AT Systematization Berhad (644800-X)

The one-stop Industrial
Automation Solutions Provider

Annual Report 2011

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Beh Lai Lien
Executive Chairman/Managing Director

Lai Siaw Ling
Executive Director

Wong Pow Keong
Executive Director

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

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

Ooi Eng Guan
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

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

Ooi Eng Guan
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

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

Members
Lai Siaw Ling
Executive Director

Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

NOMINATION COMMITTEE

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

Members
Mohd Daniel Bin Mat Noh
Independent Non-Executive Director

Ooi Eng Guan
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)
Chan Wai Fen (MAICSA 7028962)

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE
AS AT 10 JUNE 2011

AT Systematization Berhad
(644800-X)

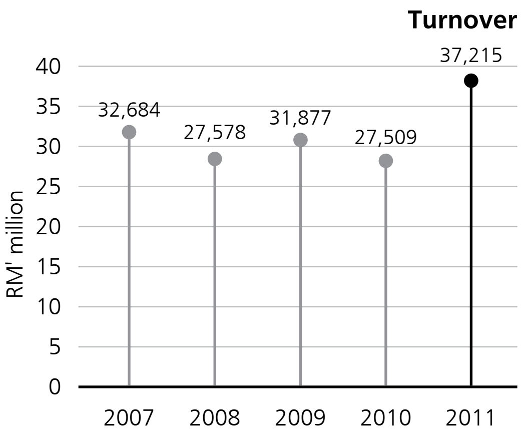
- 100% **AT Engineering Solution Sdn. Bhd.**
- 100% **AT Engineering Sdn. Bhd.**
  - 100% **AT Machinery (Suzhou) Co. Ltd. (China)**
  - 100% **Automation Technology Systematization Industries Ltd. (Thailand)**
  - 100% **ATST Corporation Ltd. (Thailand)**
  - 100% **AT Automation Technology Solutions Phils., Inc. (Philippines)**
- 100% **AT Precision Tooling Sdn. Bhd.**
- 100% **Miako-Tech Engineering Sdn. Bhd.**

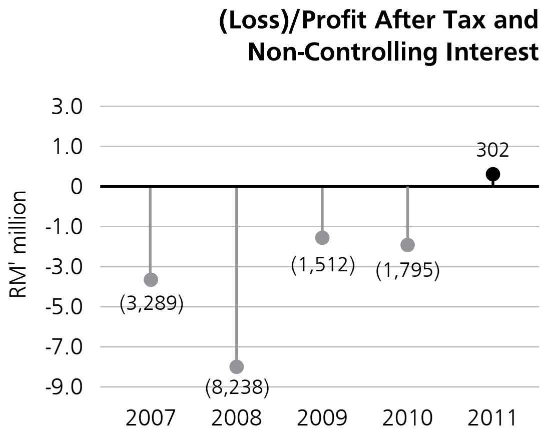
FINANCIAL HIGHLIGHTS

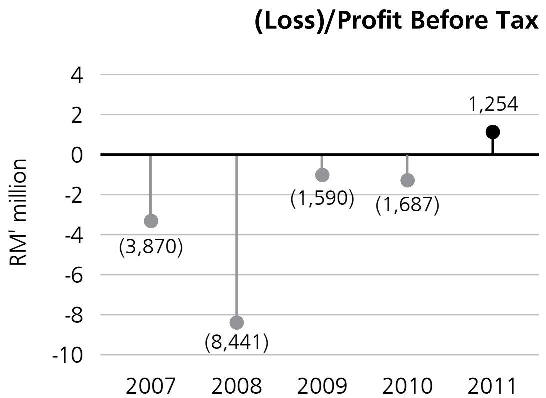
5 Years Financial Highlights

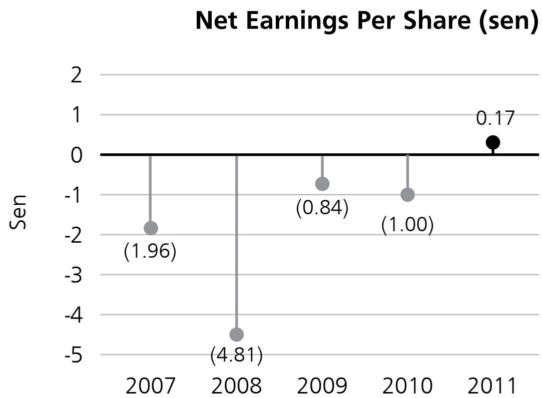
	FYE 28 February 2007 RM'000	FYE 29 February 2008 RM'000	FYE 28 February 2009 RM'000	FYE 28 February 2010 RM'000	FYE 28 February 2011 RM'000
Turnover	32,684	27,578	31,877	27,509	37,215
(Loss)/Profit Before Tax	(3,870)	(8,441)	(1,590)	(1,687)	1,254
(Loss)/Profit After Tax and Non-Controlling Interest	(3,289)	(8,238)	(1,512)	(1,795)	302
Weighted Average Number of Shares in Issue ('000)	167,451	171,316	178,951	178,951	178,951
Net Earnings Per Share (sen)	(1.96)	(4.81)	(0.84)	(1.00)	0.17

The net EPS is calculated based on the Profit After Tax and Non-Controlling Interest and on the weighted average number of shares in issue.









CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of AT Systematization Berhad, I am pleased to present the Annual Report and Audited Financial Statement of the Group and Company for the financial year ended 28 February 2011.

FINANCIAL RESULTS

The Group recorded a revenue of RM37.2million for the financial year ended 28 February 2011 (2010: RM27.5million) and a profit before tax of RM1.3million (2010: loss before tax of RM1.7million). The profit before tax for the financial year under review was mainly due to the overall improvement in demand for both automated equipments and precision tooling business.

BUSINESS PROSPECTS

Our business in design and manufacture of industrial automation system and machinery have shown signs of recovery as there were increased activities and orders from customers during the financial year under review. Nonetheless, we faced strong competition from low cost manufacturers. In order to remain competitive in the market, we have upgraded our existing software to improve on the ease and speed of design of machine and continuously take actions for cost control measures.

As for our precision tooling business, we expect a continuous increase in demand for fabrication of industrial and engineering parts. We have increased focus on the sales efforts, production and equipments of our fabrication workshop in both Malaysia and Thailand. We have also invested in additional machines and software during the financial year under review in order to meet the demand from customers and increase delivery speed and efficiency.

We will continue to focus and expand on our core business in the design and manufacture of industrial automation system and machinery and fabrication of industrial and engineering parts. Notwithstanding that, we will continuously seek opportunity for business growth and looking for new market opportunities in order to strengthen the Group's financial performance. Barring any unforeseen circumstances, we are optimistic of achieving better results for the next financial year.

APPRECIATION

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

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

Beh Lai Lien
Executive Chairman cum Managing Director

PROFILE OF DIRECTORS

Beh Lai Lien
Executive Chairman cum Managing Director

Mr. Beh Lai Lien, aged 56, a Malaysian, is the Executive Chairman cum Managing Director of AT Systematization Berhad ("ATS"). He was appointed to the Board on 22 December 2004.

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

His career initially started when he was in New Zealand, working part time as a Trainee Design Engineer at Giles and Elliot (NZ) Pte Ltd, and at the same time attending university. He was later promoted to Design Engineer in the Company. In 1980, he joined Chloride Batteries (NZ) Pte Ltd as Equipment Design Engineer. Between 1981 and 1984, he was a freelance writer for US Computer magazines and a programmer. In 1984, he returned to Malaysia and joined Mattel Sdn. Bhd. in Penang as an Equipment Engineer but left in the same year to join INTEL (M) Sdn. Bhd. as an Automation Engineer 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 48, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on 22 December 2004 and is also 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 45, 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 52, 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 Committee 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 shareholders 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 68, 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 Committee 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 was 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 39, a Malaysian, is a Non-Independent Non-Executive Director of ATS. He was appointed to the Board on 30 January 2009. He is also a member of Audit and Nomination Committee of the Company.

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 MTE 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 ATS.

Other Information on Directors

(i) The securities in the Company held by Directors are as disclosed on page 78 of this Annual Report.
(ii) None of the Directors have any directorship in other public companies in Malaysia.
(iii) None of the Directors of the Company has been convicted of any offences within the past 10 years other than traffic offences, if any.

Audit Committee

The present members of the Committee comprise:-

Mohd Daniel Bin Mat Noh
Chairman
Independent Non-Executive Director

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

Ooi Eng Guan
Member
Non-Independent Non-Executive Director

TERMS OF REFERENCE

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 must be Non-Executive Directors, with a majority of them being Independent Directors. No alternate director shall be appointed as a member of the Audit Committee. The Chairman of the Committee must be an Independent Non-Executive Director appointed by the Board. In the event of 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:-

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

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 and external auditors and with senior management of the Group and shall be able to convene meetings with both the internal and external auditors whenever deemed necessary.

