



ANNUAL REPORT  
**2012**



The **one-stop** Industrial  
Automation Solutions Provider

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

Ronnie Lee Rong Yao  
Managing Director (Appointed on 29 March 2012 and re-designated to Managing Director on 8 May 2012)

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

Wai Chin Yean  
Executive Director (Appointed on 14 June 2012)

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

Kenny Khaw Chuan Wah  
Independent Non-Executive Director (Appointed on 12 July 2012)

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

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

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

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

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

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

## AUDIT COMMITTEE

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

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

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

Kenny Khaw Chuan Wah  
Independent Non-Executive Director (Appointed on 12 July 2012)

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

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

## REMUNERATION COMMITTEE

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

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

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

Kenny Khaw Chuan Wah  
Independent Non-Executive Director (Appointed on 12 July 2012)

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

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

## NOMINATION COMMITTEE

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

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

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

Kenny Khaw Chuan Wah  
Independent Non-Executive Director (Appointed on 12 July 2012)

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

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

## COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)

Lee Mei Mei (MAICSA 7062284) (Appointed on 16 January 2012)

Chan Wai Fen (MAICSA 7028962) (Resigned on 16 January 2012)

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## SHARE REGISTRAR

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

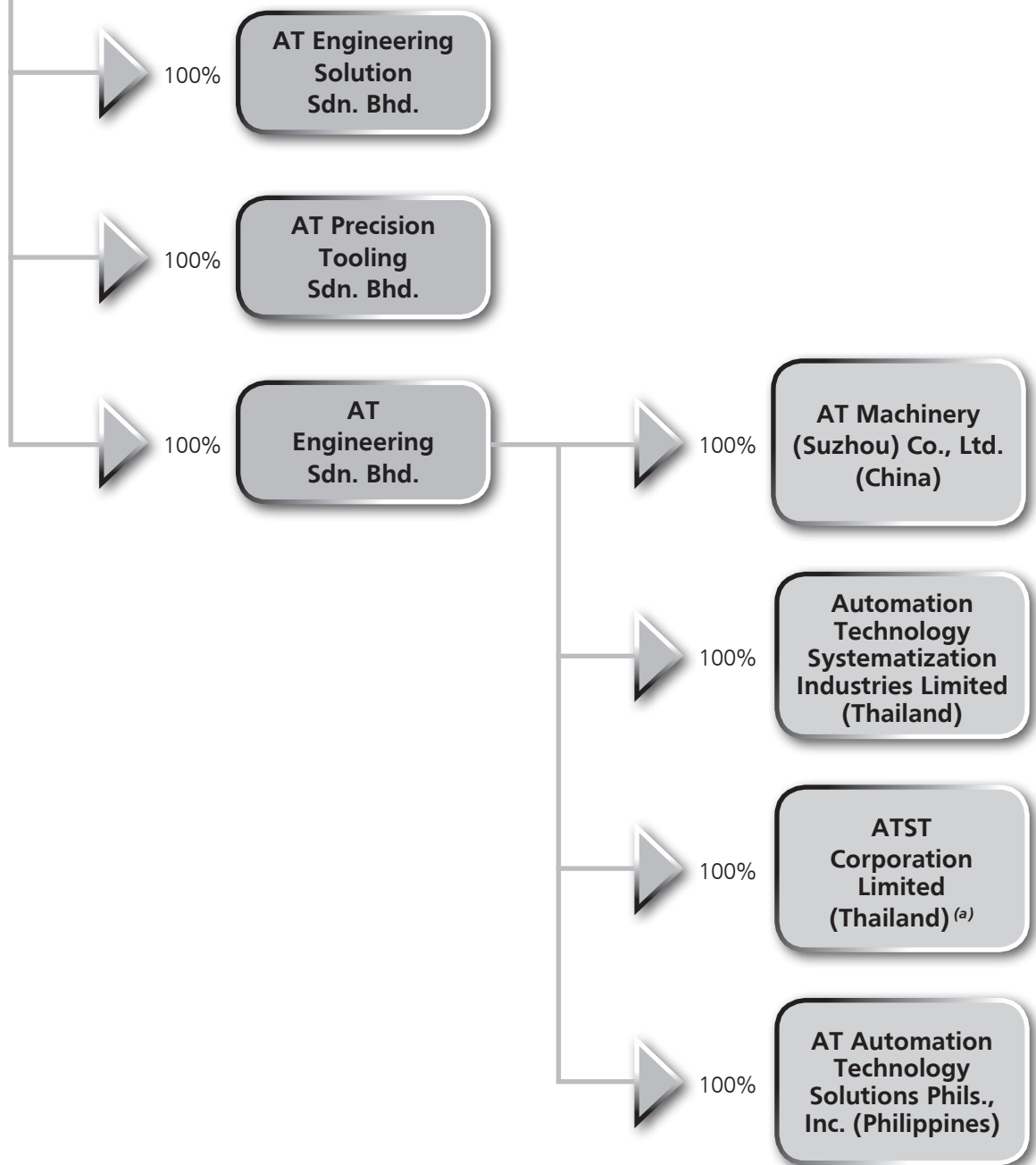
Public Bank Berhad (6463-H)  
CIMB Bank Berhad (13491-P)

## STOCK EXCHANGE LISTING

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



systematization berhad



(a) In the process of dissolution

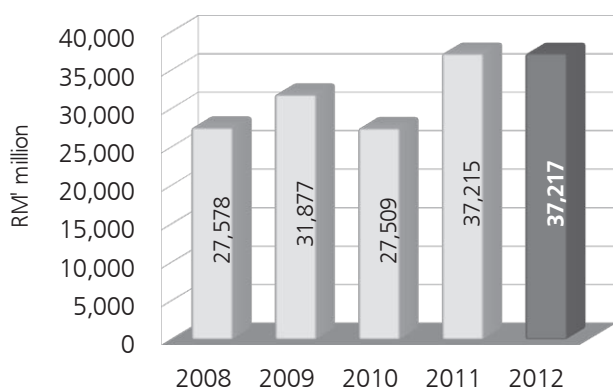
# FINANCIAL HIGHLIGHTS

## 5 Years Financial Highlights

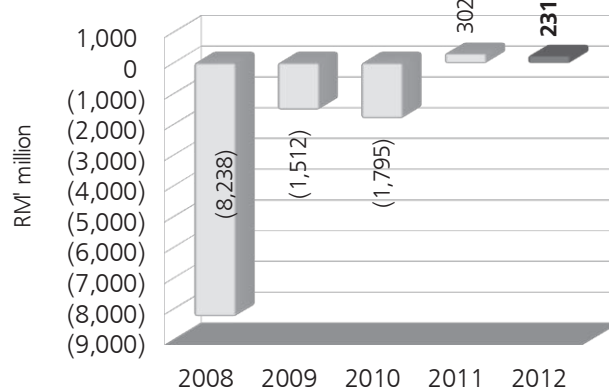
	FYE 29 February 2008	FYE 28 February 2009	FYE 28 February 2010	FYE 28 February 2011	FYE 29 February 2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	27,578	31,877	27,509	37,215	37,217
(Loss)/Profit Before Tax	(8,441)	(1,590)	(1,687)	1,254	967
(Loss)/Profit After Tax and Non-Controlling Interest	(8,238)	(1,512)	(1,795)	302	231
Weighted Average Number of Shares in Issue ('000)	171,316	178,951	178,951	178,951	178,951
Basic (Loss)/Earnings Per Share (sen)	(4.81)	(0.84)	(1.00)	0.17	0.13

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

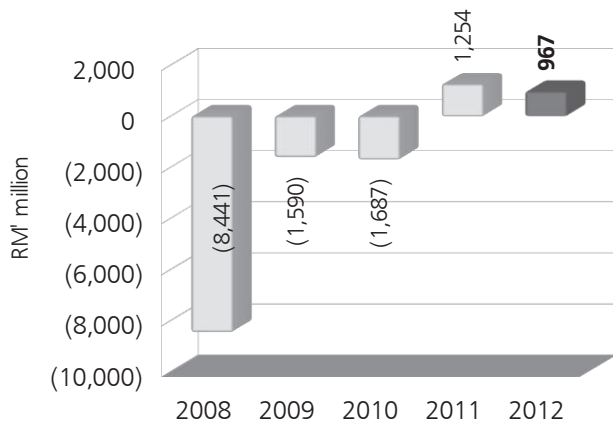
**Turnover**



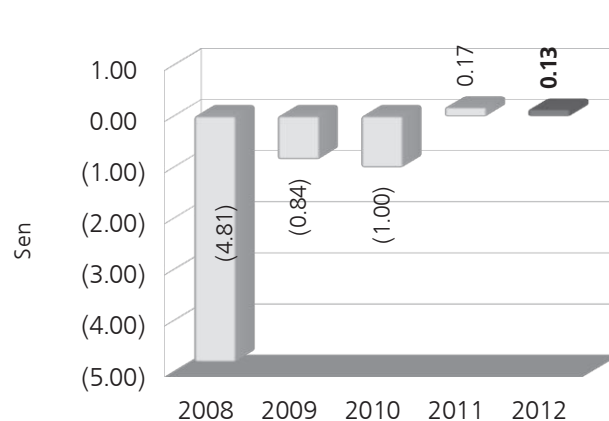
**(Loss)/Profit After Tax and  
Non-Controlling Interest**



**(Loss)/Profit Before Tax**



**Basic (Loss)/Earnings Per Share (sen)**



On behalf of the Board of Directors of AT Systematization Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 29 February 2012.

