	2009 RM	2008 RM
Plant, machinery, tools and equipment	3,132,542	2,495,683
Furniture, fittings and office equipment	187,688	210,437
Motor vehicles	<u>982,000</u>	<u>1,495,437</u>
	<u>4,302,230</u>	<u>4,201,557</u>

The Company

	Furniture, fittings and office equipment RM
<u>Cost</u>	
Balance at 1 March 2007	67,515
Additions	<u>15,928</u>
Balance at 29 February 2008	83,443
Movement during the year	<u>0</u>
Balance at 28 February 2009	<u>83,443</u>
<u>Accumulated Depreciation</u>	
Balance at 1 March 2007	11,568
Depreciation	<u>8,247</u>
Balance at 29 February 2008	19,815
Depreciation	<u>8,344</u>
Balance at 28 February 2009	<u>28,159</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

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

	Furniture, fittings and office equipment RM
<u>Carrying Amount</u>	
Balance at 1 March 2007	<u>55,947</u>
Balance at 29 February 2008	<u>63,628</u>
Balance at 28 February 2009	<u>55,284</u>

5. PREPAID LEASE PAYMENTS

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Total RM
<u>Cost</u>			
Balance at 1 March 2007	1,500,000	4,132,000	5,632,000
Movement during the year	0	0	0
Balance at 29 February 2008	<u>1,500,000</u>	<u>4,132,000</u>	<u>5,632,000</u>
Movement during the year	0	0	0
Balance at 28 February 2009	<u>1,500,000</u>	<u>4,132,000</u>	<u>5,632,000</u>
<u>Accumulated Amortisation</u>			
Balance at 1 March 2007	90,000	123,883	213,883
Amortisation	30,000	68,183	98,183
Balance at 29 February 2008	<u>120,000</u>	<u>192,066</u>	<u>312,066</u>
Amortisation	30,000	80,920	110,920
Balance at 28 February 2009	<u>150,000</u>	<u>272,986</u>	<u>422,986</u>
<u>Carrying Amount</u>			
Balance at 1 March 2007	<u>1,410,000</u>	<u>4,008,117</u>	<u>5,418,117</u>
Balance at 29 February 2008	<u>1,380,000</u>	<u>3,939,934</u>	<u>5,319,934</u>
Balance at 28 February 2009	<u>1,350,000</u>	<u>3,859,014</u>	<u>5,209,014</u>

The leasehold land has been pledged to financial institutions for credit facilities granted to the Group.

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

6. INVESTMENT PROPERTY

The Group

<u>Fair Value</u>	Freehold land and buildings RM
Balance at 1 March 2007	1,101,600
Movement during the year	0
Balance at 29 February 2008	<u>1,101,600</u>
Fair value adjustment	228,400
Transfer to assets held for sale	<u>(780,000)</u>
Balance at 28 February 2009	<u>550,000</u>

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

The fair value was determined based on the value given by a firm of independent professional valuers using the open market value basis.

7. INVESTMENT IN SUBSIDIARIES

The Company

	2009 RM	2008 RM
Unquoted shares, at cost	<u>15,036,412</u>	<u>15,036,412</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Place of Incorporation	Ownership Interest Held		Principal Activity
		2009	2008	
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
Miako-Tech Engineering Sdn. Bhd.	Malaysia	100%	100%	Fabrication of industrial and engineering parts

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Place of Incorporation	Ownership Interest Held		Principal Activity
		2009	2008	
AT Newlife Technologies Sdn. Bhd.	Malaysia	60%	60%	Dormant
<u>Subsidiaries of AT Engineering Sdn. Bhd.</u>				
AT Machinery (Suzhou) Co. Ltd.*	People's Republic of China	100%	100%	Design and manufacture of industrial automation systems and machinery
Automation Technology Systematization Industries Ltd.*	Thailand	90%	90%	Design and manufacture of industrial automation systems and machinery and fabrication of industrial and engineering parts
ATST Corporation Ltd.*	Thailand	100%	100%	Dormant
AT Automation Technology Solutions Phils., Inc.*	Philippines	100%	100%	Dormant