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

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

4. DUTIES AND RESPONSIBILITIES

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

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

- To review with the external auditors, the audit scope and plan, evaluation of the system of internal controls and audit report;
- To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- To review the external and internal audit reports to ensure appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified;
- To recommend to the Board on the appointment and the annual re-appointment of external and internal auditors, their audit fees and any question of resignation or dismissal;
- To review the assistance given by the employees of the Group to the external and internal auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- To review the quarterly results and year end financial statements of the Group and the Company, before the approval by the Board, whilst ensuring they are prepared in a timely and accurate manner, focusing particularly on:-

  - changes in or implementation of major accounting policies changes;
  - significant and unusual events;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- To review any related party transaction and conflict of interests situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;

4. DUTIES AND RESPONSIBILITIES (cont'd)

- To review procedures in place to ensure that the Group is in compliance with the Listing Requirements of Bursa Securities for the ACE Market, applicable approved accounting standards issued by Malaysian Accounting Standards Board and Companies Act, 1965 in Malaysia and other relevant legislative and reporting requirements;
- To review the external auditors' management letter and management's response;
- To convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Group or the Company, wherever deemed necessary;
- To consider the major finding of internal investigations and management's response; and
- To perform 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 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 Committee.

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

The Committee shall be in attendance of the meetings and 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. MEETINGS HELD DURING THE FINANCIAL YEAR

The information on the attendance of each member at the Committee meetings held during the financial year ended 28 February 2011 was as follows:-

Directors	No. of Meetings Held	Attendance
Mohd Daniel Bin Mat Noh	4	3
Hui Khee Sum @ Hooi Kee Sum	4	4
Ooi Eng Guan	4	4

8. SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 28 February 2011 were as follows:-

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

9. INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent firm of consultants to carry out the 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 2011 amounted to RM12,500.

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 2011, the Company has not granted any option under ESOS to the Directors and eligible employees of the Group.

The Board of Directors of AT Systematization Berhad 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 in order to protect and enhance shareholders' value.

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 are statements on how the Group has applied the Principles set out in Part 1 of the Code and the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Code.

A. BOARD OF DIRECTORS

Duties and Responsibilities of the Board

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

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

The Executive Chairman cum Managing Director is responsible for ensuring the effectiveness of the Board in conducting its business and fulfilling its responsibilities by providing clear and effective leadership whereas the Executive Directors are responsible for the day to day running of the Group's business, implementation of Board's policies and making operational decisions duly assisted by the management team.

Board Balance

The Board currently consists of six (6) members, comprising three (3) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The number of Independent Directors is in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad which requires that one-third (1/3) of the Directors, must be independent. The Non-Executive Directors provide balanced, independent views and unbiased judgments to the Board in order to safeguard the interest of shareholders.

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 Board is led by Mr. Beh Lai Lien as the Executive Chairman cum Managing Director. He is assisted by the Executive Directors. The decision made by the Board is done collectively without undue influence or dominance by any individual Director or group of Directors, whether Executive or Non-Executive.

The 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.

Board Balance (cont'd)

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

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

A brief profile of each Board member is presented in this Annual Report under Profile of Directors on pages 06 to 08.

Board Meeting

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

There were four (4) Board Meetings held during the financial year ended 28 February 2011. 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	3/4
Hui Khee Sum @ Hooi Kee Sum	4/4
Ooi Eng Guan	4/4

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions, which are attached with sufficient and relevant information required for an informal 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 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 together with the agenda were forwarded to the Board Members to allow the Directors to study and evaluate the matters to be discussed and subsequently make effective decisions.

The Directors 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 of 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 (1/3) 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 (1/3) shall retire from office, and if there is only one (1) Director who is subject to retirement by rotation, he shall retire provided always that all Directors 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 Director and if the appointment is for fixed term, that term shall not exceed three (3) years and such conditions as they think fit and, subject to the terms of any agreement entered into in any particular case, may revoke any such appointment. The said appointment shall be automatically terminated if the Director so appointed ceases from any cause to be a Director.

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

Directors' Training

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

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

The following are the trainings attended during the financial year ended 28 February 2011:-

Director	**Training**
Beh Lai Lien	• Open Business Models • What are Stem Cells and their Application • NLP - Negotiation with Influence

All other Directors have not attended any training during the period due to their tight business schedule and/or no suitable training programs relevant to their respective qualification, functions and duties.

Directors' Remuneration

Details of the Directors' remuneration for the financial year ended 28 February 2011 are set out below:-

Category	**Fees**	**Salaries & Employee Provident Fund**	**Other Emoluments**	**Benefits in-kind**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Executive Directors	105,300	1,410,763	16,200	71,850	1,604,113
Non-Executive Directors	105,300	-	3,600	-	108,900

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

Range of Remuneration	**Number of Directors**	
(RM)	**Executive**	**Non Executive**
Less than 50,000	-	3
400,001 – 450,000	1	-
450,001 – 500,000	1	-
650,001 – 700,000	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 09 to 12 of this Annual Report.

Nomination Committee

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

The Nomination Committee was established on 24 January 2006 to assist the Board to review the structure, size and composition in order to establish an effective Board and make recommendations with regard to any adjustments that are deemed necessary.

The Committee also recommends to the Board the candidates for all directorships by considering the required mix of skills, experience, qualification and other core competencies required for the position. 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 Committee.

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 policy practices on Directors' remuneration by the Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of caliber 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 important 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' strategy, performance and major developments. All shareholders have an opportunity to participate in discussion with the Board on matters relating to the Company's operation and performance at the Company's General Meetings.

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

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum or dialogue with shareholders. The shareholders are encouraged to participate in the open question and answer sessions in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The 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 by overseeing the Group's financial reporting process and the quality of the financial reporting to ensure accuracy, adequacy and compliance to the appropriate accounting standards.

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 on pages 20 to 21 in this Annual Report provides an overview of the state of internal control of the Group.

Relationship with the Auditors

The Board has established a transparent relationship with the external auditors through the 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 on pages 09 to 12 in this Annual Report.

Compliance Statement

Throughout the financial year ended 28 February 2011, the Group has complied, with all the Best Practices in Corporate Governance set out in Part 2 of 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; and

- 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 13 June 2011.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

This statement was made in accordance with a resolution of the Board dated 13 June 2011.

STATEMENT ON INTERNAL CONTROL

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

DIRECTORS' RESPONSIBILITY

The Board recognizes the importance of a sound system of internal control and a structured risk management framework for 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 process has in place by the Group for the year under review. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

However, the internal control system is designed to manage rather than eliminate the risk of failure to achieve the business objectives. It can only provide reasonable and not absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT FRAMEWORK

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

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

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 required 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 2011 amounted to RM12,500.

The annual internal audit plan was circulated to the members of the Audit Committee and presented by the internal auditors prior to the execution of the audit assignments. Thereafter, the internal audits are carried out based on the internal audit plan which was reviewed and approved by the Audit Committee. Upon completion of the audit assignments, the internal auditors presented their annual internal audit report together with the follow-up report and discussed their findings and recommendations for improvement to the Audit Committee during the Audit Committee meetings.

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

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

- An organization structure with well-defined lines of responsibility and delegation of authority to facilitate identifying an auditable trail of accountability;

- Quarterly financial results are reviewed by the Board and the Audit Committee, and areas of concerns as well as exceptions or deviation to the Group's policies and weaknesses on the internal control systems are highlighted and discussed during the meetings;

- The Board continuously assesses key business risks with the help of key management, and if necessary, external professionals;

- Business review meetings are conducted on quarterly basis to review the business development, operational and financial performance of the Group and its subsidiaries; and

- Management accounts and reports are generated on a regular and consistent basis, covering financial and operational performance and key business indicators, for effective monitoring and decision making.

CONCLUSION

Based on the internal auditors' report for the financial year ended 28 February 2011, 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 13 June 2011.

OTHER DISCLOSURE REQUIREMENTS

Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposal during the financial year ended 28 February 2011.

Share Buy-backs

During the financial year, the Company did not enter into any share buy-backs transactions.

Depository Receipt Programme

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

Imposition of Sanctions and/or Penalties

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

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 28 February 2011 by the external auditors, Messrs. Crowe Horwath and its affiliated companies amounted to RM16,720.

Variation in Results

There were no profit estimate, forecast or projection or unaudited results previously made or released by the Company which differs by 10% or more from the audited results for the financial year ended 28 February 2011.

Profit Guarantees

There were no profit guarantees given by the Company for the financial year ended 28 February 2011.

Material Contracts

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

Revaluation Policy

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

Options or Convertible Securities

No options or convertible securities were issued by the Company during the financial year ended 28 February 2011.

Corporate Social Responsibilities

The Company and its subsidiaries believed that pursuit of business objective needs to be balanced with the environmental and social responsibilities. As such, the Group uses its best endeavour on ongoing basis to integrate corporate social responsibilities practices into its business operations. Scrap metals and water mixed with coolant used in the production process are disposed of through authorized contractor. The Company and its subsidiaries also provided assistance to charitable activities in the form of money and in-kind.