## OPERATION REVIEW

The markets for semiconductor and electronics industries are expected to be slowly recovering after going through the normal cyclical changes. Hence, we will continuously increase focus on our sales effort, production and enhancing equipments in our workshops in order to meet the expected increase in demand from existing as well as new potential customers we have been in discussion with, increase delivery speed and efficiency, and quality of products to meet customers' requirements and specifications.

We are constantly reviewing our processes to streamline our production further in order to save costs, to be more efficient, to comply with best industrial practices, and to aim in increasing profit margins. We are also studying market trends and developments as part of our research and development efforts in order to remain competitive and if need be, evolve or maybe even diversify to enhance our shareholders' values.

On a larger outlook, in view of the global economic uncertainties, we are constantly reviewing the entire operations of the Group as a whole. Moreover, we have adopted costs cutting measures by reducing surplus capacity, reducing prices of raw material while at the same time maintaining quality of the products, and effectively organizing the human resources available. The Group is also continuously seeking business opportunities to expand or venture into new businesses.

## FINANCIAL RESULTS

The Group had recorded a revenue of RM37.2million (2011: RM37.2million) and a profit before tax of RM0.97million (2011: RM1.3million) for the financial year ended 29 February 2012. The profit performance for the financial year under review has declined mainly due to inventories written down of RM0.4million.

Despite of lower profit during the financial year under review, the Group's Statement of Financial Position as at 29 February 2012 remained healthy with net assets of RM22.3million and net operating cash inflows of RM2.8million.

## BUSINESS PROSPECTS

The prospects for the global economy are slowly improving, however, the growth is expected to be weak and the outlook of global economy is expected to remain very challenging in the year ahead. Having said that, we are in view that the current global economy is weighed down by the Eurozone crisis and that despite a minor slowdown in China, we will hopefully to remain robust and lead us out of the stagnant economy. We also firmly believe that Asia will be relatively stable having built a much better foundation to tackle and to face the current economic slowdown. As such we are optimistic of our prospects and will continue with our plan to grow and to diversify our basket of income in order to bring more value to the Group and to our shareholders.

The Group remains cautiously optimistic on the outlook of the global economy and will endeavour to continue its effort to ensure that effective mitigating measures are taken to minimize the impact of the uncertainties of the global economy. The Group has remained mindful and are prepared for any twists and turns although it is currently not expected but it might not be impossible. In order to achieve this, we are taking the view that we must not place all of our eggs in one basket. In view of the changing times where every industry is becoming ever more competitive, we need to evolve and diversify in order to build our revenue stream and profits.

As such, even though we will continue to focus and expand on the core business in fabrication of industrial and engineering parts and design and manufacture of industrial automation system and machinery, we will seek new opportunities and ventures. We are taking a stand that China is perhaps the right place for expanding as it is expected that China will take the lead and drive the global economy this time around.

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

## APPRECIATION

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

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

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

## PROFILE OF DIRECTORS

### **Dato' Sri Ahmad Said Bin Hamdan**

*Independent Non-Executive Chairman*

Dato' Sri Ahmad Said Bin Hamdan, aged 60, a Malaysian, is an Independent Non-Executive Chairman of AT Systematization Berhad ("ATS"). He was appointed to the Board on 26 April 2012. He is also a Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Besides, he is also an Executive Director of Sanichi Technology Berhad listed in ACE Market in Bursa Malaysia Securities Berhad (BMSB).

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

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

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

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

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

### **Ronnie Lee Rong Yao**

*Managing Director*

Mr. Ronnie Lee Rong Yao, aged 48, a Canadian, is the Managing Director of ATS. He was appointed to the Board on 29 March 2012 as an Executive Director. Thereafter, he was re-designated to Managing Director on 8 May 2012.

He graduated from the University of British Columbia with a Bachelor of Science in Computer Science.

He has strong general management qualification in strategic planning, manufacturing production scheduling and control, project development, budgeting and finance. He also has a broad experience in executive management with multi-faceted manufacturing experience, especially in the IT sectors, automobile assembly, tooling and jigs manufacturing. Besides, he has an extensive sales experience and knowledge in trading commodities.

His working experience includes 14 years in both operations and management position with Sanfu Motors Industrial Co., Ltd, Taiwan from 1991 to 2004. The last position he held was as a President, China Joint-Venture Project. Subsequently, he left to join Esteema Enterprises Co., in 2004 and is currently the Chief Executive Officer of the Company.

He was also a Director in FT Tooling Industrial Co., Ltd. from 2004 to 2006 and an Executive Director in Join-Tech Enterprises Co., (H.K.) from 2004 to 2010.

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

**Ir. Auniah Binti Ali**

*Executive Director*

Ir. Auniah Binti Ali, aged 52, a Malaysian, is an Executive Director of ATS. She was appointed to the Board on 15 May 2012.

She graduated from Heriot-Watt University in Scotland, United Kingdom with a Master of Science in Drives and Power Engineering. She is registered as a Professional Engineer with the Board of Engineers (BEM) and Institution of Engineers Malaysia (IEM).

She has 18 years of working experience with the Malaysian government and is familiar with the formulation of Malaysia's economic policies and economic planning process. She had worked as an Assistant Director in the Economic Planning Unit of the Prime Minister's Department where she had prepared the demand and supply scenarios for planning and forecasting Malaysia's electricity supply industry. During that time, she was also responsible for all power generations including Tenaga National and independent power producers. She also assisted in the evaluation and assessment of major privatization proposals like the Bakun Project, Prai Power Station and the Jimah Power Coal station, among others. For the last 10 years, she has been actively involved in consultancy and advisory work specializing in engineering and policy matters for a few consultancy arms in Malaysia.

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

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

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

**Wai Chin Yean**

*Executive Director*

Mr. Wai Chin Yean, aged 49, a Malaysian, is an Executive Director of ATS. He was appointed to the Board on 14 June 2012.

He completed his Sijil Tinggi Persekolahan Malaysia in a secondary school in Malaysia.

He has started his career as a Marketing Executive before promoted to Operation Manager in Zenith Engineering Sdn. Bhd. in 1992. He left in 1998 and joined KPD Securities Sdn. Bhd. as a Marketing Manager.

Subsequently, he left in 2001 to join LKC Auto Supply where he has been appointed as a Marketing Manager dealing with sales of motor vehicles. He has extensive experience in marketing and engineering work.

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



## PROFILE OF DIRECTORS (cont'd)

### **Dr. Ch'ng Huck Khoon**

*Independent Non-Executive Director*

Dr. Ch'ng Huck Khoon, aged 43, a Malaysian, is an Independent Non-Executive Director of ATS. He was appointed to the Board on 28 June 2012. He is also the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee. Besides, he is also an Independent Non-Executive Director of CNI Holdings Berhad and YGL Convergence Berhad and also the Chairman of the Audit Committee of CNI Holdings Berhad.

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

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

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

### **Kenny Khow Chuan Wah**

*Independent Non-Executive Director*

Kenny Khow Chuan Wah, aged 37, a Malaysian, is an Independent Non-Executive Director of ATS. He was appointed to the Board on 12 July 2012. He is also a member of the Nomination, Remuneration and Audit Committees. He is also an Executive Director of 1 Utopia Berhad listed in ACE Market in BMSB.

He graduated from the University of Technology, Sydney, with a degree in Accounting and Finance (Distinction). He is a member of the Malaysian Institute of Accountants and CPA Australia.

He started his career as an auditor with PricewaterhouseCoopers Malaysia in 1997. He has extensive experience in auditing (internal & external) for 13 years, including a two-year secondment from 2004 – 2006 at PricewaterhouseCoopers London. He has trained in the areas of corporate exercises covering IPO, demerger of a listed entity, management and integration of two major companies in Malaysia, privatization of a major listed entity, rights issue, issuance of debt securities, as well as the sale and leaseback of key assets. Other work experience includes financial due diligence, advisory, and numerous cross-border securities offering. He also conducted numerous training courses across various industries' in areas of accounting and auditing issues, principles and application of accounting standards (including IFRS), and audit methodology.

He joined 1 Utopia Berhad as the Chief Financial Officer in 2010 to oversee the Group's financial affairs including accounting, finance, tax and treasury. He was promoted to be a Finance Director in October 2011. Currently, he is also a Director of Tejari Sdn. Bhd., Tejari Engineering Sdn. Bhd., Tejari Hoseal Solutions Sdn. Bhd., ICT Rewards and Services Sdn. Bhd. (formerly known as Tejari Trading Sdn. Bhd.), PC3 Technology Sdn. Bhd., Essential Action Sdn. Bhd., ICT Utopia Sdn. Bhd. and Popular Landmark Sdn. Bhd., which are all within the 1 Utopia Berhad.

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

### **Other Information on Directors**

- (i) The securities in the Company held by Directors are as disclosed on page 72 of this Annual Report.
- (ii) None of the Directors have any directorship in other public companies in Malaysia, except for Dato' Sri Ahmad Said Bin Hamdan, Dr. Ch'ng Huck Khoon and Mr. Kenny Khow Chuan Wah which have been disclosed in their respective profiles.
- (iii) None of the Directors of the Company has been convicted of any offences within the past 10 years other than traffic offences, if any.

## Audit Committee

The members of the Audit Committee comprise:-

### Chairman

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

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

### Members

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

Kenny Khaw Chuan Wah  
Independent Non-Executive Director (*Appointed on 12 July 2012*)

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

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

## TERMS OF REFERENCE

### 1. OBJECTIVES

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

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

### 2. MEMBERSHIP AND COMPOSITION

The Audit Committee shall be appointed by the Board from amongst the Directors and must be composed of no fewer than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors. No alternate director shall be appointed as a member of the Audit Committee. The Chairman of the Committee must be an Independent Non-Executive Director appointed by the Board. If membership for any reason falls below three (3) members, the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three (3) members.