* Not audited by Horwath

The amounts owing by subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

8. DEVELOPMENT EXPENDITURE

The Group

	RM
<u>Cost</u>	
Balance at 1 March 2007	412,598
Write-off	<u>(12,097)</u>
Balance at 29 February 2008	400,501
Movement during the year	<u>0</u>
Balance at 28 February 2009	<u>400,501</u>
<u>Accumulated Amortisation</u>	
Balance at 1 March 2007	22,279
Amortisation	<u>80,101</u>
Balance at 29 February 2008	102,380
Amortisation	<u>80,100</u>
Balance at 28 February 2009	<u>182,480</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

8. DEVELOPMENT EXPENDITURE (cont'd)

	RM
<u>Carrying Amount</u>	
Balance at 1 March 2007	<u>390,319</u>
Balance at 29 February 2008	<u>298,121</u>
Balance at 28 February 2009	<u>218,021</u>

9. ASSETS HELD FOR SALE

The Group

	2009 RM	2008 RM
Balance at 1 March	0	0
Freehold land and building transferred from investment property	<u>780,000</u>	<u>0</u>
Balance at 28/29 February	<u>780,000</u>	<u>0</u>

During the financial year, a subsidiary committed to a plan and entered into a sale and purchase agreement to sell the aforementioned land and building. The sale has yet to be completed as at the balance sheet date.

10. INVENTORIES

The Group

	2009 RM	2008 RM
Raw materials	2,078,600	2,090,324
Work-in-progress	1,367,961	1,873,296
Finished goods	<u>247,484</u>	<u>904,441</u>
	<u>3,694,045</u>	<u>4,868,061</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

11. TRADE RECEIVABLES

The Group

	2009 RM	2008 RM
Trade receivables	9,665,803	10,744,588
Allowance for doubtful debts	<u>(2,424,181)</u>	<u>(2,411,081)</u>
	<u>7,241,622</u>	<u>8,333,507</u>

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

	2009 RM	2008 RM
Ringgit Malaysia	3,677,362	4,893,499
Chinese Renminbi	826,466	566,207
Singapore Dollar	0	74,065
Thai Baht	2,324,286	2,171,759
US Dollar	<u>413,508</u>	<u>627,977</u>
	<u>7,241,622</u>	<u>8,333,507</u>

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

12. CASH AND BANK BALANCES

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

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	1,383,434	1,086,015	91,281	134,126
Chinese Renminbi	437,649	460,052	0	0
Thai Baht	292,400	540,015	0	0
US Dollar	39,735	1,956	0	0
Others	<u>8,046</u>	<u>5,840</u>	<u>0</u>	<u>0</u>
	<u>2,161,264</u>	<u>2,093,878</u>	<u>91,281</u>	<u>134,126</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

13. TRADE PAYABLES

The Group

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

	2009 RM	2008 RM
Ringgit Malaysia	2,242,596	2,990,121
Chinese Renminbi	359,181	350,894
Euro	195,468	0
Japanese Yen	30,696	0
Singapore Dollar	66,217	31,873
Thai Baht	424,117	454,554
US Dollar	121,715	324,610
Others	9,000	0
	<u>3,448,990</u>	<u>4,152,052</u>

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

14. HIRE PURCHASE PAYABLES

The Group

	2009 RM	2008 RM
Minimum hire purchase payments:-		
- not later than one year	1,247,635	1,112,472
- later than one year and not later than five years	<u>2,287,628</u>	<u>2,823,413</u>
	3,535,263	3,935,885
Future finance charges	<u>(291,083)</u>	<u>(441,063)</u>
Present value of hire purchase payables	<u>3,244,180</u>	<u>3,494,822</u>
Current:-		
- not later than one year	1,099,000	916,315
Non-current:-		
- later than one year and not later than five years	<u>2,145,180</u>	<u>2,578,507</u>
	<u>3,244,180</u>	<u>3,494,822</u>

The currency exposure profile of hire purchase payables is as follows:-

	2009 RM	2008 RM
Ringgit Malaysia	2,855,784	2,999,209
Thai Baht	<u>388,396</u>	<u>495,613</u>
	<u>3,244,180</u>	<u>3,494,822</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

14. HIRE PURCHASE PAYABLES (cont'd)

The effective interest rates of hire purchase payables range from 4.24% to 7.71% (2008 : 4.24% to 7.71%) per annum.