Recurrent Related Party Transactions of a Revenue Nature

There were no significant recurrent related party transactions of a revenue nature entered into pursuant to the shareholders mandate during the financial year.

FINANCIAL STATEMENTS

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 28 February 2011.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. 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
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	301,976	(12,734,699)
- Non-controlling interests	22,101	0
	324,077	(12,734,699)

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 2011, 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 there were no known bad debts 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 require the writing off of bad debts or render the amount of the allowance made for doubtful debts inadequate to any substantial extent.

Current Assets

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

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

Valuation Methods

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

Contingent And Other Liabilities

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

(i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

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

Change Of Circumstances

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

Items Of An Unusual Nature

Except for any effects arising from the changes in accounting policies following the adoption of the amended/revised/new Financial Reporting Standards as disclosed in Note 2.2 to the financial statements, 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

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:-

	Number of Ordinary Shares of RM0.10 Each					
	Direct Interest				Deemed Interest	
Name of Director	At 1.3.2010	Bought	Sold	At 28.2.2011	At 1.3.2010	At 28.2.2011
Beh Lai Lien	1,778,374	306,800	0	2,085,174	70,829,024	72,034,624
Lai Siaw Ling	12,718	0	0	12,718	70,693,824	71,899,424
Wong Pow Keong	968,388	0	0	968,388	70,693,824	71,899,424
Hui Khee Sum @ Hooi Kee Sum	100,000	0	0	100,000	0	0
Mohd Daniel Bin Mat Noh	115,000	0	0	115,000	0	0
Ooi Eng Guan	0	0	0	0	0	0

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

Directors' Benefits

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

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

Auditors

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

Signed In Accordance With A Resolution Of The Directors
Dated 13 June 2011

Beh Lai Lien

Wong Pow Keong

STATEMENT BY DIRECTORS

We, Beh Lai Lien and Wong Pow Keong, being two of the directors of AT Systematization Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 33 to 75 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 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 76 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed In Accordance With A Resolution Of The Directors
Dated 13 June 2011

Beh Lai Lien **Wong Pow Keong**

STATUTORY DECLARATION

I, Tang Hooi Ching, 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 75 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 Tang Hooi Ching
at Georgetown in the State of Penang on this
13 June 2011

Tang Hooi Ching

Before me

Goh Suan Bee
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, which comprise the statements of financial position as at 28 February 2011 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 75.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 28 February 2011 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AT SYSTEMATIZATION BERHAD (cont'd)
(Incorporated in Malaysia) Company No: 644800-X

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(ii) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements. We have also considered the unaudited financial statements of AT Automation Technology Solutions Phils., Inc.

(iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 76 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Eddy Chan Wai Hun
Approval No: 2182/10/11 (J)
Chartered Accountant

Date: 13 June 2011

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Note	28.2.2011 RM	28.2.2010 RM (Restated)	1.3.2009 RM (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	4	28,652,476	29,717,523	30,949,148
Investment property	5	0	550,000	1,667,038
Development expenditure	7	57,821	137,921	218,021
		28,710,297	30,405,444	32,834,207
CURRENT ASSETS				
Assets held for sale	8	550,000	0	780,000
Inventories	9	3,574,149	3,463,870	3,694,045
Trade and other receivables	10	9,425,109	13,943,277	8,339,520
Prepayments		166,255	147,799	109,632
Current tax assets		4,380	6,420	31,143
Cash and cash equivalents	11	3,320,470	2,530,908	2,161,264
		17,040,363	20,092,274	15,115,604
CURRENT LIABILITIES				
Trade and other payables	12	5,454,766	7,882,822	5,178,511
Loans and borrowings - secured	13	4,087,805	6,299,004	6,663,242
Advance payments from customers		639,281	201,855	222,073
Current tax liabilities		507,320	61,322	320
		10,689,172	14,445,003	12,064,146
NET CURRENT ASSETS		6,351,191	5,647,271	3,051,458
NON-CURRENT LIABILITIES				
Loans and borrowings - secured	13	12,477,298	13,548,682	11,552,471
Deferred tax liabilities	14	475,000	428,000	350,000
		12,952,298	13,976,682	11,902,471
NET ASSETS		22,109,190	22,076,033	23,983,194
EQUITY				
Share capital	15	17,895,077	17,895,077	17,895,077
Share premium		10,748,538	10,748,538	10,748,538
Revaluation surplus		217,500	217,500	217,500
Currency translation reserve		91,390	193,081	229,891
Accumulated losses		(6,843,315)	(7,220,306)	(5,425,565)
Equity attributable to owners of the Company		22,109,190	21,833,890	23,665,441
Non-controlling interests		0	242,143	317,753
TOTAL EQUITY		22,109,190	22,076,033	23,983,194

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2011

	Note	2011 RM	2010 RM (Restated)
Revenue	16	37,215,170	27,509,116
Other income		394,832	1,419,014
Changes in inventories of work-in-progress and finished goods		379,673	154,036
Raw materials and consumables used		(19,503,562)	(13,460,115)
Amortisation and depreciation		(2,939,561)	(3,005,916)
Employee benefits expense	17	(10,091,512)	(9,072,882)
Finance costs		(1,047,935)	(1,053,383)
Other expenses		(3,153,358)	(4,176,618)
Profit/(Loss) before tax	18	1,253,747	(1,686,748)
Tax expense	19	(929,670)	(175,683)
Profit/(Loss) for the financial year		324,077	(1,862,431)
Other comprehensive income:-			
Currency translation differences for foreign operations		(101,691)	(35,318)
Other comprehensive income for the financial year		(101,691)	(35,318)
Total comprehensive income for the financial year		222,386	(1,897,749)
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		301,976	(1,794,741)
- Non-controlling interests		22,101	(67,690)
		324,077	(1,862,431)
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		207,382	(1,831,551)
- Non-controlling interests		15,004	(66,198)
		222,386	(1,897,749)
Earnings/(Loss) per share:-	20		
- Basic (sen)		0.17	(1.00)
- Diluted (sen)		0.17	(1.00)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2011

		Non-distributable						
	Share capital RM	Share premium RM	Revaluation surplus RM	Currency translation reserve RM	Accumulated losses RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 March 2009								
- As previously reported	17,895,077	10,748,538	180,000	229,891	(5,496,089)	23,557,417	317,753	23,875,170
- Effects of adopting amendments to FRS 117	0	0	37,500	0	70,524	108,024	0	108,024
- As restated	17,895,077	10,748,538	217,500	229,891	(5,425,565)	23,665,441	317,753	23,983,194
Disposal of subsidiary	0	0	0	0	0	0	(9,412)	(9,412)
Total comprehensive income for the financial year	0	0	0	(36,810)	(1,794,741)	(1,831,551)	(66,198)	(1,897,749)
Balance at 28 February 2010	17,895,077	10,748,538	217,500	193,081	(7,220,306)	21,833,890	242,143	22,076,033
Balance at 1 March 2010								
- As previously reported	17,895,077	10,748,538	180,000	193,081	(7,231,888)	21,784,808	242,143	22,026,951
- Effects of adopting amendments to FRS 117	0	0	37,500	0	11,582	49,082	0	49,082
- As restated	17,895,077	10,748,538	217,500	193,081	(7,220,306)	21,833,890	242,143	22,076,033
Acquisition of shares from non-controlling interests	0	0	0	(7,097)	75,015	67,918	(257,147)	(189,229)
Total comprehensive income for the financial year	0	0	0	(94,594)	301,976	207,382	15,004	222,386
Balance at 28 February 2011	17,895,077	10,748,538	217,500	91,390	(6,843,315)	22,109,190	0	22,109,190

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2011

	Note	2011 RM	2010 RM (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		1,253,747	(1,686,748)
Adjustments for:-			
Amortisation and depreciation		2,939,561	3,005,916
Bad debts written off		0	14,479
Gain on disposal of investment property		0	(864,959)
Gain on disposal of property, plant and equipment		(75,329)	(209,690)
Gain on disposal of subsidiary		0	(185)
Impairment loss on loans and receivables		16,680	409,066
Interest expense		1,047,935	1,053,383
Interest income		(5,500)	(14,083)
Inventories written down		452,693	297,766
Property, plant and equipment written off		235	0
Operating profit before working capital changes		5,630,022	2,004,945
Changes in:-			
Inventories		(562,972)	(67,591)
Receivables and prepayments		4,483,032	(6,065,469)
Payables and advance payments		(1,990,630)	2,687,405
Cash generated from/(absorbed by) operations		7,559,452	(1,440,710)
Interest paid		(1,047,935)	(1,053,383)
Tax paid		(438,727)	(46,059)
Tax refunded		4,095	34,101
Net cash from/(used in) operating activities		6,076,885	(2,506,051)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares from non-controlling interests		(189,229)	0
Disposal of subsidiary, net of cash disposed of		0	(12,539)
Interest received		5,500	14,083
Proceeds from disposal of assets held for sale		0	780,000
Proceeds from disposal of investment property		0	1,981,997
Proceeds from disposal of property, plant and equipment		91,295	393,784
Purchase of property, plant and equipment	21	(760,277)	(520,791)
Net cash (used in)/from investing activities		(852,711)	2,636,534
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in short-term loans and borrowings (net)		(1,217,392)	1,217,392
Repayment of hire purchase obligations		(1,307,726)	(1,201,568)
Repayment of term loans		(918,422)	(1,172,900)
Term loans raised		0	2,501,000
Net cash (used in)/from financing activities		(3,443,540)	1,343,924
Currency translation differences		(61,929)	(33,812)
Net increase in cash and cash equivalents		1,718,705	1,440,595
Cash and cash equivalents brought forward		(362,031)	(1,802,626)
Cash and cash equivalents carried forward	11	1,356,674	(362,031)