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

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

### 3. AUTHORITY

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

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

Where the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market, the Committee shall promptly report such matter to Bursa Securities. The Audit Committee is also empowered to obtain independent professional to advice if considered necessary to assist the Audit Committee in fulfilling its responsibilities.

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

### 4. DUTIES AND RESPONSIBILITIES

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

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

- ▲ To review with the external auditors, the audit scope and plan, evaluation of the system of internal controls and audit report;
- ▲ To review the internal audit programme, processes, the results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- ▲ To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- ▲ To review the external and internal audit reports to ensure appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified;
- ▲ To recommend to the Board on the appointment and the annual re-appointment of external and internal auditors, their audit fees and any question of resignation or dismissal;
- ▲ To review the assistance given by the employees of the Group to the external and internal auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- ▲ To review the quarterly results and year end financial statements of the Group and the Company, before the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:-
  - changes in or implementation of major accounting policies changes;
  - significant and unusual events;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- ▲ To review any related party transaction and conflict of interests situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- ▲ To review procedures in place to ensure that the Group is in compliance with the Listing Requirements of Bursa Securities for the ACE Market, applicable approved accounting standards issued by Malaysian Accounting Standards Board and Companies Act, 1965 in Malaysia and other relevant legislative and reporting requirements;
- ▲ To review the external auditors' management letter and management's response;

## 4. DUTIES AND RESPONSIBILITIES (cont'd)

- ▲ To convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Executive Directors and senior management, wherever deemed necessary;
- ▲ To consider the major finding of internal investigations and management's response; and
- ▲ To perform any other relevant duties as may be agreed by the Audit Committee and the Board.

## 5. MEETINGS

The Audit Committee is to meet at least four (4) times a year and as many times as the Audit Committee deems necessary with written notice of the meeting together with the agenda to be given to the members of the Audit Committee and the external auditors, where applicable. Executive Directors, members of senior management, internal and external auditors and other professionals may be invited by the Audit Committee to attend the Audit Committee Meeting to assist in its deliberations if deems necessary by the Audit Committee.

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

## 6. QUORUM AND REPORTING PROCEDURES

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

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

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

## 7. MEETINGS HELD DURING THE FINANCIAL YEAR

The information on the attendance of each member at the Audit Committee meetings held during the financial year ended 29 February 2012 was as follows:-

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

None of the Audit Committee meetings have been attended by the newly appointed Committee members as their appointments were only effective after the financial year ended 29 February 2012.

## 8. SUMMARY OF ACTIVITIES

The main activities undertaken by the Audit Committee for the financial year ended 29 February 2012 were as follows:-

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

## 9. INTERNAL AUDIT FUNCTION

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

During the financial year ended 29 February 2012, the internal audit activities have been carried out according to the internal audit plan that was reviewed and approved by the Audit Committee. The audit plan covers a review of adequacy of operational controls, risk management, compliance with established procedures, laws and regulations, quality of assets, management efficiency, amongst others.

The cost incurred for the internal audit function during the financial year ended 29 February 2012 amounted to RM18,750/-.

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.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of AT Systematization Berhad is committed to achieve and maintain high standards of corporate governance within the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group in order to protect and enhance shareholders' value.

The Board is guided by the principles of corporate governance as 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 determining some of the key strategies, financial and organizational matters such as approval of interim results and annual audited financial statements, significant acquisition and disposal, major capital expenditures and long term strategic planning for the Group.

The 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. Meanwhile, the Chairman of the Company presides over Board meetings and ensures that meetings are conducted in accordance with the agenda of the respective meetings. The separation of the roles of the Chairman and Managing Director is in adherence to the requirements of the Code which requires a division of responsibility and balance of power and authority.

### Board Balance

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

The Board is currently led by Mr. Ronnie Lee Rong Yao as the Managing Director. He has overall responsibilities over the development of corporate objectives, operational, organizational, business units and implementation of Board decisions and policies. He is being assisted by the Executive Directors. The Executive Directors are tasked to implement the Board's decisions and policies whilst overseeing operations and coordinating business decisions. The decision made by the Board is done collectively without undue influence or dominance by any individual Director or group of Directors, whether Executive or Non-Executive.

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

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

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## Board Balance (cont'd)

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

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements.

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

## Board Meeting

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

There were four (4) Board Meetings held during the financial year ended 29 February 2012. The record of attendance for each Director at those meetings is set out below:-

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

None of the board meetings have been attended by the newly appointed Directors as their appointments were only effective after the financial year ended 29 February 2012.

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

## Supply of Information

The Directors have full and timely access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. Prior to each Board meeting, a full set of Board papers together with the agenda were forwarded to the Board members to allow the Directors to study and evaluate the matters to be discussed and subsequently make effective decisions.

The Directors have unrestricted access to the advice and services of the Company Secretaries and senior management staff of the Group. The Directors may obtain independent professional advice where necessary at the Company's expense in the furtherance of their duties. The Directors are also regularly updated by the Company Secretaries on new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities in order to assist them in the discharge of their duties as Directors of the Company.

## **Appointment to the Board**

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**

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

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

The Articles 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 each of the Director is voted on separately.

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

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

## **Directors' Training**

Save for Ir. Auniah Binti Ali who has yet to attend the Mandatory Accreditation Programme ("MAP"), all the other Directors have attended and completed the MAP prescribed by Bursa Securities. She has undertaken to do so within four (4) months from her date of appointment in order to comply with the Listing Requirements.

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.

As the current Board of Directors were only appointed in 2012, they will endeavor to attend suitable training programs which are relevant to their respective qualification, functions and duties from time to time.

## **Directors' Remuneration**

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

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



# CORPORATE GOVERNANCE STATEMENT (cont'd)

## Directors' Remuneration (cont'd)

The details of the Directors' remuneration for the financial year ended 29 February 2012 are set out below:-

Category	Fees	Salaries & Employee Provident Fund	Other Emoluments	Benefits in-kind	Total
	RM	RM	RM	RM	RM
Executive Directors	108,000	1,236,378	25,776	71,850	1,442,004
Non-Executive Directors	108,000	-	3,600	-	111,600

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

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
Less than 50,000	-	3
300,001 - 350,000	1	-
450,001 - 500,000	1	-
600,001 - 650,000	1	-

The above Directors' remuneration and range of remuneration comprised only of those Directors who have resigned from their posts as the new Directors' appointments were only effective after the financial year ended 29 February 2012.

## B. BOARD COMMITTEES

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

### Audit Committee

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

### Nomination Committee

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

**Nomination Committee** (cont'd)

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

The Nomination Committee meetings are held as and when required and at least once every year to assess the contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board. The Nomination Committee met once during the financial year ended 29 February 2012.

**Remuneration Committee**

Chairman	:	Dr. Ch'ng Huck Khoon (Independent Non-Executive Director) <i>(Appointed on 28 June 2012)</i>
	:	Hui Khee Sum @ Hooi Kee Sum (Independent Non-Executive Director) <i>(Resigned on 13 June 2012)</i>
Members	:	Dato' Sri Ahmad Said Bin Hamdan (Independent Non-Executive Chairman) <i>(Appointed on 26 April 2012)</i>
	:	Kenny Khaw Chuan Wah (Independent Non-Executive Director) <i>(Appointed on 12 July 2012)</i>
	:	Mohd Daniel Bin Mat Noh (Independent Non-Executive Director) <i>(Resigned on 23 April 2012)</i>
	:	Lai Siaw Ling (Executive Director) <i>(Resigned on 7 May 2012)</i>

The Remuneration Committee comprises entirely of Independent Non-Executive Directors. The primary function of the Remuneration Committee is to recommend to the Board from time to time, the remuneration framework and remuneration package of the Executive Directors of the Group in all forms to commensurate with the respective contributions of the Executive Directors. The Directors concerned are to abstain from deliberations and voting on the decision in respect of their own remuneration package.

The Remuneration Committee meetings are held as and when required and at least once every year to assess the contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board. The Remuneration Committee met once during the financial year ended 29 February 2012.

**C. SHAREHOLDERS****Relationship with Shareholders and Investors**

The Board recognizes the importance of effective communication with its shareholders, investors and all other stakeholders. As such, the Board has maintained a high level of disclosure by providing timely, clear and comprehensive information through readily accessible channels to explain the Group's strategy, performance and major developments. Besides, all shareholders have an opportunity to participate in discussion with the Board on matters relating to the Company's operation and performance at the Company's General Meetings.

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

## Annual General Meeting

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

## D. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors are responsible to ensure that the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group.

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

### 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 9 to 12 in this Annual Report.

### Compliance Statement

Throughout the financial year ended 29 February 2012, the Group has complied, with all the Best Practices in Corporate Governance set out in Part 2 of the Code, except for the following:-

- ▲ Appointment of a Senior Independent Non-Executive Director to whom shareholders may address their grievances and concerns. The Board will collectively be responsible to address all grievances and concerns brought up by the shareholders.

This statement was made in accordance with a resolution of the Board dated 15 June 2012.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors have considered the following in preparing the financial statements for the financial year ended 29 February 2012 of the Group and of the Company:-

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

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

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

This statement was made in accordance with a resolution of the Board dated 15 June 2012.

# STATEMENT ON INTERNAL CONTROL

The Malaysian Code on Corporate Governance stipulates that the Board of Directors (the "Board") 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 Rule 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and guided by the Bursa Securities' guidelines on Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Statement").