15. BANK BORROWINGS - SECURED

The Group

	2009 RM	2008 RM
Bank overdrafts	3,963,890	3,429,956
Banker acceptances	0	101,566
Current portion of term loans (Note 16)	1,600,352	1,493,210
	<u>5,564,242</u>	<u>5,024,732</u>

The currency exposure profile of bank borrowings is as follows:-

	2009 RM	2008 RM
Ringgit Malaysia	4,709,552	5,024,732
Thai Baht	854,690	0
	<u>5,564,242</u>	<u>5,024,732</u>

Bank borrowings are secured against the land, buildings and certain plant, machinery, tools and equipment of the Group as mentioned in Notes 4, 5 and 6 to the financial statements. The effective interest rates range from 4.00% to 7.50% (2008 : 3.74% to 8.25%) per annum.

16. TERM LOANS - SECURED

The Group

	2009 RM	2008 RM
Term loans	11,007,643	12,445,312
Current portion (Note 15)	(1,600,352)	(1,493,210)
Non-current portion	<u>9,407,291</u>	<u>10,952,102</u>

Repayment analysis is as follows:-

- not later than one year	1,600,352	1,493,210
- later than one year and not later than five years	5,724,714	5,686,505
- later than five years	3,682,577	5,265,597
	<u>11,007,643</u>	<u>12,445,312</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

16. TERM LOANS - SECURED (cont'd)

Term loans are secured against the land, buildings and certain plant, machinery, tools and equipment of the Group as mentioned in Notes 4, 5 and 6 to the financial statements. The loans are repayable over 5 to 15 years. The effective interest rates range from 4.00% to 7.50% (2008 : 4.00% to 8.25%) per annum.

17. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Balance at 1 March	355,000	448,000	0	0
Deferred tax (income)/ expense relating to origination and reversal of temporary differences - (credited)/charged to income statement	(11,000)	(18,000)	7,000	0
- charged to equity	60,000	0	0	0
Deferred tax expense/ (income) relating to change in tax rate	5,000	(12,000)	0	0
Deferred tax liabilities over provided in prior year	(59,000)	(63,000)	0	0
Balance at 28/29 February	<u>350,000</u>	<u>355,000</u>	<u>7,000</u>	<u>0</u>

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

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Taxable temporary differences of:-				
- property, plant and equipment	408,000	354,000	7,000	N/A
- prepaid lease payments	0	59,000	0	N/A
- investment property	0	22,000	0	N/A
Deductible temporary differences of:-				
- inventories	(46,000)	0	0	N/A
- receivables	(12,000)	(64,000)	0	N/A
Unused capital allowances	0	(16,000)	0	N/A
	<u>350,000</u>	<u>355,000</u>	<u>7,000</u>	<u>N/A</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

17. DEFERRED TAX LIABILITIES (cont'd)

As at 28 February 2009, save as disclosed above, 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 RM1,181,000 and NIL (2008 : RM1,220,000 and RM7,000) 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	
	2009 RM	2008 RM	2009 RM	2008 RM
Deductible temporary differences of:-				
- inventories	103,000	103,000	N/A	0
- receivables	2,653,000	2,369,000	N/A	0
Unused capital allowances	2,093,000	3,707,000	N/A	11,000
Unused tax losses	5,965,000	5,207,000	N/A	52,000
Taxable temporary differences of:-				
- property, plant and equipment	(3,258,000)	(3,569,000)	N/A	(29,000)
- prepaid lease payments	(1,110,000)	(840,000)	N/A	0
- investment property	(138,000)	(172,000)	N/A	0
- development expenditure	(218,000)	(298,000)	N/A	0
	<u>6,090,000</u>	<u>6,507,000</u>	<u>N/A</u>	<u>34,000</u>

18. SHARE CAPITAL

	2009		2008	
	No. of Ordinary Shares of RM0.10 Each	RM	No. of Ordinary Shares of RM0.10 Each	RM
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	167,450,765	16,745,077
Issued during the year	<u>0</u>	<u>0</u>	<u>11,500,000</u>	<u>1,150,000</u>
Balance at 29/28 February	<u>178,950,765</u>	<u>17,895,077</u>	<u>178,950,765</u>	<u>17,895,077</u>

Employee Share Option Scheme

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

18. SHARE CAPITAL (cont'd)

Employee Share Option Scheme (cont'd)

The principal features of the ESOS are as follows:-

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

As at 28 February 2009, the Company has not granted any option to the Group's eligible employees.