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

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Note	2011 RM	2010 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	38,596	46,940
Investments in subsidiaries	6	5,599,598	15,906,411
		5,638,194	15,953,351
CURRENT ASSETS			
Receivables	10	10,229,804	12,113,387
Prepayments		5,550	0
Cash and cash equivalents	11	32,707	76,256
		10,268,061	12,189,643
CURRENT LIABILITIES			
Payables	12	592,606	94,646
		592,606	94,646
NET CURRENT ASSETS		9,675,455	12,094,997
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	7,000	7,000
NET ASSETS		15,306,649	28,041,348
EQUITY			
Share capital	15	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Accumulated losses		(13,336,966)	(602,267)
TOTAL EQUITY		15,306,649	28,041,348

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2011

	Note	2011 RM	2010 RM
Revenue	16	1,849,954	1,272,000
Depreciation		(8,344)	(8,344)
Employee benefits expense	17	(1,656,588)	(1,022,195)
Other expenses		(12,919,721)	(151,993)
(Loss)/Profit before tax	18	(12,734,699)	89,468
Tax expense	19	0	0
(Loss)/Profit for the financial year		(12,734,699)	89,468
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		(12,734,699)	89,468

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2011

		Non-distributable		
	Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
Balance at 1 March 2009	17,895,077	10,748,538	(691,735)	27,951,880
Total comprehensive income for the financial year	0	0	89,468	89,468
Balance at 28 February 2010	17,895,077	10,748,538	(602,267)	28,041,348
Total comprehensive income for the financial year	0	0	(12,734,699)	(12,734,699)
Balance at 28 February 2011	17,895,077	10,748,538	(13,336,966)	15,306,649

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2011

	Note	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(12,734,699)	89,468
Adjustments for:-			
Depreciation		8,344	8,344
Impairment loss on investments in subsidiaries		12,706,813	0
Impairment loss on loans and receivables		2,323	0
Loss on disposal of subsidiary		0	15,698
Operating (loss)/profit before working capital changes		(17,219)	113,510
Changes in:-			
Receivables and prepayments		(524,290)	(55,812)
Payables		497,960	(87,026)
Net cash used in operating activities		(43,549)	(29,328)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of subsidiary		0	14,303
Net cash from investing activities		0	14,303
Net decrease in cash and cash equivalents		(43,549)	(15,025)
Cash and cash equivalents brought forward		76,256	91,281
Cash and cash equivalents carried forward	11	32,707	76,256

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

1. General Information

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

The registered office of the Company is located at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang and its principal place of business is located at Plot 82, Lintang Bayan Lepas, Bayan Lepas Industrial Park, Phase IV, 11900 Bayan Lepas, Penang.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6.

The consolidated financial statements set out on pages 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 13 June 2011.

2. Significant Accounting Policies

2.1 Basis of Preparation of Financial Statements

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

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

The following amended/revised/new FRSs became effective for the financial year under review:-

FRS	Effective for financial periods beginning on or after
Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2010
Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*	1 January 2010
Amendments to FRS 132 *Financial Instruments: Presentation*	1 January 2010/ 1 March 2010
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement,* FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2010
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2010
Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2009)"*	1 January 2010
FRS 4 *Insurance Contracts*	1 January 2010
FRS 7 *Financial Instruments: Disclosures*	1 January 2010
FRS 8 *Operating Segments*	1 July 2009

2. Significant Accounting Policies (cont'd)

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

FRS	Effective for financial periods beginning on or after
FRS 101 *Presentation of Financial Statements* (revised in 2009)	1 January 2010
FRS 123 *Borrowing Costs*	1 January 2010
FRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10 *Interim Financial Reporting and Impairment*	1 January 2010
IC Interpretation 11 FRS 2 - *Group and Treasury Share Transactions*	1 January 2010
IC Interpretation 13 *Customer Loyalty Programmes*	1 January 2010
IC Interpretation 14 FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2010

The adoption of the above amended/revised/new FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.2.

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

FRS	Effective for financial periods beginning on or after
Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*	1 January 2011
Amendments to FRS 1 *Additional Exemptions for First-time Adopters*	1 January 2011
Amendments to FRS 2 *Share-based Payment*	1 July 2010
Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*	1 January 2011
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 7 *Improving Disclosures about Financial Instruments*	1 January 2011
Amendments to FRS 138 *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 July 2010
Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*	1 July 2011
Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2010)"*	1 January 2011
FRS 1 *First-time Adoption of Financial Reporting Standards* (revised in 2010)	1 July 2010
FRS 3 *Business Combinations* (revised in 2010)	1 July 2010
FRS 124 *Related Party Disclosures* (revised in 2010)	1 January 2012
FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)	1 July 2010
IC Interpretation 4 *Determining whether an Arrangement contains a Lease*	1 January 2011

2. Significant Accounting Policies (cont'd)

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

FRS	Effective for financial periods beginning on or after
IC Interpretation 12 *Service Concession Arrangements*	1 July 2010
IC Interpretation 15 *Agreements for the Construction of Real Estate*	1 January 2012
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 July 2010
IC Interpretation 18 *Transfers of Assets from Customers*	1 January 2011
IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011

Management foresees that the initial application of the above amended/revised/new FRSs will not have any significant impacts on the financial statements except as follows:-

FRS 3 *Business Combinations* (revised in 2010)

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

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

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

2.2 Changes in Accounting Policies

Significant changes in the accounting policies of the Group and the Company following the adoption of the amended/revised/new FRSs are summarised below:-

Amendments to FRS 117 *Leases*

Included in *Improvements to FRSs (2009)* are amendments to FRS 117 which clarify that the classification of leasehold land as a finance lease or an operating lease shall be based on the extent to which risks and rewards incidental to ownership lie.

Prior to the adoption of the amendments to FRS 117, leasehold land was classified as an operating lease and recognised as prepaid lease payments.

2. Significant Accounting Policies (cont'd)

2.2 Changes in Accounting Policies (cont'd)

Amendments to FRS 117 *Leases* (cont'd)

In accordance with the transitional provisions of the amendments, the Group has reassessed the classification on the effective date on the basis of information existing at the inception of the lease. Accordingly, the effects of adopting the amendments have been accounted for retrospectively in accordance with FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* by restating the following comparative figures:-

	As previously reported	Effects of adopting amendments to FRS 117	As restated
	RM	RM	RM
Consolidated Statement of Financial Position (Extract)			
As at 1 March 2009			
Property, plant and equipment	26,749,148	4,200,000	30,949,148
Prepaid lease payments	5,209,014	(5,209,014)	0
Investment property	550,000	1,117,038	1,667,038
Revaluation surplus	180,000	37,500	217,500
Accumulated losses	(5,496,089)	70,524	(5,425,565)
As at 28 February 2010			
Property, plant and equipment	25,601,464	4,116,059	29,717,523
Prepaid lease payments	4,066,977	(4,066,977)	0
Revaluation surplus	180,000	37,500	217,500
Accumulated losses	(7,231,888)	11,582	(7,220,306)
Consolidated Statement of Comprehensive Income (Extract)			
For the financial year ended 28 February 2010			
Other income	1,499,565	(80,551)	1,419,014
Amortisation and depreciation	3,027,525	(21,609)	3,005,916

FRS 123 *Borrowing Costs*

FRS 123, which supersedes FRS 123_{2004} *Borrowing Costs*, removes the option of immediately recognising in profit or loss borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Prior to the adoption of FRS 123, all borrowing costs were recognised in profit or loss in the period in which they were incurred.

In accordance with the transitional provisions of FRS 123, the Group has applied the standard prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.

2. Significant Accounting Policies (cont'd)

2.2 Changes in Accounting Policies (cont'd)

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 sets out the accounting principles for recognising and measuring financial instruments. Some of the key principles established are disclosed in Notes 2.11 and 2.12.

Prior to the adoption of FRS 139 (and the amendments thereto), financial assets and financial liabilities were mainly recorded at cost less, in the case of a financial asset, any allowance for diminution in value or impairment. Derivatives were only recognised in the financial statements on settlement dates.