## **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 Statement.

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

## **RISK MANAGEMENT FRAMEWORK**

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

The 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 quarterly business review meetings and was brought to the attention of the Executive Directors. The key findings were also discussed at the Board meeting as and when necessary.

## **INTERNAL AUDIT FUNCTION**

The Group outsourced its internal audit function to an independent professional firm of consultant - KPMG, 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 29 February 2012 amounted to RM18,750/-.

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 would conduct exit meeting with senior management to discuss their current year audit findings. In addition, they would also carry out the follow-up reviews to determine the extent and progress of the implementation of recommendations made. Subsequently, 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 meeting.

### 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;
- ⤴ Each of the key subsidiaries within the Group has its own management and internal control structures.
- ⤴ Quarterly financial results are reviewed by the Audit Committee before approval by the Board for public release, and areas of concerns as well as exceptions or deviation to the Group's policies and weaknesses on the internal control systems are highlighted and discussed during the meetings;
- ⤴ Annual financial statements and Annual Report of the Group are also reviewed by Audit Committee before approval by the Board for public release;
- ⤴ 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;
- ⤴ 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 29 February 2012, 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 resulted in material losses, contingencies or uncertainties for the financial year under review.

This statement was made in accordance with a resolution of the Board dated 15 June 2012.

## OTHER DISCLOSURE REQUIREMENTS

### **Utilisation of Proceeds**

There were no proceeds raised by the Company from any corporate proposal during the financial year ended 29 February 2012.

### **Share Buy-Backs**

The Company did not enter into any share buy-backs transactions during the financial year ended 29 February 2012.

### **Options or Convertible Securities**

There were no options or convertible securities issued by the Company during the financial year ended 29 February 2012.

### **Depository Receipt Programme**

The Company did not sponsor for any depository programme during the financial year ended 29 February 2012.

### **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 29 February 2012 by the external auditors, Messrs. Crowe Horwath and its affiliated companies amounted to RM13,600/-.

### **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 29 February 2012.

### **Profit Guarantees**

There were no profit guarantees given by the Company for the financial year ended 29 February 2012.

### **Material Contracts**

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

### Corporate Social Responsibilities

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

#### ➤ Employees

There is no discrimination between genders or among races in the workplaces. The Company and its subsidiaries offer insurance benefits to its employees amongst others which include group hospitalization and surgical insurance and group personal accident insurance.

Other staff appreciation and recognition efforts inclusive of festive gathering, annual dinner, and presentation of memorable gifts to the long-serving employees during the Group's Annual Dinner.

#### ➤ Environment

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

#### ➤ Social Welfare

The Company donated RM10,000/- in cash for "A Climb Beyond Disabilities" to Mount Kinabalu Climb for OKUs to Spastic Children's Association of Selangor & Federal Territory during the financial year ended 29 February 2012.

### Recurrent Related Party Transactions of a Revenue Nature

The Company does not have any recurrent related party transactions of revenue or trading nature during the financial year ended 29 February 2012.



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The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 29 February 2012.

## 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	230,618	(1,382,601)

## 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.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## BAD AND DOUBTFUL DEBTS

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

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

## CURRENT ASSETS

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

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

## DIRECTORS' REPORT (cont'd)

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

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

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

### DIRECTORS OF THE COMPANY

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

Beh Lai Lien	
Lai Siaw Ling	(Resigned on 7.5.2012)
Wong Pow Keong	
Hui Khee Sum @ Hooi Kee Sum	
Mohd Daniel Bin Mat Noh	(Resigned on 23.4.2012)
Ooi Eng Guan	(Resigned on 16.5.2012)
Ronnie Lee Rong Yao	(Appointed on 29.3.2012)
Dato' Sri Ahmad Said Bin Hamdan	(Appointed on 26.4.2012)
Ir. Auniah Binti Ali	(Appointed on 15.5.2012)

**DIRECTORS OF THE COMPANY (CONT'D)**

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

Name of Director	Number of Ordinary Shares of RM0.10 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.3.2011	Bought	Sold	Balance at 29.2.2012	Balance at 1.3.2011	Balance at 29.2.2012
Beh Lai Lien	2,085,174	0	0	2,085,174	72,034,624	73,234,624
Lai Siaw Ling	12,718	0	0	12,718	71,899,424	73,099,424
Wong Pow Keong	968,388	500,000	0	1,468,388	71,899,424	73,099,424
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 were 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.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 8 JUNE 2012**

**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 31 to 69 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 29 February 2012 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 70 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 8 JUNE 2012**

**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 31 to 69 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 8 June  
2012

**Tang Hooi Ching**

Before me  
**Nachatar Singh A/L Bhag Singh, PJK**  
No. P 126  
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 29 February 2012 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 31 to 69.

### *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 29 February 2012 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 AT Machinery (Suzhou) Co., Ltd. and Automation Technology Systematization Industries Limited of which we have not acted as auditors. We have also considered the unaudited financial statements of ATST Corporation Limited and 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 70 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

Date: 8 June 2012

Penang

### Eddy Chan Wai Hun

Approval No: 2182/10/13 (J)

Chartered Accountant

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2012

	Note	2012 RM	2011 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	27,664,848	28,652,476
Development expenditure	5	0	57,821
		27,664,848	28,710,297
<b>CURRENT ASSETS</b>			
Assets held for sale	7	0	550,000
Inventories	8	2,488,686	3,574,149
Trade and other receivables	9	11,127,749	9,425,109
Prepayments		443,715	166,255
Current tax assets		354	4,380
Cash and cash equivalents	10	3,300,948	3,320,470
		17,361,452	17,040,363
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	7,199,386	5,454,766
Loans and borrowings - secured	12	3,083,348	4,087,805
Advance payments from customers		0	639,281
Current tax liabilities		293,834	507,320
		10,576,568	10,689,172
<b>NET CURRENT ASSETS</b>		6,784,884	6,351,191
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings - secured	12	11,712,389	12,477,298
Deferred tax liabilities	13	426,000	475,000
		12,138,389	12,952,298
<b>NET ASSETS</b>		22,311,343	22,109,190
<b>EQUITY</b>			
Share capital	14	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Revaluation surplus		217,500	217,500
Currency translation reserve		62,925	91,390
Accumulated losses		(6,612,697)	(6,843,315)
<b>TOTAL EQUITY</b>		22,311,343	22,109,190

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

	Note	2012 RM	2011 RM
Revenue	15	37,216,747	37,215,170
Other income		759,294	394,832
Changes in inventories of work-in-progress and finished goods		(1,386,086)	379,673
Raw materials and consumables used		(20,241,704)	(19,503,562)
Amortisation and depreciation		(2,645,671)	(2,939,561)
Employee benefits expense	16	(10,208,713)	(10,091,512)
Finance costs		(959,189)	(1,047,935)
Other expenses		(1,567,751)	(3,153,358)
Profit before tax	17	966,927	1,253,747
Tax expense	18	(736,309)	(929,670)
Profit for the financial year		<u>230,618</u>	<u>324,077</u>
Other comprehensive income:-			
Currency translation differences for foreign operations		(28,465)	(101,691)
Other comprehensive income for the financial year		<u>(28,465)</u>	<u>(101,691)</u>
Total comprehensive income for the financial year		<u>202,153</u>	<u>222,386</u>
Profit for the financial year attributable to:-			
- Owners of the Company		230,618	301,976
- Non-controlling interests		0	22,101
		<u>230,618</u>	<u>324,077</u>
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		202,153	207,382
- Non-controlling interests		0	15,004
		<u>202,153</u>	<u>222,386</u>
Earnings per share:-	19		
- Basic (sen)		0.13	0.17
- Diluted (sen)		0.13	0.17

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

	Non-distributable			Equity			Total equity RM	
	Share capital RM	Share premium RM	Revaluation surplus RM	Currency translation reserve RM	Accumulated losses RM	attributable to owners of the Company RM		Non-controlling interests RM
Balance at 1 March 2010	17,895,077	10,748,538	217,500	193,081	(7,220,306)	21,833,890	242,143	22,076,033
Profit for the financial year	0	0	0	0	301,976	301,976	22,101	324,077
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	0	(94,594)	0	(94,594)	(7,097)	(101,691)
Total comprehensive income for the financial year	0	0	0	(94,594)	301,976	207,382	15,004	222,386
Change in ownership interest in subsidiary (representing total transactions with owners)	0	0	0	(7,097)	75,015	67,918	(257,147)	(189,229)
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
Profit for the financial year	0	0	0	0	230,618	230,618	0	230,618
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	0	(28,465)	0	(28,465)	0	(28,465)
Total comprehensive income for the financial year	0	0	0	(28,465)	230,618	202,153	0	202,153
Balance at 29 February 2012	17,895,077	10,748,538	217,500	62,925	(6,612,697)	22,311,343	0	22,311,343

