

AT SYSTEMATIZATION BERHAD

(Company no. 644800-X)
(and its subsidiaries)
(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 AUGUST 2008

1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited and has been prepared in compliance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and the requirements as set out in Appendix 9B of the revamped Listing Requirements of Bursa Malaysia Securities Berhad for MESDAQ Market.

These notes to interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group for the financial period ended 31 August 2008.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 29 February 2008.

2. AUDITORS' REPORT

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 29 February 2008 were not subject to any qualification.

3. SEASONALITY OR CYCLICALITY OF INTERIM OPERATION

The Group's operation is, to a certain extent, dependent on the cyclical nature of the electronics and semiconductors industries.

4. UNUSUAL ITEMS

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

5. CHANGES IN ESTIMATES

There were no changes in the nature and amount of estimates reported that have a material effect in the quarter under review.

6. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the Company during the quarter under review.

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7. DIVIDEND PAID

No dividend has been declared or paid during the quarter under review.

8. SEGMENT REPORTING

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

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

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

Geographical Segments by Location of Assets

The following information is presented in respect of the three geographical locations of the Group's operation, namely Malaysia, other South East Asia countries and the People's Republic of China (China).

	Malaysia RM'000	Other SEA countries RM'000	China RM'000	Consolidated RM'000
REVENUE				
External revenue	14,010	2,077	1,373	17,460
RESULTS				
Segment results	1,246	(121)	(209)	916
Interest income				0
Interest expense				(682)
Tax expense				(25)
Profit after tax				209
ASSETS				
Segment assets	45,443	5,717	2,921	54,081
Income tax assets				56
Total assets				54,137
LIABILITIES				
Segment liabilities	6,801	1,267	454	8,522
Interest-bearing liabilities				20,096
Income tax liabilities				384
Total liabilities				29,002
Capital expenditure	1,062	26	6	1,094
Depreciation	1,419	111	15	1,545

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8. SEGMENT REPORTING (cont'd)

Geographical Segments by Location of Customers

The Group's external revenues by geographical locations of customers are as follow:-

	Cumulative period ended 31-Aug-08 RM'000
Malaysia	12,827
South East Asia other than Malaysia	3,035
China, Hong Kong and Taiwan	1,416
United States of America and United Kingdom	182
	<u>17,460</u>

Business Segments

The Group is principally engaged in the design and manufacture of equipment and machinery and fabrication of industrial and engineering parts. Business segment information has not been prepared as the Group's revenue, operating results, assets, liabilities, capital expenditure, depreciation and other non-cash expenses are mainly confined to one business segment.

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group did not revalue any of its property, plant and equipment during the quarter under review.

10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim period that have not been reflected in this interim financial report.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

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12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities

There was no contingent liability as at 23 October 2008 (being a date not earlier than 7 days before the date of this announcement).

(b) Contingent assets

There was no contingent asset as at 23 October 2008 (being a date not earlier than 7 days before the date of this announcement).

13. REVIEW OF PERFORMANCE

The Group recorded revenue of RM10.2 million for the current quarter, representing an increase of 15.3% as compared to corresponding quarter of preceding year. Higher revenue achieved in the current quarter has made the Group turnaround from loss before tax of RM0.7 million in preceding corresponding quarter to profit before tax of RM0.2 million in the current quarter.

14. VARIATION OF RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

For the current quarter ended August 2008, the Group recorded revenue of RM10.2 million as compared to RM7.3 million in first quarter ended May 2008, representing an increase of 39.5%. In line with higher revenue achieved in the current quarter, the Group recorded profit before tax for current quarter of RM218,000, as compared to first quarter profit before tax of RM15,000. In addition, the products delivered in current quarter are of higher profit margin as compared to those in first quarter.

15. CURRENT YEAR PROSPECTS

Despite the current economic uncertainty affecting global market place, the Group will stay focus on its core business as an integrated one-stop industrial automation solutions provider, in particular laser marking systems, test handling systems and medical device assembly systems. The directors expect to see slower level of capital spending on machinery and equipments in the coming quarters, arising from the adverse impacts of recent financial and credit woes worldwide.

The Group will continue its efforts to design and develop the new product which shall be made commercialized at the completion of its R&D and marketing stages. In addition, internal cost control measures were implemented across the entire organisation.

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16. VARIANCE FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in public document.

17. TAX EXPENSE

	Individual quarter ended 31-Aug-08 RM'000	Cumulative quarters ended 31-Aug-08 RM'000
Tax based on results for current period	<u>15</u>	<u>25</u>

The Group's effective tax rate is lower than the statutory tax rate applicable to the Group's profits as certain subsidiaries have been granted pioneer status by the Ministry of International Trade and Industry under the Promotion of Investments Act, 1986 which exempts 70% to 100% of statutory income of the subsidiaries for a period ranging from five years to ten years.

18. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no disposal of unquoted investments and/or properties for the quarter under review.

19. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the quarter under review.

20. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced but not completed as at 23 October 2008 (being a date not earlier than 7 days before the date of this announcement).

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21. GROUP BORROWINGS AND DEBT SECURITIES

	As at 31-Aug-08 RM'000	
Short term borrowings:-		
<u>Secured</u>		
Bank overdraft		4,293
Hire purchase payables		1,422
Term loan		1,521
Banker acceptance		270
		<u>7,506</u>
Long term borrowings:-		
<u>Secured</u>		
Hire purchase payables		2,362
Term loan		10,228
		<u>12,590</u>
Borrowings denominated in foreign currency:		
	Book Value as at 31-Aug-08 THB'000	As at 31-Aug-08 RM'000
Thai Baht / Ringgit equivalent	<u>4,569</u>	<u>457</u>

22. OFF BALANCE SHEET FINANCIAL INSTRUMENT

The Group does not have any financial instrument with off balance sheet risk as at 23 October 2008 (being a date not earlier than 7 days before the date of this announcement).

23. MATERIAL LITIGATION

As at 23 October 2008 (being a date not earlier than 7 days before the date of this announcement), the Group is not engaged in any material litigation either as a plaintiff or defendant and the directors do not have any knowledge of any proceeding pending or threatened against the Group which might materially and adversely affect the financial position or business of the Group.

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24. EARNINGS/(LOSS) PER SHARE

	Individual Quarter		Cumulative Period	
	Quarter Ended 31-8-2008	Quarter Ended 31-8-2007	6 Months Ended 31-8-2008	6 Months Ended 31-8-2007
Profit/(loss) attributable to equity holders of the parent (RM'000)	201	(710)	223	(3,432)
Weighted average number of ordinary shares in issue ('000)	178,950	167,450	178,950	167,450
Earnings/(loss) per share(sen)	0.11	(0.42)	0.12	(2.04)

The Company does not have any dilutive potential ordinary shares during the financial period.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no inter-company transactions other than those occurred in the ordinary course of business. There were no transactions with the directors other than their remuneration package paid, in accordance with the terms and conditions of their appointment.