In accordance with the transitional provisions of FRS 139, the Group and the Company have applied the standard prospectively and concluded that no adjustment to any opening balance as at 1 March 2010 was necessary.

2.3 Basis of Consolidation

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the 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. The impairment policy is disclosed in Note 2.9. 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 profit or loss.

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. The impairment policy is disclosed in Note 2.9.

Revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

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

2. Significant Accounting Policies (cont'd)

2.4 Property, Plant and Equipment (cont'd)

Leasehold land is depreciated on a straight-line basis over the lease terms of 56 to 60 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

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

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

2.5 Investment Property

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 profit or loss.

2.6 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

2.7 Research and Development Expenditure

Research expenditure is recognised in profit or loss when incurred.

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

Capitalised development expenditure, considered to have finite useful lives, is stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. Amortisation is calculated on a straight-line basis over the estimated commercial lives of the underlying products of 5 years. The amortisation period and method are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2. 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 profit or loss.

2.9 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, investment property stated at fair value and non-current assets classified as held for sale, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

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

2.10 Inventories

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

2.11 Financial Assets

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

Recognition and Measurement

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

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

2. Significant Accounting Policies (cont'd)

2.11 Financial Assets (cont'd)

Impairment

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

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

Determination of Fair Values

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

2.12 Financial Liabilities

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

Recognition and Measurement

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

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

Determination of Fair Values

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

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

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

2. Significant Accounting Policies (cont'd)

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

2.14 Foreign Currency Transactions and Translation

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

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

In translating the financial position and results of a foreign operation whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

2. Significant Accounting Policies (cont'd)

2.15 Share Capital

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

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.16 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.

2.17 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

Equity Compensation Benefits

The Employee Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. 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.

2.18 Borrowing Costs

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

2. Significant Accounting Policies (cont'd)

2.19 Income Taxes

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

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

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

2.20 Cash and Cash Equivalents

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

3. Judgements And Estimation Uncertainty

Judgements Made in Applying Accounting Policies

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

(i) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to ownership of the land through a finance lease.

3. Judgements And Estimation Uncertainty (cont'd)

Sources of Estimation Uncertainty

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

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives to be within 3 to 50 years. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 4.

(ii) Impairment of non-financial assets

When the recoverable amount of a non-financial asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows. The carrying amounts of non-financial assets subject to impairment assessment are disclosed in Notes 4 and 7.

(iii) Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 9.

(iv) Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 10.

(v) 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 assets/liabilities based on their understanding of the prevailing tax laws and estimates of whether such assets/ liabilities will be realised/settled in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax recognition in the period in which the outcome is determined. The carrying amounts of tax assets/ liabilities as at 28 February 2011 are as follows:-

	The Group RM	The Company RM
Current tax assets	4,380	0
Current tax liabilities	507,320	0
Deferred tax liabilities	475,000	7,000

4. Property, Plant And Equipment

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation								
Balance at 1 March 2009								
- As previously reported	0	0	14,490,000	15,014,334	5,880,042	3,438,399	321,618	39,144,393
- Effects of adopting amendments to FRS 117	1,400,000	2,800,000	0	0	0	0	0	4,200,000
- As restated	1,400,000	2,800,000	14,490,000	15,014,334	5,880,042	3,438,399	321,618	43,344,393
Additions	0	0	0	1,637,962	241,829	0	0	1,879,791
Disposals/Write-offs	0	0	0	0	(67,197)	(1,058,675)	0	(1,125,872)
Currency translation differences	0	0	0	(1,572)	(14,822)	(10,703)	0	(27,097)
Balance at 28 February 2010	1,400,000	2,800,000	14,490,000	16,650,724	6,039,852	2,369,021	321,618	44,071,215
Representing:-								
Cost	0	0	0	16,650,724	6,039,852	2,369,021	321,618	25,381,215
Valuation	1,400,000	2,800,000	14,490,000	0	0	0	0	18,690,000
	1,400,000	2,800,000	14,490,000	16,650,724	6,039,852	2,369,021	321,618	44,071,215
Balance at 1 March 2010								
- As previously reported	0	0	14,490,000	16,650,724	6,039,852	2,369,021	321,618	39,871,215
- Effects of adopting amendments to FRS 117	1,400,000	2,800,000	0	0	0	0	0	4,200,000
- As restated	1,400,000	2,800,000	14,490,000	16,650,724	6,039,852	2,369,021	321,618	44,071,215
Additions	0	0	0	1,209,162	256,381	327,834	57,000	1,850,377
Disposals/Write-offs	0	0	0	(41,468)	(5,546)	(364,810)	0	(411,824)
Currency translation differences	0	0	0	(36,866)	(44,210)	(5,115)	0	(86,191)
Balance at 28 February 2011	1,400,000	2,800,000	14,490,000	17,781,552	6,246,477	2,326,930	378,618	45,423,577
Representing:-								
Cost	0	0	0	17,781,552	6,246,477	2,326,930	378,618	26,733,577
Valuation	1,400,000	2,800,000	14,490,000	0	0	0	0	18,690,000
	1,400,000	2,800,000	14,490,000	17,781,552	6,246,477	2,326,930	378,618	45,423,577

4. Property, Plant And Equipment (cont'd)

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Depreciation and Impairment Loss								
Balance at 1 March 2009								
Accumulated depreciation	0	0	0	6,253,123	3,518,580	2,301,924	0	12,073,627
Accumulated impairment loss	0	0	0	0	0	0	321,618	321,618
	0	0	0	6,253,123	3,518,580	2,301,924	321,618	12,395,245
Depreciation	31,111	52,830	303,503	1,480,066	669,728	388,578	0	2,925,816
Disposals/Write-offs	0	0	0	0	(42,166)	(899,612)	0	(941,778)
Currency translation differences	0	0	0	(2,063)	(14,782)	(8,746)	0	(25,591)
Balance at 28 February 2010								
Accumulated depreciation	31,111	52,830	303,503	7,731,126	4,131,360	1,782,144	0	14,032,074
Accumulated impairment loss	0	0	0	0	0	0	321,618	321,618
	31,111	52,830	303,503	7,731,126	4,131,360	1,782,144	321,618	14,353,692
Balance at 1 March 2010								
Accumulated depreciation								
- As previously reported	0	0	303,503	7,731,126	4,131,360	1,782,144	0	13,948,133
- Effects of adopting amendments to FRS 117	31,111	52,830	0	0	0	0	0	83,941
- As restated	31,111	52,830	303,503	7,731,126	4,131,360	1,782,144	0	14,032,074
Accumulated impairment loss	0	0	0	0	0	0	321,618	321,618
	31,111	52,830	303,503	7,731,126	4,131,360	1,782,144	321,618	14,353,692
Depreciation	31,111	57,062	325,312	1,559,964	588,762	297,250	0	2,859,461
Disposals/Write-offs	0	0	0	(29,058)	(5,241)	(361,324)	0	(395,623)
Currency translation differences	0	0	0	(13,428)	(28,556)	(4,445)	0	(46,429)
Balance at 28 February 2011								
Accumulated depreciation	62,222	109,892	628,815	9,248,604	4,686,325	1,713,625	0	16,449,483
Accumulated impairment loss	0	0	0	0	0	0	321,618	321,618
	62,222	109,892	628,815	9,248,604	4,686,325	1,713,625	321,618	16,771,101

4. **Property, Plant And Equipment** (cont'd)

The Group

	Short-term leasehold land RM	Long-term leasehold land RM	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Carrying Amount								
Balance at 1 March 2009 (Restated)	1,400,000	2,800,000	14,490,000	8,761,211	2,361,462	1,136,475	0	30,949,148
Balance at 28 February 2010 (Restated)	1,368,889	2,747,170	14,186,497	8,919,598	1,908,492	586,877	0	29,717,523
Balance at 28 February 2011	1,337,778	2,690,108	13,861,185	8,532,948	1,560,152	613,305	57,000	28,652,476

4. Property, Plant And Equipment (cont'd)

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

	The Group	
	2011	2010
	RM	RM
		(Restated)
Short-term leasehold land	1,308,495	1,320,000
Long-term leasehold land	2,693,906	2,746,977
Buildings	13,992,875	14,299,072
	17,995,276	18,366,049

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

	The Group	
	2011	2010
	RM	RM
		(Restated)
Short-term leasehold land	1,337,778	1,368,889
Long-term leasehold land	2,690,108	2,747,170
Buildings	13,861,185	14,186,497
Plant, machinery, tools and equipment	1,269,609	1,578,317
	19,158,680	19,880,873

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

	The Group	
	2011	2010
	RM	RM
Plant, machinery, tools and equipment	4,588,372	4,248,281
Furniture, fittings and office equipment	142,188	164,938
Motor vehicles	471,041	469,192
	5,201,601	4,882,411