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

	Note	2012 RM	2011 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		966,927	1,253,747
Adjustments for:-			
Amortisation and depreciation		2,645,671	2,939,561
Gain on disposal of assets held for sale		(50,000)	0
Gain on disposal of property, plant and equipment		(72,474)	(75,329)
Impairment loss on loans and receivables		301,571	16,680
Interest expense		959,189	1,047,935
Interest income		(2,423)	(5,500)
Inventories written down		352,103	452,693
Property, plant and equipment written off		740	235
Reversal of impairment loss on loans and receivables		(30,000)	0
Operating profit before working capital changes		5,071,304	5,630,022
Changes in:-			
Inventories		733,360	(562,972)
Receivables and prepayments		(2,251,671)	4,483,032
Payables and advance payments		1,162,339	(1,990,630)
Cash generated from operations		4,715,332	7,559,452
Interest paid		(959,189)	(1,047,935)
Tax paid		(1,000,139)	(438,727)
Tax refunded		5,370	4,095
Net cash from operating activities		2,761,374	6,076,885
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		2,423	5,500
Proceeds from disposal of assets held for sale		600,000	0
Proceeds from disposal of property, plant and equipment		85,700	91,295
Purchase of property, plant and equipment	20	(662,547)	(760,277)
Net cash from/(used in) investing activities		25,576	(663,482)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Acquisition of shares from non-controlling interests		0	(189,229)
Decrease in short-term loans and borrowings (net)		0	(1,217,392)
Repayment of hire purchase obligations		(1,388,670)	(1,307,726)
Repayment of term loans		(919,695)	(918,422)
Net cash used in financing activities		(2,308,365)	(3,632,769)
Currency translation differences		(22,126)	(61,929)
Net increase in cash and cash equivalents		456,459	1,718,705
Cash and cash equivalents brought forward		1,356,674	(362,031)
Cash and cash equivalents carried forward	10	1,813,133	1,356,674

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

# STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2012

	Note	2012 RM	2011 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	30,251	38,596
Investments in subsidiaries	6	<u>3,213,670</u>	<u>5,599,598</u>
		3,243,921	5,638,194
<b>CURRENT ASSETS</b>			
Other receivables	9	12,665,991	10,229,804
Prepayments		5,550	5,550
Cash and cash equivalents	10	34,508	32,707
		<u>12,706,049</u>	<u>10,268,061</u>
<b>CURRENT LIABILITIES</b>			
Other payables	11	2,018,922	592,606
		<u>2,018,922</u>	<u>592,606</u>
<b>NET CURRENT ASSETS</b>		10,687,127	9,675,455
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	13	7,000	7,000
<b>NET ASSETS</b>		<u>13,924,048</u>	<u>15,306,649</u>
<b>EQUITY</b>			
Share capital	14	17,895,077	17,895,077
Share premium		10,748,538	10,748,538
Accumulated losses		<u>(14,719,567)</u>	<u>(13,336,966)</u>
<b>TOTAL EQUITY</b>		<u>13,924,048</u>	<u>15,306,649</u>

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

	Note	2012 RM	2011 RM
Revenue	15	1,877,956	1,849,954
Other income		828,282	0
Depreciation		(8,345)	(8,344)
Employee benefits expense	16	(1,504,735)	(1,656,588)
Other expenses		(2,575,759)	(12,919,721)
Loss before tax	17	<u>(1,382,601)</u>	<u>(12,734,699)</u>
Tax expense	18	0	0
Loss for the financial year		<u>(1,382,601)</u>	<u>(12,734,699)</u>
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		<u>(1,382,601)</u>	<u>(12,734,699)</u>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

	Share capital RM	Non- distributable Share premium RM	Accumulated losses RM	Total equity RM
Balance at 1 March 2010	17,895,077	10,748,538	(602,267)	28,041,348
Loss (representing total comprehensive income) for the financial year	0	0	(12,734,699)	(12,734,699)
Balance at 28 February 2011	<u>17,895,077</u>	<u>10,748,538</u>	<u>(13,336,966)</u>	<u>15,306,649</u>
Loss (representing total comprehensive income) for the financial year	0	0	(1,382,601)	(1,382,601)
Balance at 29 February 2012	<u>17,895,077</u>	<u>10,748,538</u>	<u>(14,719,567)</u>	<u>13,924,048</u>

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

	Note	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,382,601)	(12,734,699)
Adjustments for:-			
Depreciation		8,345	8,344
Gain on winding up of subsidiary		(828,282)	0
Impairment loss on investments in subsidiaries		1,086,567	12,706,813
Impairment loss on loans and receivables		<u>1,346,446</u>	<u>2,323</u>
Operating profit/(loss) before working capital changes		230,475	(17,219)
Changes in:-			
Receivables and prepayments		(3,782,633)	(524,290)
Payables		<u>1,426,316</u>	<u>497,960</u>
Net cash used in operating activities		(2,125,842)	(43,549)
CASH FLOWS FROM INVESTING ACTIVITY			
Capital repayment from subsidiary		<u>2,127,643</u>	<u>0</u>
Net cash from investing activity		2,127,643	0
Net increase/(decrease) in cash and cash equivalents		1,801	(43,549)
Cash and cash equivalents brought forward		32,707	76,256
Cash and cash equivalents carried forward	10	<u>34,508</u>	<u>32,707</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 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 31 to 34 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 35 to 38 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 8 June 2012.

## 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 annual periods beginning on or after
Amendment to FRS 1 <i>Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters</i>	1 January 2011
Amendments to FRS 1 <i>Additional Exemptions for First-time Adopters</i>	1 January 2011
Amendments to FRS 2 <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 2 <i>Group Cash-settled Share-based Payment Transactions</i>	1 January 2011
Amendments to FRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 7 <i>Improving Disclosures about Financial Instruments</i>	1 January 2011
Amendments to FRS 138 <i>Intangible Assets</i>	1 July 2010
Amendments to IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2010)</i> "	1 January 2011
FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> (revised in 2010)	1 July 2010



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

FRS	Effective for annual periods beginning on or after
FRS 3 <i>Business Combinations</i> (revised in 2010)	1 July 2010
FRS 127 <i>Consolidated and Separate Financial Statements</i> (revised in 2010)	1 July 2010
IC Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 July 2010
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2010
IC Interpretation 18 <i>Transfers of Assets from Customers</i>	1 January 2011

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 follows:-

#### FRS 3 *Business Combinations* (revised in 2010) and FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)

FRS 3 (revised in 2010) and FRS 127 (revised in 2010), which supersede FRS 3 *Business Combinations* (issued in 2005) and FRS 127 *Consolidated and Separate Financial Statements* (revised in 2005) respectively, introduce significant changes to the accounting principles for business combinations and consolidated financial statements, both at the acquisition date and post acquisition. Some of the key principles established are disclosed in Note 2.3.

In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company have applied the standard prospectively to business combinations for which the acquisition date is on or after the effective date. In accordance with the transitional provisions of FRS 127 (revised in 2010), the significant amendments thereto have also been applied prospectively. Accordingly, business combinations entered into prior to 1 March 2011 have not been restated to comply with the standards.

### 2.2 Future Accounting Standards

In November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The issuance was made in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS framework is a fully IFRS-compliant framework and equivalent to IFRSs. It comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and also amended/revised/new standards recently issued by the IASB that will be effective after 1 January 2012.

The Group and the Company will first adopt the MFRS framework for the financial year ending 28 February 2013. Management foresees that the transition to the MFRS framework will not have any significant impacts on the financial statements except as follows:-

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.2 Future Accounting Standards (cont'd)**

MFRS 9 Financial Instruments

MFRS 9 (effective for annual periods beginning on or after 1 January 2015) replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

MFRS 10 Consolidated Financial Statements

MFRS 10 (effective for annual periods beginning on or after 1 January 2013) replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of Consolidation (cont'd)

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

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

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

### 2.4 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 2.8.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.5 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 2.8. 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.

**2.6 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 2.8.

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

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

**2.8 Impairment of Non-financial Assets**

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 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.

### 2.10 Financial Assets

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

#### Recognition and Measurement

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

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

#### Impairment

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

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

#### Determination of Fair Values

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

### 2.11 Financial Liabilities

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.11 Financial Liabilities (cont'd)**

**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.

**2.12 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 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.

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

### 2.14 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.

### 2.15 Income Recognition

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

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

Interest income is recognised using the effective interest method.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.16 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.

**2.17 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.

**2.18 Income Taxes**

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

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

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

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.

**2.19 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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 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.

### 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 Note 4.

#### (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 8.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

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

### Sources of Estimation Uncertainty (cont'd)

#### (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 9.

#### (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 29 February 2012 are as follows:-

	The Group RM	The Company RM
Current tax assets	354	0
Current tax liabilities	293,834	0
Deferred tax liabilities	426,000	7,000

#### 4. PROPERTY, PLANT AND EQUIPMENT

##### The Group

Cost/Valuation	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Balance at 1 March 2010	2,800,000	1,400,000	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	2,800,000	1,400,000	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	2,800,000	1,400,000	14,490,000	0	0	0	0	18,690,000
	2,800,000	1,400,000	14,490,000	17,781,552	6,246,477	2,326,930	378,618	45,423,577
Balance at 1 March 2011	2,800,000	1,400,000	14,490,000	17,781,552	6,246,477	2,326,930	378,618	45,423,577
Additions	0	0	0	1,224,508	215,493	237,526	0	1,677,527
Disposals/Write-offs	0	0	0	0	(128,657)	(228,634)	(378,618)	(735,909)
Currency translation differences	0	0	0	(7,549)	(545)	1,528	0	(6,566)
Reclassifications	(2,800,000)	2,800,000	0	0	0	0	0	0
Balance at 29 February 2012	0	4,200,000	14,490,000	18,998,511	6,332,768	2,337,350	0	46,358,629
Representing:-								
- Cost	0	0	0	18,998,511	6,332,768	2,337,350	0	27,668,629
- Valuation	0	4,200,000	14,490,000	0	0	0	0	18,690,000
	0	4,200,000	14,490,000	18,998,511	6,332,768	2,337,350	0	46,358,629