19. REVENUE

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

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

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

20. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term employee benefits	11,184,269	11,585,390	1,088,053	1,220,413
Defined contribution plans	881,730	957,012	161,991	171,393
	<u>12,065,999</u>	<u>12,542,402</u>	<u>1,250,044</u>	<u>1,391,806</u>

21. FINANCE COSTS

The Group

	2009 RM	2008 RM
Bank overdraft interest	299,130	260,488
Banker acceptance interest	66,049	5,090
Hire purchase interest	196,791	201,894
Term loan interest	807,386	742,623
	<u>1,369,356</u>	<u>1,210,095</u>

22. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit/(Loss) before tax is arrived at after charging:-				
Allowance for doubtful debts	63,100	0	0	0
Allowance for slow moving inventories	0	103,300	0	0
Amortisation/Depreciation of:-				
- development expenditure	80,100	80,101	0	0
- prepaid lease payments	110,920	98,183	0	0
- property, plant and equipment	2,989,605	2,683,207	8,344	8,247
Auditors' remuneration				
- current year	54,014	53,131	12,000	12,000
- prior year	0	5,200	0	2,000
Bad debts written-off	6,851	383,775	0	0
Development expenditure written-off	0	12,097	0	0

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

22. PROFIT/(LOSS) BEFORE TAX (cont'd)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Directors' remuneration*				
- fees	180,000	180,000	180,000	180,000
- short-term employee benefits	995,880	1,112,124	995,880	1,112,124
- defined contribution plans	149,124	159,504	149,124	159,504
	1,325,004	1,451,628	1,325,004	1,451,628
Inventories written-down	495,146	0	0	0
Inventories written-off	0	48,694	0	0
Loss on disposal of subsidiary	0	0	0	292,002
Realised loss on foreign exchange	67,494	95,618	0	0
Rental of equipment	20,007	23,679	0	0
Rental of premises	213,149	363,623	0	0
Revaluation decrease of property, plant and equipment	355,270	0	0	0
and crediting:-				
Allowance for doubtful debts written-back	50,000	25,000	0	0
Gain on disposal of property, plant and equipment	12,051	60,959	0	0
Gain on disposal of subsidiary	0	110,000	0	0
Gain on fair value adjustment of investment property	228,400	0	0	0
Interest income	4,562	21,362	0	0
Realised gain on foreign exchange	575,981	0	0	0
Rental of investment property	37,200	39,600	0	0
Rental of others	256,440	187,680	0	0

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

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

23. TAX (INCOME)/EXPENSE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Tax based on results for the year:-				
Malaysian income tax	41,000	10,000	0	0
Deferred tax	<u>(6,000)</u>	<u>(30,000)</u>	<u>7,000</u>	<u>0</u>
	35,000	(20,000)	7,000	0
Tax under/(over) provided in prior year:-				
Malaysian income tax	7,609	(82,618)	0	(9,396)
Deferred tax	<u>(59,000)</u>	<u>(63,000)</u>	<u>0</u>	<u>0</u>
	<u>(16,391)</u>	<u>(165,618)</u>	<u>7,000</u>	<u>(9,396)</u>

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

	The Group		The Company	
	2009 %	2008 %	2009 %	2008 %
Applicable tax rate	(25.00)	(26.00)	25.00	(26.00)
Non-deductible expenses	45.42	10.44	25.17	25.56
Non-taxable income	(3.28)	(0.12)	0.00	0.00
Pioneer income exempted	(5.97)	0.00	0.00	0.00
(Decrease)/Increase in unrecognised deferred tax assets	(6.56)	15.64	(9.46)	0.44
Utilisation of group relief	0.00	0.00	(32.88)	0.00
Reversal of deferred tax upon classification of property as held for sale	(2.70)	0.00	0.00	0.00
Effect of change in tax rate	<u>0.29</u>	<u>(0.20)</u>	<u>0.00</u>	<u>0.00</u>
Average effective tax rate	<u>2.20</u>	<u>(0.24)</u>	<u>7.83</u>	<u>0.00</u>

Pursuant to the Finance Act 2007 (Act 683) gazetted on 28 December 2007, the statutory income tax rate has been reduced from 26% to 25% for the financial year under review.

The tax saving of the Group for which credit has been taken in the current year as a result of the realisation of unused tax losses brought forward that had not been accounted for previously amounted to approximately RM382,000 (2008 : NIL).