4. Property, Plant And Equipment (cont'd)

The Company

	Furniture, fittings and office equipment RM
Cost	
Balance at 1 March 2009	83,443
Movement during the year	0
Balance at 28 February 2010	83,443
Movement during the year	0
Balance at 28 February 2011	83,443
Accumulated Depreciation	
Balance at 1 March 2009	28,159
Depreciation	8,344
Balance at 28 February 2010	36,503
Depreciation	8,344
Balance at 28 February 2011	44,847
Carrying Amount	
Balance at 1 March 2009	55,284
Balance at 28 February 2010	46,940
Balance at 28 February 2011	38,596

5. Investment Property

The Group

Fair Value	Long-term leasehold land RM	Freehold land and buildings RM	Total RM
Balance at 1 March 2009			
- As previously reported	0	550,000	550,000
- Effects of adopting amendments to FRS 117	1,117,038	0	1,117,038
- As restated	1,117,038	550,000	1,667,038
Disposal	(1,117,038)	0	(1,117,038)
Balance at 28 February 2010	0	550,000	550,000
Transfer to assets held for sale	0	(550,000)	(550,000)
Balance at 28 February 2011	0	0	0

6. Investments In Subsidiaries

The Company

	2011 RM	2010 RM
Unquoted shares, at cost	18,306,411	15,906,411
Impairment losses	(12,706,813)	0
	5,599,598	15,906,411

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest 2011	Effective Ownership Interest 2010	Principal Activity
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
Subsidiaries of AT Engineering Sdn. Bhd.				
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	100%	90%	Design and manufacture of industrial automation systems and machinery and fabrication of industrial and engineering parts
ATST Corporation Ltd.*	Thailand	100%	100%	Dormant
AT Automation Technology Solutions Phils., Inc.**	Philippines	100%	100%	Dormant

* *Not audited by Crowe Horwath*

** *Not audited, and consolidated using unaudited financial statements*

7. Development Expenditure

The Group

	RM
Cost	
Balance at 1 March 2009	400,501
Movement during the year	0
Balance at 28 February 2010	400,501
Movement during the year	0
Balance at 28 February 2011	400,501
Accumulated Amortisation	
Balance at 1 March 2009	182,480
Amortisation	80,100
Balance at 28 February 2010	262,580
Amortisation	80,100
Balance at 28 February 2011	342,680
Carrying Amount	
Balance at 1 March 2009	218,021
Balance at 28 February 2010	137,921
Balance at 28 February 2011	57,821

8. Assets Held For Sale

The Group

	Freehold land and buildings RM
Balance at 1 March 2009	780,000
Disposal	(780,000)
Balance at 28 February 2010	0
Transfer from investment property	550,000
Balance at 28 February 2011	550,000

In January 2011, the Group, through Miako-Tech Engineering Sdn. Bhd., committed to a plan and entered into a sale and purchase agreement to sell the freehold land and buildings. The sale has yet to be completed at the end of the reporting period.

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

9. Inventories

The Group

	2011	2010
	RM	RM
Raw materials	1,065,567	1,772,796
Work-in-progress	1,599,557	1,347,731
Finished goods	909,025	343,343
	3,574,149	3,463,870

10. Trade And Other Receivables

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade receivables	11,772,698	15,842,551	0	0
Allowance for impairment	(2,867,349)	(2,851,725)	0	0
	8,905,349	12,990,826	0	0
Other receivables:-				
- Subsidiaries	0	0	10,232,127	12,113,387
- Allowance for impairment	0	0	(2,323)	0
	0	0	10,229,804	12,113,387
- Unrelated parties	519,760	952,451	0	0
	519,760	952,451	10,229,804	12,113,387
	9,425,109	13,943,277	10,229,804	12,113,387

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

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Ringgit Malaysia	6,282,600	5,807,575	10,229,804	12,113,387
Renminbi	513,816	1,677,314	0	0
Singapore Dollar	227,821	100,848	0	0
Thai Baht	1,770,195	3,218,933	0	0
US Dollar	630,677	3,138,607	0	0
	9,425,109	13,943,277	10,229,804	12,113,387

Trade Receivables

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

10. Trade And Other Receivables (cont'd)

Trade Receivables (cont'd)

The movements in allowance for impairment are as follows:-

	The Group	
	2011	2010
	RM	RM
Balance at 1 March	2,851,725	2,457,159
Impairment loss recognised	16,680	409,066
Impairment loss written off	0	(14,500)
Currency translation differences	(1,056)	0
Balance at 28 February	2,867,349	2,851,725

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

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

	The Group	
	2011	2010
	RM	RM
Not past due	3,495,688	5,038,698
Past due 1 to 30 days	1,831,434	2,357,981
Past due 31 to 120 days	1,111,480	1,782,449
Past due more than 120 days	2,466,747	3,811,698
	8,905,349	12,990,826

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

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 28 February 2011, there was 1 (2010 : 3) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM2,433,470 (2010 : RM6,763,558). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

10. Trade And Other Receivables (cont'd)

Trade Receivables (cont'd)

	The Group 2011 RM	The Group 2010 RM
Malaysia	6,140,967	6,984,650
China	397,806	2,126,709
Singapore	360,679	101,383
Thailand	1,755,333	2,849,385
United States of America	250,564	928,699
	8,905,349	12,990,826

Other Receivables

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

The movements in allowance for impairment are as follows:-

	The Company 2011 RM	The Company 2010 RM
Balance at 1 March	0	0
Impairment loss recognised	2,323	0
Balance at 28 February	2,323	0

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

11. Cash And Cash Equivalents

	The Group 2011 RM	The Group 2010 RM	The Company 2011 RM	The Company 2010 RM
Term deposit with a licensed bank (fixed rate)	498,500	515,000	0	0
Cash and bank balances	2,821,970	2,015,908	32,707	76,256
	3,320,470	2,530,908	32,707	76,256

The term deposit has been pledged as security for credit facilities granted to the Group. Accordingly, this term deposit is not freely available for use.

11. Cash And Cash Equivalents (cont'd)

The effective interest rate of term deposit as at 28 February 2011 was 2.85% (2010 : 2.50%) per annum.

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

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Ringgit Malaysia	2,189,171	2,279,936	32,707	76,256
Renminbi	176,300	72,060	0	0
Thai Baht	841,074	30,728	0	0
US Dollar	105,217	139,657	0	0
Others	8,708	8,527	0	0
	3,320,470	2,530,908	32,707	76,256

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

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash and cash equivalents	3,320,470	2,530,908	32,707	76,256
Bank overdrafts	(1,963,796)	(2,892,939)	0	0
	1,356,674	(362,031)	32,707	76,256

12. Trade And Other Payables

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade payables	4,725,101	6,552,704	0	0
Other payables:-				
- Subsidiary	0	0	526,300	0
- Unrelated parties	729,665	1,330,118	66,306	94,646
	729,665	1,330,118	592,606	94,646
	5,454,766	7,882,822	592,606	94,646

12. Trade And Other Payables (cont'd)

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

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Ringgit Malaysia	4,038,367	6,248,229	592,606	94,646
Renminbi	604,223	953,190	0	0
Thai Baht	766,755	389,724	0	0
US Dollar	19,591	120,919	0	0
Others	25,830	170,760	0	0
	5,454,766	7,882,822	592,606	94,646

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

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 150 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary is repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

13. Loans And Borrowings - Secured

The Group

	2011	2010
	RM	RM
Hire purchase payables (fixed rate)	3,183,986	3,401,612
Banker acceptances (fixed rate)	0	1,217,392
Bank overdrafts (floating rate)	1,963,796	2,892,939
Term loans (fixed rate)	350,935	798,613
Term loans (floating rate)	11,066,386	11,537,130
	16,565,103	19,847,686
Disclosed as:-		
- Current liabilities	4,087,805	6,299,004
- Non-current liabilities	12,477,298	13,548,682
	16,565,103	19,847,686

13. Loans And Borrowings - Secured (cont'd)

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4), freehold land and buildings held for sale (Note 8) and term deposit (Note 11).

The effective interest rates of loans and borrowings as at 28 February 2011 ranged from 4.00% to 8.05% (2010 : 4.00% to 7.71%) per annum.