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

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

The Group

	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Plant, machinery, tools and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<u>Depreciation and Impairment Loss</u>								
Balance at 1 March 2010	52,830	31,111	303,503	7,731,126	4,131,360	1,782,144	0	14,032,074
Accumulated depreciation	0	0	0	0	0	0	321,618	321,618
Accumulated impairment loss	52,830	31,111	303,503	7,731,126	4,131,360	1,782,144	321,618	14,353,692
Depreciation	57,062	31,111	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	109,892	62,222	628,815	9,248,604	4,686,325	1,713,625	0	16,449,483
Accumulated depreciation	0	0	0	0	0	0	321,618	321,618
Accumulated impairment loss	109,892	62,222	628,815	9,248,604	4,686,325	1,713,625	321,618	16,771,101
Depreciation	48,599	31,111	329,720	1,485,131	397,616	295,673	0	2,587,850
Disposals/Write-offs	0	0	0	0	(127,485)	(215,840)	(321,618)	(664,943)
Currency translation differences	0	0	0	(2,499)	897	1,375	0	(227)
Reclassifications	(158,491)	158,491	0	0	0	0	0	0
Balance at 29 February 2012	0	251,824	958,535	10,731,236	4,957,353	1,794,833	0	18,693,781
Accumulated depreciation	0	0	0	0	0	0	0	0
Accumulated impairment loss	0	251,824	958,535	10,731,236	4,957,353	1,794,833	0	18,693,781
<u>Carrying Amount</u>								
Balance at 1 March 2010	2,747,170	1,368,889	14,186,497	8,919,598	1,908,492	586,877	0	29,717,523
Balance at 28 February 2011	2,690,108	1,337,778	13,861,185	8,532,948	1,560,152	613,305	57,000	28,652,476
Balance at 29 February 2012	0	3,948,176	13,531,465	8,267,275	1,375,415	542,517	0	27,664,848

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

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

The leasehold land and buildings were revalued on 28 February 2009 based on the market values given by independent professional valuers using the comparison method. Had the 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	
	2012	2011
	RM	RM
Long-term leasehold land	0	2,706,643
Short-term leasehold land	3,950,561	1,308,495
Buildings	<u>13,686,678</u>	<u>13,992,875</u>
	<u>17,637,239</u>	<u>18,008,013</u>

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

	The Group	
	2012	2011
	RM	RM
Long-term leasehold land	0	2,690,108
Short-term leasehold land	3,948,176	1,337,778
Buildings	13,531,465	13,861,185
Plant, machinery, tools and equipment	<u>0</u>	<u>1,269,609</u>
	<u>17,479,641</u>	<u>19,158,680</u>

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	
	2012	2011
	RM	RM
Plant, machinery, tools and equipment	4,445,486	4,588,372
Furniture, fittings and office equipment	119,437	142,188
Motor vehicles	<u>407,831</u>	<u>471,041</u>
	<u>4,972,754</u>	<u>5,201,601</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

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

The Company

	Furniture, fittings and office equipment RM
<u>Cost</u>	
Balance at 1 March 2010	83,443
Movement during the year	0
Balance at 28 February 2011	83,443
Movement during the year	0
Balance at 29 February 2012	83,443
<u>Accumulated Depreciation</u>	
Balance at 1 March 2010	36,503
Depreciation	8,344
Balance at 28 February 2011	44,847
Depreciation	8,345
Balance at 29 February 2012	53,192
<u>Carrying Amount</u>	
Balance at 1 March 2010	46,940
Balance at 28 February 2011	38,596
Balance at 29 February 2012	30,251

## 5. DEVELOPMENT EXPENDITURE

The Group

	RM
<u>Cost</u>	
Balance at 1 March 2010	400,501
Movement during the year	0
Balance at 28 February 2011	400,501
Write-offs	(400,501)
Balance at 29 February 2012	0
<u>Accumulated Amortisation</u>	
Balance at 1 March 2010	262,580
Amortisation	80,100
Balance at 28 February 2011	342,680
Amortisation	57,821
Write-offs	(400,501)
Balance at 29 February 2012	0
<u>Carrying Amount</u>	
Balance at 1 March 2010	137,921
Balance at 28 February 2011	57,821
Balance at 29 February 2012	0

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 6. INVESTMENTS IN SUBSIDIARIES

The Company

	2012 RM	2011 RM
Unquoted shares, at cost	17,007,050	18,306,411
Impairment losses	<u>(13,793,380)</u>	<u>(12,706,813)</u>
	<u>3,213,670</u>	<u>5,599,598</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
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. <sup>(a)</sup>	Malaysia	0%	100%	Dormant

### 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 Limited	Thailand	100%	100%	Design and manufacture of industrial automation systems and machinery and fabrication of industrial and engineering parts
ATST Corporation Limited <sup>(b)(c)</sup>	Thailand	100%	100%	Dormant
AT Automation Technology Solutions Phils., Inc. <sup>(c)</sup>	Philippines	100%	100%	Dormant

<sup>(a)</sup> Dissolved in January 2012

<sup>(b)</sup> In the process of dissolution

<sup>(c)</sup> Consolidated using unaudited financial statements

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)  
FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

**7. ASSETS HELD FOR SALE**

The Group

	Freehold land and buildings RM
Balance at 1 March 2010	0
Reclassifications from investment property	550,000
Balance at 28 February 2011	550,000
Disposals	(550,000)
Balance at 29 February 2012	0

**8. INVENTORIES**

The Group

	2012 RM	2011 RM
Raw materials	1,328,677	1,065,567
Work-in-progress	487,966	1,599,557
Finished goods	672,043	909,025
	2,488,686	3,574,149

**9. TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables	13,253,582	11,772,698	0	0
Allowance for impairment	(2,498,570)	(2,867,349)	0	0
	10,755,012	8,905,349	0	0
Other receivables:-				
- Subsidiaries	0	0	14,013,668	10,232,127
- Allowance for impairment	0	0	(1,348,769)	(2,323)
	0	0	12,664,899	10,229,804
- Unrelated parties	372,737	519,760	1,092	0
	372,737	519,760	12,665,991	10,229,804
	11,127,749	9,425,109	12,665,991	10,229,804



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 9. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	5,918,371	6,282,600	12,665,991	10,229,804
Renminbi	1,728,111	513,816	0	0
Thai Baht	2,998,603	1,770,195	0	0
US Dollar	433,624	630,677	0	0
Others	49,040	227,821	0	0
	<u>11,127,749</u>	<u>9,425,109</u>	<u>12,665,991</u>	<u>10,229,804</u>

### Trade Receivables

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

The movements in allowance for impairment are as follows:-

	The Group	
	2012 RM	2011 RM
Balance at 1 March	2,867,349	2,851,725
Impairment loss recognised	301,571	16,680
Impairment loss reversed	(30,000)	0
Impairment loss written off	(640,107)	0
Currency translation differences	(243)	(1,056)
Balance at 29/28 February	<u>2,498,570</u>	<u>2,867,349</u>

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

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

	The Group	
	2012 RM	2011 RM
Not past due	6,914,621	3,495,688
Past due 1 to 30 days	1,726,974	1,831,434
Past due 31 to 120 days	1,129,448	1,111,480
Past due more than 120 days	983,969	2,466,747
	<u>10,755,012</u>	<u>8,905,349</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 9. TRADE AND OTHER RECEIVABLES (CONT'D)

### Trade Receivables (cont'd)

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 29 February 2012, there were 2 (2011 : 1) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM4,627,446 (2011 : RM2,433,470). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2012	2011
	RM	RM
Malaysia	6,018,559	6,140,967
People's Republic of China	1,580,637	397,806
Thailand	2,781,937	1,755,333
Others	373,879	611,243
	10,755,012	8,905,349

### 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	
	2012	2011
	RM	RM
Balance at 1 March	2,323	0
Impairment loss recognised	1,346,446	2,323
Balance at 29/28 February	1,348,769	2,323

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 10. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Term deposit with a licensed bank (fixed rate)	575,715	498,500	0	0
Cash and bank balances	<u>2,725,233</u>	<u>2,821,970</u>	<u>34,508</u>	<u>32,707</u>
	<u>3,300,948</u>	<u>3,320,470</u>	<u>34,508</u>	<u>32,707</u>

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

	The Group	
	2012	2011
	RM	RM
Term deposits with a licensed bank	575,715	498,500
Cash and bank balances	<u>451,000</u>	<u>0</u>
	<u>1,026,715</u>	<u>498,500</u>

The effective interest rates of term deposits as at 29 February 2012 ranged from 2.50% to 3.15% (2011 : 2.85%) per annum.

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Ringgit Malaysia	2,788,826	2,189,171	34,508	32,707
Renminbi	64,768	176,300	0	0
Thai Baht	57,470	841,074	0	0
US Dollar	379,349	105,217	0	0
Others	<u>10,535</u>	<u>8,708</u>	<u>0</u>	<u>0</u>
	<u>3,300,948</u>	<u>3,320,470</u>	<u>34,508</u>	<u>32,707</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash and cash equivalents	3,300,948	3,320,470	34,508	32,707
Bank overdrafts	<u>(1,487,815)</u>	<u>(1,963,796)</u>	<u>0</u>	<u>0</u>
	<u>1,813,133</u>	<u>1,356,674</u>	<u>34,508</u>	<u>32,707</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 11. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Trade payables	5,521,401	4,725,101	0	0
Other payables:-				
- Subsidiary	0	0	1,962,663	526,300
- Unrelated parties	1,677,985	729,665	56,259	66,306
	1,677,985	729,665	2,018,922	592,606
	7,199,386	5,454,766	2,018,922	592,606

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Ringgit Malaysia	5,157,434	4,038,367	2,018,922	592,606
Renminbi	1,589,096	604,223	0	0
Thai Baht	452,856	766,755	0	0
US Dollar	0	19,591	0	0
Others	0	25,830	0	0
	7,199,386	5,454,766	2,018,922	592,606

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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 12. LOANS AND BORROWINGS - SECURED

The Group

	2012	2011
	RM	RM
Hire purchase payables (fixed rate)	2,810,296	3,183,986
Bank overdrafts (floating rate)	1,487,815	1,963,796
Term loans (fixed rate)	0	350,935
Term loans (floating rate)	10,497,626	11,066,386
	<u>14,795,737</u>	<u>16,565,103</u>
Disclosed as:-		
- Current liabilities	3,083,348	4,087,805
- Non-current liabilities	11,712,389	12,477,298
	<u>14,795,737</u>	<u>16,565,103</u>

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

The effective interest rates of loans and borrowings as at 29 February 2012 ranged from 4.77% to 9.20% (2011 : 4.00% to 8.05%) per annum.