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

24. LOSS PER SHARE

The Group

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

	2009	2008
Net loss attributable to shareholders of the Company (RM)	<u>(1,511,651)</u>	<u>(8,238,313)</u>
Weighted average number of shares in issue	<u>178,950,765</u>	<u>171,315,519</u>
Basic loss per share (sen)	<u>(0.84)</u>	<u>(4.81)</u>

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

25. NOTES TO CASH FLOW STATEMENTS

Purchase of Property, Plant and Equipment

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cost of property, plant and equipment purchased	1,697,790	5,050,403	0	15,928
Amount financed through hire purchase	<u>(752,000)</u>	<u>(2,273,534)</u>	<u>0</u>	<u>0</u>
Net cash disbursed	<u>945,790</u>	<u>2,776,869</u>	<u>0</u>	<u>15,928</u>

Cash and Cash Equivalents

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	2,161,264	2,093,878	91,281	134,126
Bank overdrafts	<u>(3,963,890)</u>	<u>(3,429,956)</u>	<u>0</u>	<u>0</u>
	<u>(1,802,626)</u>	<u>(1,336,078)</u>	<u>91,281</u>	<u>134,126</u>

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

26. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 22 to the financial statements, significant transactions with related parties during the financial year are as follows:-

The Company

	2009 RM	2008 RM
Management fee charged to subsidiaries	1,680,000	1,637,352
Subscription for shares in subsidiaries	<u>0</u>	<u>1,600,000</u>

27. SEGMENT REPORTING

The Group

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

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

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

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

27. SEGMENT REPORTING (cont'd)

Geographical Segments by Location of Assets

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

2009	Malaysia RM	China RM	Thailand RM	Philippines RM	Consolidation Adjustments RM	Consolidated RM
REVENUE						
External revenue	25,628,255	2,338,974	3,910,124	0	0	31,877,353
Inter-segment revenue	659,851	0	0	0	(659,851)	0
Total revenue	26,288,106	2,338,974	3,910,124	0	(659,851)	31,877,353
RESULTS						
Segment results	1,562,235	(1,251,808)	(535,248)	0	0	(224,821)
Interest income						4,562
Interest expense						(1,369,356)
Tax income						16,391
Net loss for the year						(1,573,224)
ASSETS						
Segment assets	39,582,768	2,843,335	5,378,981	5,560	0	47,810,644
Income tax assets						31,143
Total assets						47,841,787
LIABILITIES						
Segment liabilities	3,989,520	625,293	782,282	3,489	0	5,400,584
Interest-bearing liabilities						18,215,713
Income tax liabilities						350,320
Total liabilities						23,966,617
Capital expenditure	1,561,319	12,729	123,742	0	0	1,697,790
Amortisation and depreciation	2,889,379	61,034	230,212	0	0	3,180,625
Other non-cash expenses	1,241,985	0	0	0	0	1,241,985

Notes To The Financial Statements

For The Financial Year Ended 28 February 2009 (Cont'd)

27. SEGMENT REPORTING (cont'd)

Geographical Segments by Location of Assets (cont'd)

2008	Malaysia RM	China RM	Thailand RM	Philippines RM	Consolidation Adjustments RM	Consolidated RM
REVENUE						
External revenue	19,894,547	1,210,772	6,473,043	0	0	27,578,362
Inter-segment revenue	908,549	0	0	0	(908,549)	0
Total revenue	20,803,096	1,210,772	6,473,043	0	(908,549)	27,578,362
RESULTS						
Segment results	(5,355,069)	(1,553,554)	(321,747)	(21,718)	0	(7,252,088)
Interest income						21,362
Interest expense						(1,210,095)
Tax income						165,618
Net loss for the year						(8,275,203)
ASSETS						
Segment assets	43,946,839	2,690,990	4,935,478	5,560	0	51,578,867
Income tax assets						466,450
Total assets						52,045,317
LIABILITIES						
Segment liabilities	5,979,459	366,760	983,673	3,490	0	7,333,382
Interest-bearing liabilities						19,471,656
Income tax liabilities						360,655
Total liabilities						27,165,693
Capital expenditure	3,667,828	2,235	1,380,340	0	0	5,050,403
Amortisation and depreciation	2,623,574	52,883	185,034	0	0	2,861,491
Other non-cash expenses	164,091	383,775	0	0	0	547,866

Geographical Segments by Location of Customers

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

	2009 RM	2008 RM
Malaysia	24,365,223	18,614,916
Other Asian countries	7,305,309	8,489,408
United Kingdom	0	124,616
United States of America	206,821	349,422
	31,877,353	27,578,362

27. SEGMENT REPORTING (cont'd)

Business Segments

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

28. CONTINGENT LIABILITIES - UNSECURED

The Company

The Company has issued corporate guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM38.2 million (2008 : RM37.9 million).