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

	2011 RM	2010 RM
Ringgit Malaysia	16,422,610	18,640,938
Thai Baht	142,493	1,206,748
	16,565,103	19,847,686

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Hire Purchase Payables

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

	2011 RM	2010 RM
Minimum hire purchase payments:-		
- Within 1 year	1,435,488	1,376,300
- Later than 1 year and not later than 2 years	960,370	1,185,653
- Later than 2 years and not later than 5 years	1,100,174	1,213,345
Total contractual undiscounted cash flows	3,496,032	3,775,298
Future finance charges	(312,046)	(373,686)
Present value of hire purchase payables:-		
- Within 1 year	1,280,420	1,186,363
- Later than 1 year and not later than 2 years	863,907	1,075,750
- Later than 2 years and not later than 5 years	1,039,659	1,139,499
	3,183,986	3,401,612

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

13. Loans And Borrowings - Secured (cont'd)

Term Loans

Term loans are repayable over 5 to 17 years. The repayment analysis is as follows:-

	2011 RM	2010 RM
Gross loan instalments:-		
- Within 1 year	1,455,457	1,567,965
- Later than 1 year and not later than 2 years	1,096,656	1,455,024
- Later than 2 years and not later than 5 years	3,289,967	3,288,670
- Later than 5 years	11,255,595	11,012,569
Total contractual undiscounted cash flows	17,097,675	17,324,228
Future finance charges	(5,680,354)	(4,988,485)
Present value of term loans:-		
- Within 1 year	843,589	1,002,310
- Later than 1 year and not later than 2 years	507,764	914,192
- Later than 2 years and not later than 5 years	1,700,861	1,870,632
- Later than 5 years	8,365,107	8,548,609
	11,417,321	12,335,743

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

14. Deferred Tax Liabilities

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Balance at 1 March	428,000	350,000	7,000	7,000
Deferred tax expense relating to origination and reversal of temporary differences	49,000	78,000	0	0
Deferred tax liabilities over provided in prior year	(2,000)	0	0	0
Balance at 28 February	475,000	428,000	7,000	7,000

14. Deferred Tax Liabilities (cont'd)

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
In respect of taxable/ (deductible) temporary differences of:-				
- Property, plant and equipment	505,000	458,000	7,000	7,000
- Inventories	(18,000)	(18,000)	0	0
- Receivables	(12,000)	(12,000)	0	0
	475,000	428,000	7,000	7,000

As at 28 February 2011, save as disclosed above, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM913,000 (2010 : RM967,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences as follows:-

	The Group	
	2011	2010
	RM	RM
Deductible temporary differences of:-		
- Inventories	1,166,000	714,000
- Receivables	2,800,000	2,784,000
Unused capital allowances	2,410,000	2,379,000
Unused tax losses	6,817,000	6,473,000
Taxable temporary differences of:-		
- Property, plant and equipment	(3,454,000)	(3,589,000)
- Investment property	(142,000)	(140,000)
- Development expenditure	(57,000)	(138,000)
	9,540,000	8,483,000

15. Share Capital

	2011	2010
	RM	RM
Authorised:-		
250,000,000 ordinary shares of RM0.10 each	25,000,000	25,000,000
Issued and fully paid-up:-		
178,950,765 ordinary shares of RM0.10 each	17,895,077	17,895,077

15. Share Capital (cont'd)

Employee Share Option Scheme

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

The principal features of the ESOS are as follows:-

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

(ii) The ESOS will be available to directors and eligible employees of the Group and the Company.

(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 2011, the Company has not granted any option to the Group's eligible employees.

16. Revenue

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

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

17. Employee Benefits Expense

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Short-term employee benefits	9,381,700	8,467,762	1,472,709	908,864
Defined contribution plans	709,812	605,120	183,879	113,331
	10,091,512	9,072,882	1,656,588	1,022,195

18. Profit/(Loss) Before Tax

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
		(Restated)		
Profit/(Loss) before tax is arrived at after charging:-				
Amortisation of development expenditure	80,100	80,100	0	0
Auditors' remuneration:-				
- Current year	81,887	55,838	18,000	12,000
- Prior year	(15,000)	0	0	0
Bad debts written off	0	14,479	0	0
Depreciation of property, plant and equipment	2,859,461	2,925,816	8,344	8,344
Directors' remuneration:-				
- Fees	210,600	141,600	210,600	141,600
- Other emoluments	1,430,563	801,540	1,354,214	801,540
Fee expense for financial instruments not at fair value through profit or loss	56,105	41,264	67	100
Impairment loss on investments in subsidiaries*	0	0	12,706,813	0
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	2,323	0
- Unrelated parties	16,680	409,066	0	0

* *Included in other expenses*

18. Profit/(Loss) Before Tax (cont'd)

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
		(Restated)		
Interest expense for financial liabilities not at fair value through profit or loss	1,047,935	1,053,383	0	0
Inventories written down	452,693	297,766	0	0
Loss on disposal of subsidiary	0	0	0	15,698
Property, plant and equipment written off	235	0	0	0
Realised loss on foreign exchange	67,422	20,670	0	0
Rental of equipment	1,653	2,037	0	0
Rental of premises	258,879	256,873	0	0
and crediting:-				
Bad debts recovered	1,785	0	0	0
Gain on disposal of investment property	0	864,959	0	0
Gain on disposal of property, plant and equipment	75,329	209,690	0	0
Gain on disposal of subsidiary	0	185	0	0
Interest income for financial assets not at fair value through profit or loss	5,500	14,083	0	0
Realised gain on foreign exchange	16,377	41,024	0	0
Rental of investment property	10,800	21,300	0	0
Rental of others	265,440	260,190	0	0

19. Tax Expense

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Tax based on results for the year:-				
Malaysian income tax	882,000	98,000	0	0
Deferred tax	49,000	78,000	0	0
	931,000	176,000	0	0
Tax under/(over) provided in prior year:-				
Malaysian income tax	670	(317)	0	0
Deferred tax	(2,000)	0	0	0
	929,670	175,683	0	0

19. Tax Expense (cont'd)

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	
	2011	2010	2011	2010
	%	%	%	%
		(Restated)		
Applicable tax rate	25.00	(25.00)	(25.00)	25.00
Non-deductible expenses	28.18	29.60	25.19	25.53
Non-taxable income	0.00	(14.87)	0.00	0.00
Pioneer income exempted	0.00	(13.48)	0.00	0.00
Increase in unrecognised deferred tax assets	21.08	38.10	0.00	0.00
Utilisation of group relief	0.00	0.00	(0.19)	(50.53)
Reversal of deferred tax on property sold/held for sale	0.00	(3.92)	0.00	0.00
Average effective tax rate	74.26	10.43	0.00	0.00

20. Earnings/(Loss) Per Share

The Group

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

	2011	2010
		(Restated)
Profit/(Loss) attributable to owners of the Company (RM)	301,976	(1,794,741)
Weighted average number of shares in issue	178,950,765	178,950,765
Basic earnings/(loss) per share (sen)	0.17	(1.00)

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

21. Note To Consolidated Statement Of Cash Flows

The Group

Purchase of Property, Plant and Equipment

	2011	2010
	RM	RM
Cost of property, plant and equipment purchased	1,850,377	1,879,791
Amount financed through hire purchase	(1,090,100)	(1,359,000)
Net cash disbursed	760,277	520,791

22. Related Party Disclosures

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

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Key management personnel compensation:-				
- Short-term employee benefits	1,466,743	839,004	1,390,394	839,004
- Defined contribution plans	174,420	104,136	174,420	104,136
	1,641,163	943,140	1,564,814	943,140
Subscription for shares in subsidiary	0	0	2,400,000	900,000
Management fee charged to subsidiaries	0	0	1,849,954	1,272,000

23. Segment Reporting

The Group

Operating Segments

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

Geographical Information

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

	External Revenue		Non-current Assets	
	2011	2010	2011	2010
	RM	RM	RM	RM
Malaysia	24,099,127	17,610,895	27,710,922	29,152,516
People's Republic of China	1,420,534	2,864,468	61,269	74,754
Thailand	8,868,435	5,014,513	938,106	1,178,174
Other countries	2,827,074	2,019,240	0	0
	37,215,170	27,509,116	28,710,297	30,405,444

Major Customers

The major customers that contributed 10% or more of the Group's total revenue are as follows:-

	External Revenue	
	2011	2010
	RM	RM
Customer I*	15,829,180	15,054,385
Customer II*	1,855,045	4,415,723

* *The identity of the major customer has not been disclosed as permitted by FRS 8 Operating Segments.*

24. Contingent Liabilities - Unsecured

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM33.0 million (2010 : RM32.8 million). The total utilisation of these credit facilities as at 28 February 2011 amounted to approximately RM16.8 million (2010 : RM18.5 million).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.12. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

25. Financial Risk Management

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

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

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 24.

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

Liquidity Risk

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

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

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM"), Thai Baht ("THB") and Renminbi ("RMB") whereas the major foreign currencies transacted are US Dollar ("USD") and Singapore Dollar ("SGD").

25. Financial Risk Management (cont'd)

Currency Risk (cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

(i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.

(ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

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

	The Group	
	Increase/ (Decrease) in Profit	(Increase)/ Decrease in Loss
	2011	2010
	RM	RM
Appreciation of USD against RM by 10%	64,321	312,356
Depreciation of USD against RM by 10%	(64,321)	(312,356)
Appreciation of SGD against RM by 10%	15,724	9,023
Depreciation of SGD against RM by 10%	(15,724)	(9,023)

Interest Rate Risk

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

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

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

	The Group	
	Increase/ (Decrease) in Profit	(Increase)/ Decrease in Loss
	2011	2010
	RM	RM
Increase in interest rates by 50 basis points	(65,151)	(72,150)
Decrease in interest rates by 50 basis points	65,151	72,150

26. Capital Management

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

The Group considers its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and may, from time to time, issue new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Group's strategy is to maintain the ratio at below 1 : 1 as follows:-

	The Group	
	2011	2010
	RM	RM
Total loans and borrowings	16,565,103	19,847,686
Total equity	22,109,190	22,076,033
Total capital	38,674,293	41,923,719
Debt-to-equity ratio	0.75 : 1	0.90 : 1

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

SUPPLEMENTARY INFORMATION
- REALISED AND UNREALISED PROFITS OR LOSSES

	The Group 2011 RM	The Company 2011 RM
Total accumulated losses of the Company and its subsidiaries		
- Realised	(14,818,855)	(13,329,966)
- Unrealised	1,028,876	(7,000)
	(13,789,979)	(13,336,966)
Consolidation adjustments and eliminations	6,946,664	0
Total accumulated losses as per statement of financial position	(6,843,315)	(13,336,966)

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

Postal Address/ Location of the Property	Description/ Existing Use	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Land Area/ Built-up Area (sq. ft.)	Net Book Value/ Net Carrying Value as at 28 February 2011 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	13 years/ 60 years lease expiring on 18 October 2055	56,057/ 17,600	3,350,000	28 February 2009 (Date of Valuation)
21, Pesara Mahsuri 5, Mukim 12, Sungai Nibong Kecil, 11900 Penang (Grant No.37633, Lot 5859, Mukim 12, Daerah Barat Daya, Pulau Pinang)	Double-storey shoplot for residential	20 years/ Freehold	1,324/ 2,500	550,000	28 February 2011 (Date of Valuation)
Plot 82, Lintang Bayan Lepas Fasa 4, Taman Perindustrian, Bayan Lepas Mk.12, Pulau Pinang. (H.S.(D) No.16415, P.T.No. 5057, Mukim 12, Daerah Barat Daya, Pulau Pinang)	The subject site is erected with: - a double-storey factory attached to; - a 3-storey office block and a double-storey production building	56 years lease expiring on 22 January 2062 10 years 5 years	109,426/ 89,845	14,706,699	28 February 2009 (Date of Valuation)

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 10 JUNE 2011

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 10 JUNE 2011

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	3	156	0.00
100 – 1,000	225	205,400	0.11
1,001 – 10,000	674	4,457,074	2.50
10,001 – 100,000	698	29,101,738	16.26
100,001 – 8,947,537	192	73,975,773	41.34
8,947,538 and above	2	71,210,624	39.79
Total	**1,794**	**178,950,765**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 10 JUNE 2011

Name	Direct Shareholding	%	Indirect Shareholding	%
Pegasus Options Sdn. Bhd.	71,899,424	40.18	-	-
Beh Lai Lien	2,085,174	1.17	72,034,624*	40.26
Lai Siaw Ling	12,718	0.01	71,899,424#	40.18
Wong Pow Keong	968,388	0.54	71,899,424#	40.18
Tan Siew Hooi	135,200	0.08	73,984,598^	41.34
Yap Kim Lean	300,065	0.17	71,899,424#	40.18

* *Deemed interested by virtue of his direct shareholdings in Pegasus Options Sdn. Bhd. and his wife, Mdm Tan Siew Hooi's direct shareholding in the Company.*
# *Deemed interested by virtue of their direct shareholdings in Pegasus Options Sdn. Bhd.*
^ *Deemed interested by virtue of her indirect shareholdings in Pegasus Options Sdn. Bhd. and her husband, Mr. Beh Lai Lien's direct shareholding in the Company.*

DIRECTORS' SHAREHOLDING AS AT 10 JUNE 2011

Name	Direct Shareholding	%	Indirect Shareholding	%
Beh Lai Lien	2,085,174	1.17	72,034,624*	40.26
Lai Siaw Ling	12,718	0.01	71,899,424#	40.18
Wong Pow Keong	968,388	0.54	71,899,424#	40.18
Hui Khee Sum @ Hooi Kee Sum	100,000	0.06	-	-
Mohd Daniel Bin Mat Noh	115,000	0.06	-	-
Ooi Eng Guan	-	-	-	-

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

THIRTY LARGEST SECURITIES HOLDERS AS AT 10 JUNE 2011

No.	Name	Shareholdings	%
1	Pegasus Options Sdn. Bhd.	61,210,624	34.21
2	OSK Nominees (Tempatan) Sdn. Berhad Pegasus Options Sdn. Bhd. (CP)	10,000,000	5.59
3	Lim Chee Ting	3,301,000	1.85
4	Pang Tse Ming	2,728,400	1.53
5	Foo Fook Min	2,650,200	1.48
6	Beh Lai Lien	2,083,200	1.16
7	Ng Wei Fong	1,658,900	0.93
8	Teng Pok Sang @ Teng Fook Sang	1,650,000	0.92
9	Lim Shew Poh	1,598,800	0.89
10	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Shew Poh	1,548,700	0.87
11	Christopher Selvaraj A/L Cecil Thiagarajah	1,500,000	0.84
12	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Tiong Kian	1,500,000	0.84
13	Wong Siong Yew	1,397,900	0.78
14	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Kim Hong (MG0000003)	1,385,400	0.77
15	Tan Thean Yat	1,300,000	0.73
16	Khor Boon Siang	1,200,000	0.67
17	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Thum Weng Hon (STA 1)	1,100,000	0.62
18	Hue Pak Siang	1,020,000	0.57
19	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Eng Huat	893,000	0.50
20	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khor Bak Kar (STA 2)	879,900	0.49
21	Low Kit Lim @ Liew Chee Lian	845,200	0.47
22	Ch’ng Siew Suan	836,800	0.47
23	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tok Sung Lee (011)	771,800	0.43
24	Low Suan Kong	709,000	0.40
25	Soh Swee Chuan	700,000	0.39
26	OSK Nominees (Tempatan) Sdn. Berhad Pledged Securities Account for Pegasus Options Sdn Bhd	688,800	0.38
27	Cheah Yong Hock	684,900	0.38
28	Toh Kow Lee	684,500	0.38
29	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Poh Chee (Margin)	600,000	0.33
30	Tan Pek Leng	577,900	0.32
	TOTAL	107,704,924	60.19

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Room 3, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Monday, 25 July 2011 at 9.00 a.m. for the following purposes :

AGENDA

1.	To receive the Audited Financial Statements for the year ended 28 February 2011 together with the Directors' and Auditors' Reports thereon.	(Please refer to Note A)
2.	To approve the payment of additional Directors' Fees of RM50,600.00 for the financial year ended 28 February 2011.	Resolution 1
3.	To approve the increase of Directors' Fees from RM210,600.00 up to RM252,000.00 for the financial year ending 29 February 2012 and payment of such Fees to the Directors of the Company.	Resolution 2
4.	To re-elect the following Directors retiring under the provision of Article 132 of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-	
	(i) Mr. Beh Lai Lien	Resolution 3
	(ii) Mr. Wong Pow Keong	Resolution 4
5.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Board of Directors to fix their remuneration.	Resolution 5

SPECIAL BUSINESS

6. **AS ORDINARY RESOLUTION**

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

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

By Order of the Board

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

Dated : 1 July 2011
Penang

NOTES:

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

Proxy :

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

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

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

The proxy form must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang, at least forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

Explanatory Note On Special Business:

1. Resolution pursuant to the Authority to Issue Shares

The proposed Resolution No. 6 (Item 6), if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Sixth Annual General Meeting held on 26 July 2010 which will lapse at the conclusion of the Seventh Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

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 Seventh Annual General Meeting of the Company to be held at Room 3, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Monday, 25 July 2011 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 additional Directors' Fees of RM50,600.00 for the financial year ended 28 February 2011.		
2.	To approve the increase of Directors' Fees from RM210,600.00 up to RM252,000.00 for the financial year ending 29 February 2012 and payment of such Fees to the Directors of the Company.		
	To re-elect the following Directors retiring under the provision of Article 132 of the Articles of Association of the Company:-		
3.	Mr. Beh Lai Lien		
4.	Mr. Wong Pow Keong		
5.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
	To pass the following resolution under Special Business :- Ordinary Resolution		
6.	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.., 2011.

Notes:

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

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

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

The proxy form must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang, at least forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

Please fold across the line and close

stamp

The Company Secretaries
AT Systematization Berhad (644800-X)
Suite S-21-H, 21st Floor,
Menara Northam,
55, Jalan Sultan Ahmad Shah,
10050 Penang.

Please fold across the line and close

The One-Stop Industrial Automation Solutions Provider

AT Systematization Berhad (644800-X)
Plot 82, Lintang Bayan Lepas,
Bayan Lepas Industrial Park,
Phase IV, 11900 Bayan Lepas,
Penang, Malaysia.
http://www.ate.com.my