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

	2012	2011
	RM	RM
Ringgit Malaysia	13,695,373	16,422,610
Thai Baht	1,100,364	142,493
	<u>14,795,737</u>	<u>16,565,103</u>

### Hire Purchase Payables

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

	2012	2011
	RM	RM
Minimum hire purchase payments:-		
- Within 1 year	1,235,976	1,435,488
- Later than 1 year and not later than 2 years	967,023	960,370
- Later than 2 years and not later than 5 years	869,780	1,100,174
Total contractual undiscounted cash flows	3,072,779	3,496,032
Future finance charges	(262,483)	(312,046)
Present value of hire purchase payables:-		
- Within 1 year	1,096,196	1,280,420
- Later than 1 year and not later than 2 years	883,726	863,907
- Later than 2 years and not later than 5 years	830,374	1,039,659
	<u>2,810,296</u>	<u>3,183,986</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 12. LOANS AND BORROWINGS - SECURED (CONT'D)

### Bank Overdrafts

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

### Term Loans

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

	2012	2011
	RM	RM
Gross loan instalments:-		
- Within 1 year	1,069,380	1,455,457
- Later than 1 year and not later than 2 years	1,069,380	1,096,656
- Later than 2 years and not later than 5 years	3,208,140	3,289,967
- Later than 5 years	10,215,569	11,255,595
Total contractual undiscounted cash flows	15,562,469	17,097,675
Future finance charges	(5,064,843)	(5,680,354)
Present value of term loans:-		
- Within 1 year	499,337	843,589
- Later than 1 year and not later than 2 years	514,475	507,764
- Later than 2 years and not later than 5 years	1,721,172	1,700,861
- Later than 5 years	7,762,642	8,365,107
	10,497,626	11,417,321

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

## 13. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Balance at 1 March	475,000	428,000	7,000	7,000
Deferred tax (income)/ expense relating to origination and reversal of temporary differences	(28,000)	49,000	0	0
Deferred tax liabilities over provided in prior year	(21,000)	(2,000)	0	0
Balance at 29/28 February	426,000	475,000	7,000	7,000

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 13. DEFERRED TAX LIABILITIES (CONT'D)

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
In respect of taxable/ (deductible) temporary differences of:-				
- Property, plant and equipment	455,000	505,000	7,000	7,000
- Inventories	(29,000)	(18,000)	0	0
- Financial instruments	0	(12,000)	0	0
	<u>426,000</u>	<u>475,000</u>	<u>7,000</u>	<u>7,000</u>

Save as disclosed above, as at 29 February 2012, 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 RM903,000 (2011 : RM929,000). 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	
	2012	2011
	RM	RM
Deductible temporary differences of:-		
- Inventories	1,300,000	1,166,000
- Financial instruments	2,977,000	3,311,000
Unused capital allowances	2,287,000	2,296,000
Unused tax losses	7,306,000	6,891,000
Taxable temporary differences of:-		
- Property, plant and equipment	(3,612,000)	(3,514,000)
- Investment property	0	(142,000)
- Development expenditure	0	(58,000)
	<u>10,258,000</u>	<u>9,950,000</u>

## 14. SHARE CAPITAL

	2012	2011
	RM	RM
Authorised:-		
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid-up:-		
178,950,765 ordinary shares of RM0.10 each	<u>17,895,077</u>	<u>17,895,077</u>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)  
FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

**15. REVENUE**

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

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

**16. EMPLOYEE BENEFITS EXPENSE**

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Short-term employee benefits	9,543,307	9,381,700	1,342,135	1,472,709
Defined contribution plans	665,406	709,812	162,600	183,879
	<u>10,208,713</u>	<u>10,091,512</u>	<u>1,504,735</u>	<u>1,656,588</u>

**17. PROFIT/(LOSS) BEFORE TAX**

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after charging:-				
Amortisation of development expenditure	57,821	80,100	0	0
Auditors' remuneration:-				
- Current year	77,666	81,887	18,000	18,000
- Prior year	0	(15,000)	0	0
Depreciation of property, plant and equipment	2,587,850	2,859,461	8,345	8,344
Directors' remuneration:-				
- Fees	216,000	210,600	216,000	210,600
- Other emoluments	1,265,754	1,430,563	1,179,024	1,354,214
Fee expense for financial instruments not at fair value through profit or loss	23,113	56,105	57	67
Impairment loss on investments in subsidiaries*	0	0	1,086,567	12,706,813
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	1,346,446	2,323
- Unrelated parties	301,571	16,680	0	0



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 17. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense for financial liabilities not at fair value through profit or loss	959,189	1,047,935	0	0
Inventories written down	352,103	452,693	0	0
Property, plant and equipment written off	740	235	0	0
Realised loss on foreign exchange	4,718	67,422	0	0
Rental of equipment	14,306	1,653	0	0
Rental of premises	260,027	258,879	0	0
and crediting:-				
Bad debts recovered	0	1,785	0	0
Gain on disposal of assets held for sale	50,000	0	0	0
Gain on disposal of property, plant and equipment	72,474	75,329	0	0
Gain on winding up of subsidiary	0	0	828,282	0
Interest income for financial assets not at fair value through profit or loss	2,423	5,500	0	0
Realised gain on foreign exchange	53,592	16,377	0	0
Reversal of impairment loss on loans and receivables	30,000	0	0	0
Rental of premises	<u>532,140</u>	<u>276,240</u>	<u>0</u>	<u>0</u>

\* Included in other expenses

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)  
FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

**18. TAX EXPENSE**

	The Group	
	2012	2011
	RM	RM
Tax based on results for the year:-		
Malaysian income tax	794,000	882,000
Deferred tax	<u>(28,000)</u>	<u>49,000</u>
	<u>766,000</u>	<u>931,000</u>
Tax (over)/under provided in prior year:-		
Malaysian income tax	(8,691)	670
Deferred tax	<u>(21,000)</u>	<u>(2,000)</u>
	<u>736,309</u>	<u>929,670</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	%	%	%	%
Applicable tax rate	25.00	25.00	(25.00)	(25.00)
Non-deductible expenses	51.73	28.18	45.26	25.19
Non-taxable income	0.00	0.00	(14.98)	0.00
Increase in unrecognised deferred tax assets	7.95	21.08	0.00	0.00
Reinvestment allowances claimed	(5.46)	0.00	0.00	0.00
Utilisation of group relief	0.00	0.00	(5.28)	(0.19)
Average effective tax rate	<u>79.22</u>	<u>74.26</u>	<u>0.00</u>	<u>0.00</u>

**19. EARNINGS PER SHARE**

The Group

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

	2012	2011
Profit for the financial year attributable to owners of the Company (RM)	<u>230,618</u>	<u>301,976</u>
Weighted average number of shares in issue	<u>178,950,765</u>	<u>178,950,765</u>
Basic earnings per share (sen)	<u>0.13</u>	<u>0.17</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 20. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

The Group

### Purchase of Property, Plant and Equipment

	2012 RM	2011 RM
Cost of property, plant and equipment purchased	1,677,527	1,850,377
Amount financed through hire purchase	<u>(1,014,980)</u>	<u>(1,090,100)</u>
Net cash disbursed	<u>662,547</u>	<u>760,277</u>

## 21. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,330,302	1,466,743	1,243,572	1,390,394
- Defined contribution plans	151,452	174,420	151,452	174,420
	1,481,754	1,641,163	1,395,024	1,564,814
Capital repayment from subsidiary	0	0	2,127,643	0
Subscription for shares in subsidiary	0	0	0	2,400,000
Management fee charged to subsidiaries	<u>0</u>	<u>0</u>	<u>1,877,956</u>	<u>1,849,954</u>

## 22. 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 22. SEGMENT REPORTING (CONT'D)

### Geographical Information

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

	External Revenue		Non-current Assets	
	2012	2011	2012	2011
	RM	RM	RM	RM
Malaysia	25,654,176	24,099,127	26,585,193	27,710,922
People's Republic of China	5,846,416	1,420,534	54,199	61,269
Thailand	3,637,362	8,868,435	1,025,456	938,106
Other countries	2,078,793	2,827,074	0	0
	<u>37,216,747</u>	<u>37,215,170</u>	<u>27,664,848</u>	<u>28,710,297</u>

### Major Customer

For the financial year ended 29 February 2012, there was 1 (2011 : 1) major customer that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM15,724,680 (2011 : RM15,829,180).

## 23. 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 RM23,480,000 (2011 : RM29,385,000). The total utilisation of these credit facilities as at 29 February 2012 amounted to approximately RM13,800,000 (2011 : RM15,829,000).

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 2.11. 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.