29. FINANCIAL INSTRUMENTS

Recognised Financial Instruments

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

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 28 to the financial statements.

Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 28 February 2009 and 29 February 2008 approximate their fair values.

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

30. FINANCIAL RISK MANAGEMENT

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

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

Currency Risk

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

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

Interest Rate Risk

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

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

Credit Risk

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

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

Liquidity Risk

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

List of Landed Properties

As At 25 June 2009

Postal address / Location of the property	Description / Existing use	Approx Age of Building/ Tenure/ Date of Expiry of Lease	Land area / Built-up area (sq ft)	Net book value/ Carrying Value as at 28 February 2009 (RM)	Year of Valuation/ Acquisition
49, Hilir Sungai Keluang 2, Taman Perindustrian, Bayan Lepas Fasa 4, 11900 Pulau Pinang (PN2998, Lot 12340, Mukim 12, Daerah Barat Daya, Pulau Pinang).	Double-storey factory	11 years / 60 years lease expiring on 18 October 2055	56,057 / 17,600	3,300,000	28 February 2009 (Date of Valuation)
21, Pesara Mahsuri 5, Mukim 12, Sungai Nibong Kecil, 11900 Penang (Grant No. 37633, Lot 5859, Mukim 12, Daerah Barat Daya, Pulau Pinang)	Double-storey shophot for residential	18 years / Freehold	1,324 / 2,500	550,000	28 February 2009 (Date of Valuation)
H.S. (D) 11120, PT 295, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang, within Bukit Minyak Industrial Park, Bukit Mertajam.	Industrial plot for investment purposes	N/A 60 years lease expiring on 12 March 2058	110,588/-	1,052,597	28 February 2009 (Date of Valuation)
Plot 82, Lintang Bayan Lepas Fasa 4, Taman Perindustrian, Bayan Lepas Mk. 12, Pulau Pinang. (H.S. (D) No. 16415, P.T. No. 5057, Mukim 12, Daerah Barat Daya, Pulau Pinang)	The subject site is erected with: -a double-storey factory attached to; -a 3-storey office block and a double-storey production building	60 years lease expiring on 22 January 2062 8 years 3 years	109,426/ 89,845	15,346,417	28 February 2009 (Date of Valuation)

Analysis of Shareholdings

SHARE CAPITAL AS AT 17 JUNE 2009

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

DISTRIBUTION OF SHAREHOLDERS AS AT 17 JUNE 2009

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	3	156	0.00
100 – 999	20	4,100	0.00
1,000 – 4,999	445	878,174	0.49
5,000 – 10,000	535	4,435,300	2.48
10,001 – 8,947,537	1,092	105,283,111	58.83
8,947,538 and above	2	68,349,924	38.20
Total	2,097	178,950,765	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 17 JUNE 2009

Name	Direct Shareholding	%	Indirect Shareholding	%
Pegasus Options Sdn. Bhd.	69,038,724	38.58	-	-
Beh Lai Lien	1,487,274	0.83	69,173,924*	38.65
Lai Siaw Ling	12,718	0.01	69,038,724 [#]	38.58
Wong Pow Keong	405,000	0.23	69,038,724 [#]	38.58
Tan Siew Hooi	135,200	0.07	70,525,998 [^]	39.41
Yap Kim Lean	300,065	0.17	69,038,724 [#]	38.58

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

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

^ Deemed interested by virtue of her indirect shareholdings in Pegasus Options Sdn. Bhd. and her husband, Mr. Beh Lai Lien.

DIRECTORS' SHAREHOLDING AS AT 17 JUNE 2009

Name	Direct Shareholding	%	Indirect Shareholding	%
Beh Lai Lien	1,487,274	0.83	69,173,924*	38.65
Lai Siaw Ling	12,718	0.01	69,038,724 [#]	38.58
Wong Pow Keong	405,000	0.23	69,038,724 [#]	38.58
Hui Khee Sum @ Hooi Kee Sum	100,000	0.06	-	-
Mohd Daniel Bin Mat Noh	115,000	0.06	-	-
Ooi Eng Guan	-	-	-	-

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

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

THIRTY LARGEST SECURITIES HOLDERS AS AT 17 JUNE 2009

No.	Name	Shareholdings	%
1	Pegasus Options Sdn. Bhd.	58,349,924	32.61
2	Ke-Zan Nominees (Tempatan) Sdn. Bhd. Pegasus Options Sdn. Bhd. (CP)	10,000,000	5.59
3	Foo Fook Min	2,650,200	1.48
4	Hue Pak Siang	2,387,800	1.33
5	Ng Wei Fong	1,658,900	0.93
6	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Tiong Kian	1,500,000	0.84
7	Beh Lai Lien	1,485,300	0.83
8	Ke-Zan Nominees (Asing) Sdn. Bhd. Kim Eng Securities Pte. Ltd. for Cube Capital Group Limited	1,250,000	0.70
9	Khor Boon Siang	1,050,000	0.59
10	Yeoh Gim Hoay	1,000,000	0.56
11	Ho Kat Sin	1,000,000	0.56
12	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Yap Hui Ming (C03RLT2LTY711M)	900,000	0.50
13	AIBB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kaw	882,400	0.49
14	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khor Bak Kar (STA2)	879,900	0.49
15	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Eng Hock Seng @ Ong Seng Hock (Dealer 023)	846,200	0.47
16	Inderjit Kaur A/P Gurbakhes Singh	815,000	0.46
17	AIBB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tok Sung Lee	771,800	0.43
18	Yoo Yuet Peng	700,000	0.39
19	Soh Swee Chuan	700,000	0.39
20	Ke-Zan Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pegasus Options Sdn Bhd	688,800	0.39
21	Toh Kow Lee	684,500	0.38
22	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yoo Yuet Peng (E-JBU)	600,000	0.33
23	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seah Siau Wan (E-JBU)	564,500	0.31
24	Tan Chin Chin	555,000	0.31
25	Teoh Hin Heng	550,000	0.31
26	SJ SEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pua Ah Ei @ Pun Chai Len (SMT)	550,000	0.31
27	Ooi Cheng Bok	543,000	0.30
28	Tay Kok Chang	500,000	0.28
29	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yoo Yuet Peng (E-JBU)	500,000	0.28
30	Gurmit Kaur A/P Gurbakhes Singh	500,000	0.28
	TOTAL	95,063,224	53.12

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Emerald Room, Level 13, The Krystal Suite, Penang, Jalan Tun Dr. Awang, 11900 Bayan Lepas, Penang on Thursday, 30 July 2009 at 9.00 a.m. for the following purposes :

AGENDA

1. To receive the Audited Financial Statements for the year ended 28 February 2009 together with the Directors' and Auditors' Reports thereon. (Please refer to Note A)
2. To approve the payment of Directors' Fees of up to RM160,000 for the financial year ending 28 February 2010 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) Mr. Wong Pow Keong (Article 132) Resolution 2
 - (ii) Mr. Hui Khee Sum @ Hooi Kee Sum (Article 132) Resolution 3
 - (iii) Mr. Ooi Eng Guan (Article 137) Resolution 4
4. To re-appoint Messrs. Horwath as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. Resolution 5

SPECIAL BUSINESS

5. AS ORDINARY RESOLUTION

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

Resolution 6

"That pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad 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 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 MESDAQ Market of Bursa Malaysia Securities Berhad."