## 24. 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 24. FINANCIAL RISK MANAGEMENT (CONT'D)

### 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 23.

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"), Renminbi ("RMB") and Thai Baht ("THB") whereas the major foreign currency transacted is US Dollar ("USD").

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

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

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

	The Group	
	Increase/ (Decrease) in Profit	(Increase)/ Decrease in Profit
	2012	2011
	RM	RM
Appreciation of USD against RM by 10%	61,896	64,320
Depreciation of USD against RM by 10%	<u>(61,896)</u>	<u>(64,320)</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2012

## 24. FINANCIAL RISK MANAGEMENT (CONT'D)

### 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 2012 RM	(Increase)/ Decrease in Profit 2011 RM
Increase in interest rates by 50 basis points	(59,968)	(65,151)
Decrease in interest rates by 50 basis points	<u>59,968</u>	<u>65,151</u>

## 25. CAPITAL MANAGEMENT

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

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

	The Group	
	2012 RM	2011 RM
Total loans and borrowings	14,795,737	16,565,103
Total equity	<u>22,311,343</u>	<u>22,109,190</u>
Total capital	<u>37,107,080</u>	<u>38,674,293</u>
Debt-to-equity ratio	<u>0.66 : 1</u>	<u>0.75 : 1</u>

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		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total accumulated losses of the Company and its subsidiaries:-				
- Realised	(17,305,917)	(14,818,855)	(14,712,567)	(13,329,966)
- Unrealised	<u>691,467</u>	<u>1,028,876</u>	<u>(7,000)</u>	<u>(7,000)</u>
	(16,614,450)	(13,789,979)	(14,719,567)	(13,336,966)
Consolidation adjustments and eliminations	<u>10,001,753</u>	<u>6,946,664</u>	<u>0</u>	<u>0</u>
Total accumulated losses as per statement of financial position	<u>(6,612,697)</u>	<u>(6,843,315)</u>	<u>(14,719,567)</u>	<u>(13,336,966)</u>

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

# LIST OF LANDED PROPERTIES

AS AT 12 JULY 2012

Postal Address/ Location of the Property	Description/ Existing Use	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Land Area/ Built-up Area (sq. ft.)	Net Carrying Amount as at 29 February 2012	Year of Valuation/ Acquisition
<b>RM</b>					
49, Hilir Sungai Keluang 2, Taman Perindustrian, Bayan Lepas Fasa 4, 11900 Pulau Pinang (PN2998, Lot 12340, Mukim 12, Daerah Barat Daya, Pulau Pinang)	Double-storey factory	14 years/ 60 years lease expiring on 18 October 2055	56,057/ 17,600	3,098,558	28 February 2009 (Date of Valuation)
Plot 82, Lintang Bayan Lepas Fasa 4, Taman Perindustrian, Bayan Lepas Mk.12, Pulau Pinang. (H.S.(D) No.16415, P.T.No. 5057, Mukim 12, Daerah Barat Daya, Pulau Pinang)	The subject site is erected with:  - a double- storey factory attached to;  - a 3-storey office block and a double-storey production building	56 years lease expiring on 22 January 2062  11 years  6 years	109,426/ 89,845	14,381,083	28 February 2009 (Date of Valuation)



## ANALYSIS OF SHAREHOLDINGS

### SHARE CAPITAL AS AT 12 JULY 2012

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 12 JULY 2012

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	4	176	0.00
100 – 1,000	216	194,500	0.11
1,001 – 10,000	464	2,950,474	1.65
10,001 – 100,000	578	24,708,918	13.81
100,001 – 8,947,537	193	151,096,697	84.43
8,947,538 and above	0	0	0
<b>Total</b>	<b>1,455</b>	<b>178,950,765</b>	<b>100.00</b>

### DIRECTORS' SHAREHOLDING AS AT 12 JULY 2012

Name	Direct Shareholding	%	Indirect Shareholding	%
Wong Pow Keong*	1,468,388	0.82	-	-
Ronnie Lee Rong Yao	500,000	0.28	-	-
Dato' Sri Ahmad Said Bin Hamdan	-	-	-	-
Ir. Auniah Binti Ali	-	-	-	-
Wai Chin Yean	-	-	-	-
Dr. Ch'ng Huck Khoon	-	-	-	-
Kenny Khaw Chuan Wah	-	-	-	-

\* Resigned as Director on 19 July 2012.

## ANALYSIS OF SHAREHOLDINGS (cont'd)

### THIRTY LARGEST SECURITIES HOLDERS AS AT 12 JULY 2012

No.	Name	Shareholdings	%
1	Ung Eng Huat	6,304,000	3.52
2	Zhang Li	5,179,600	2.89
3	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chooi Seng	5,151,300	2.88
4	Foong Sok Kee	5,000,000	2.79
5	Rosli Bin Idris	4,919,100	2.75
6	Hanizah Binti Abu Hassan	4,650,000	2.60
7	Goh Boon Soo @ Goh Yang Eng	3,960,000	2.21
8	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Li Ngut (E-SS2)	3,545,000	1.98
9	Ng Keng Huat	3,463,900	1.93
10	Salleh Bin Idris	3,399,600	1.90
11	TASEC Nominees (Asing) Sdn. Bhd. TA Securities (HK) Ltd for Megaworld Ventures Limited	2,817,400	1.57
12	Goh Poh Lang	2,688,000	1.50
13	HDM Nominees (Asing) Sdn. Bhd. Exempt An For UOB Kay Hian (Hong Kong) Limited (Clients)	2,622,400	1.47
14	Sheikh Mohd Nasir Bin Sheikh Hassan	2,500,000	1.40
15	HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Eng Huat (M01)	2,500,000	1.40
16	Pegasus Options Sdn. Bhd.	2,410,624	1.35
17	Low Kim Yap	2,385,900	1.33
18	Seow Hoon Eng	2,300,000	1.29
19	Khor Lip Yang	2,283,000	1.27
20	Lim Liew Hong	2,280,000	1.27
21	Low Kean Hin	2,227,600	1.25
22	Tan Buck Soon	2,180,000	1.22
23	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Phang Miow Sin	2,160,000	1.21
24	Beh Lai Lien	2,083,200	1.16
25	Yap Chow Ken	2,000,000	1.12
26	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Muruga Vadivale	2,000,000	1.12
27	Lim Keng Kia	1,811,000	1.01
28	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Choi Ah Loy	1,805,000	1.01
29	Khaw Cheng Boey	1,720,000	0.96
30	Ng Wei Fong	1,658,900	0.93
	<b>TOTAL</b>	90,005,524	50.29

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at Sapphire 3, Level 4, Grand Paragon Hotel Johor Bahru, No. 18, Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor on Friday, 24 August 2012 at 8.00a.m. for the following purposes :

## AGENDA

1. To receive the Audited Financial Statements for the year ended 29 February 2012 together with the Directors' and Auditors' Reports thereon. (Please refer to Note A)
2. To approve the payment of Directors' Fees of up to RM252,000.00 for the financial year ending 28 February 2013 and payment of such Fees to the Directors of the Company. Resolution 1
3. To re-elect the following Directors retiring under the Article 137 of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
  - (i) Mr. Ronnie Lee Rong Yao Resolution 2
  - (ii) Dato' Sri Ahmad Said Bin Hamdan Resolution 3
  - (iii) Ir. Auniah Binti Ali Resolution 4
  - (iv) Mr. Wai Chin Yean Resolution 5
  - (v) Dr. Ch'ng Huck Khoon Resolution 6
  - (vi) Mr. Kenny Khaw Chuan Wah Resolution 7
4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. Resolution 8

## SPECIAL BUSINESS

### 5. AS ORDINARY RESOLUTION

Authority To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965 Resolution 9

"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."

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

By Order of the Board

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)  
LEE MEI MEI (MAICSA 7062284)  
Company Secretaries

Dated : August 2, 2012  
Penang

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 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. 9 (Item 5), if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Seventh Annual General Meeting held on 25 July 2011 which will lapse at the conclusion of the Eighth Annual General Meeting.

The Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the Annual General Meeting will be on August 15, 2012.

# 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 Eighth 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 Eighth Annual General Meeting of the Company to be held at Sapphire 3, Level 4, Grand Paragon Hotel Johor Bahru, No. 18, Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor on Friday, 24 August 2012 at 8.00a.m. and at any adjournment thereof.

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

RESOLUTION		FOR	AGAINST
1.	To approve the payment of Directors' Fees of up to RM252,000.00 for the financial year ending 28 February 2013 and payment of such Fees to the Directors of the Company.		
2.	To re-elect the following Directors retiring under the Article 137 of the Articles of Association of the Company:- Mr. Ronnie Lee Rong Yao		
3.	Dato' Sri Ahmad Said Bin Hamdan		
4.	Ir. Auniah Binti Ali		
5.	Mr. Wai Chin Yean		
6.	Dr. Ch'ng Huck Khoon		
7.	Mr. Kenny Khow Chuan Wah		
8.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
9.	To pass the following resolution under Special Business :- <u>Ordinary Resolution</u> 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....., 2012.

**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.*

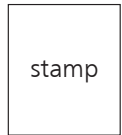
*If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer or attorney duly authorized in writing.*

*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*

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

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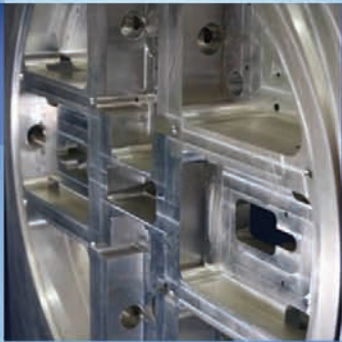
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