Notice of Annual General Meeting (Cont'd)

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

By Order of the Board

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)
HOW WEE LING (MAICSA 7033850)
Company Secretaries

Dated : 8 July 2009
Penang

NOTES:

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

Proxy :

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

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

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

The proxy form must be deposited at the registered office of the Company at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

Explanatory Note On Special Business:

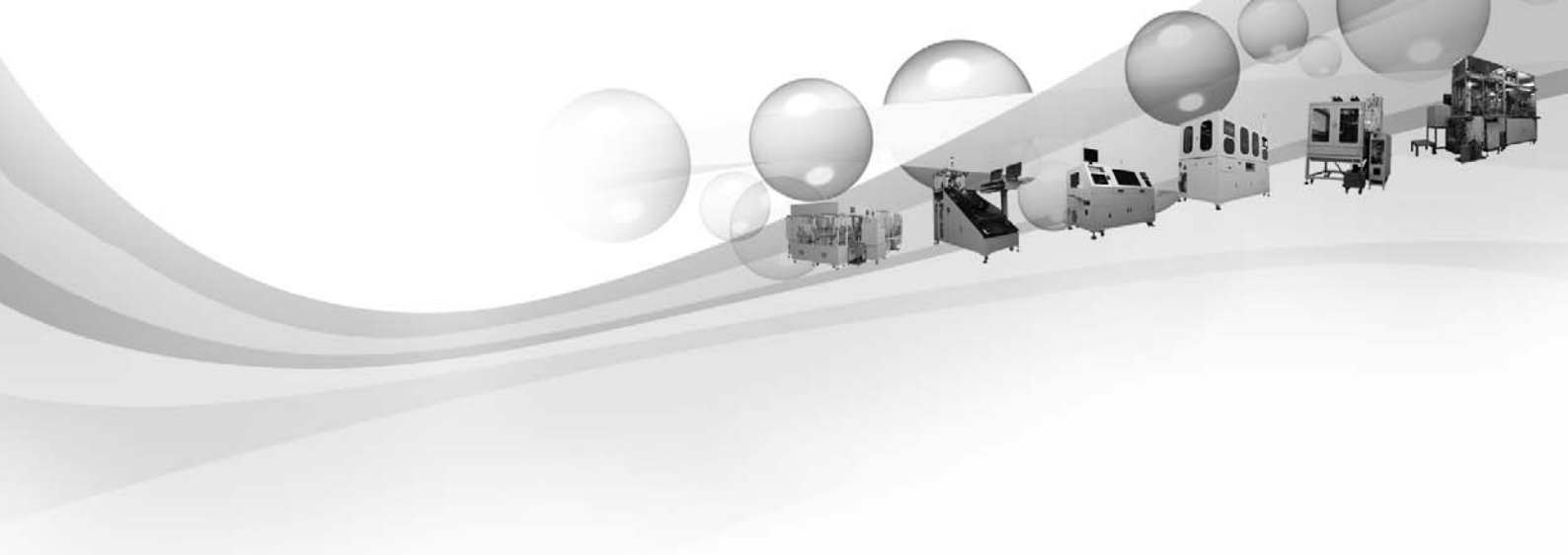
1. The proposed Resolution No. 6 (Item No. 5), if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice

of Annual General Meeting

RETIREMENT OF DIRECTORS

Pursuant to Rule 8.36(2) of the Bursa Securities Listing Requirements for MESDAQ Market, the details of the three (3) directors seeking re-election are set out in their respective profiles which appear in the Board of Directors' Profile on pages 07 to 08 of the Annual Report 2009. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 73 of the Annual Report 2009.



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Proxy Form

I/We,
of
being a member/members of the abovenamed Company hereby appoint.....
.....
of
or failing him/her, the Chairman of the meeting as my/our proxy, to vote in my/our name(s) and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Emerald Room, Level 13, The Krystal Suite, Penang, Jalan Tun Dr. Awang, 11900 Bayan Lepas, Penang on Thursday, 30 July 2009 at 9.00 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 RM160,000 for the financial year ending 28 February 2010 and payment of such Fees to the Directors of the Company.		
To re-elect the following Directors retiring under the respective provisions of the Articles of Association of the Company:-		
2. Mr. Wong Pow Keong (Article 132)		
3. Mr. Hui Khee Sum @ Hooi Kee Sum (Article 132)		
4. Mr. Ooi Eng Guan (Article 137)		
5. To re-appoint Messrs. Horwath as Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
6. To pass the following resolution under Special Business :- Ordinary Resolution Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Number of Ordinary Shares held

.....
Signature of Member (s)

Signed this day of....., 2009.

Notes:

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

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

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

The proxy form must be deposited at the registered office of the Company at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

Please fold across the line and close



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

Please fold across the line and close



The
**One-Stop
Industrial Automation
Solutions
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AT Systematization Berhad (644800-X)

Plot 82, Lintang Bayan Lepas,
Bayan Lepas Industrial Park,
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