

**AT SYSTEMATIZATION BERHAD**

**(COMPANY NO: 644800-X)**

**(INCORPORATED IN MALAYSIA)**

**UNAUDITED INTERIM FINANCIAL REPORT**

FOR 4th QUARTER ENDED 28 FEBRUARY 2015

*The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 28 February 2014 and the accompanying explanatory notes attached to the interim financial report.*



*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 28 February 2014 and the accompanying explanatory notes attached to the interim financial report.*



*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 28 February 2014 and the accompanying explanatory notes attached to the interim financial report.*





*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2014 and the accompanying explanatory notes attached to the interim financial report.*



*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 28 February 2014 and the accompanying explanatory notes attached to the interim financial report.*

**A1) Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with Malaysia Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 28 February 2014 and the accompanying notes attached to the interim financial report.

**A2) Changes in Accounting Policies**

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 28 February 2014 except for the adoption of the following standards, amendments to published standards and interpretations to existing standards which are effective for the financial period commencing on 1 March 2014:

Amendments to MFRSs

MFRS 10 : Consolidated Financial Statements: Investment Entities

MFRS 12 : Disclosure of Interests in Other Entities: Investment Entities

MFRS 127 : Separate Financial Statements: Investment Entities

MFRS 132 : Financial Instruments: Presentation – Offsetting Financial Assets

and Financial Liabilities

MFRS 136 : Impairment of Assets – Recoverable Amount Disclosures for

Non-Financial Assets – Offsetting Financial

MFRS 139 : Financial Instruments: Recognition and Measurement

New IC Interpretations

IC Interpretation 21 : Levies

The adoption of the above standards, amendments to published standards and interpretations does not give rise to any material effects to the Group.

**A3) Auditors’ Report of Preceding Annual Audited Financial Statements**

The auditors’ report on the financial statements for the financial year ended 28 February 2014 contains a qualified opinion by the external auditors.

**A4) Seasonal or Cyclical Factors**

The Group’s performance is, to certain extent, dependent on the cyclical nature of the electronics and semiconductors industries.

**A5) Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period.

**A6) Material Changes in Estimates**

There were no changes in estimates that have a material effect for the current quarter and financial period.

**A7) Debt and Equity Securities**

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial period under review.

**A8) Dividend Paid**

There was no dividend paid in the current quarter and financial period.

**A10) Discontinued operations**

In the previous financial year, the Group had on 28 February 2014 divest its entire equity interest in AT Engineering Sdn. Bhd. The disposal was completed on even date and AT Engineering Sdn. Bhd., together with its wholly-owned subsidiaries (“ATE Group”) ceased to be subsidiaries of the Group. Accordingly, the results arising from ATE Group are presented as discontinued operation in the corresponding quarters.

**A11) Segmental Information**

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.

**A12) Valuation of Property, Plant and Equipment**

During the financial period, the Group had revalued its leasehold lands and buildings situated at Bayan Lepas, Penang. The revaluation has generated an additional revaluation surplus of RM6.55 million, net of deferred tax.

**A13) Events after the Reporting Period**

Other than those disclosed elsewhere in the interim financial report, there were no other material events subsequent to the end of the interim period.

**A14) Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial period, other than the following:

1. On 27 January 2015, the Group announced the incorporation of Fong’s & AT Venture Sdn. Bhd. (“Fong’s & AT Venture”) on 2 January 2015 together with the completion of shares allotment and allocation pursuant to the Joint Venture and Shareholders Agreement with Fong’s Engineering & Manufacturing Pte. Ltd. (“FEM”). The Group through its wholly owned subsidiary, namely AT Precision Tooling Sdn. Bhd. holds 75% equity stake whereas FEM holds 25% equity stake in Fong’s & AT Venture. The authorised share capital of Fong’s & AT Venture is RM500,000.00, divided into 500,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of RM100,000.00, divided into 100,000 ordinary shares.

**A15) Changes in Contingent Liabilities or Contingent Assets**

There were no material contingent liabilities or contingent assets to be disclosed as at the date of the interim financial report.

**A16) Capital Commitment**

As of 28 February 2015, capital commitment are in respect of the factory expansion and refurbishment by a subsidiary of the Group:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  |  |  | **RM’000** |
|  |  |  |  |
| Approved and contracted for |  |  | 276 |
| Approved but not contracted for |  |  | 777 |
|  |  |  | 1,054 |

**A17) Related Party Transactions**

There were no significant transactions with related parties during the current quarter and financial period.

**B1) Review of Performance**

Current Quarter

1. ***Continuing operations***

The Group recorded lower revenue at RM4.89 million for the fourth quarter ended 28 February 2015 as compared to RM5.09 million in the previous corresponding quarter. The lower revenue was due to decrease in customers’ orders in fabrication of industrial & engineering parts business, particularly from disc manufacturers. Consequently, the Group recorded a pre-tax loss of RM1.09 million as compared to a pre-tax profit of RM0.80 million in the previous corresponding quarter. This was however mitigated by rental income and lower finance costs. Included in pre-tax profit of RM0.80 million in previous corresponding quarter was reversal of impairment loss on loan & receivables of RM1.54 million.

1. ***Discontinued operations***

The discontinued operations in the corresponding period comprised the manufacturing activities from ATE Group, which recorded a pre-tax profit of RM0.63 million.

Overall, the Group recorded a pre-tax loss of RM1.09 million as compared to pre-tax profit of RM1.43 million (comprising continuing and discontinued operations) achieved during the corresponding period. This represents a decrease of RM2.52 million.

Cumulative Quarter

1. ***Continuing operations***

The Group posted revenue of RM23.40 million for the cumulative quarter ended 28 February 2015, which was RM1.64 million or 7% higher as compared to RM21.76 million in the corresponding cumulative quarter. The increase was attributable to higher customers’ order in both fabrication of industrial & engineering parts and industrial automation system and machinery business.

The Group recorded pre-tax profit of RM0.42 million for the cumulative quarter ended 28 February 2015, a decrease of RM0.76 million as compared to pre-tax profit of RM1.18 million in the corresponding cumulative quarter. The decrease was mainly due to pre-tax loss in industrial automation system and machinery business as a result of prolonged delays in certain projects.

1. ***Discontinued operations***

The discontinued operations in the corresponding period comprised the manufacturing activities from ATE Group, which recorded a pre-tax profit of RM0.11 million.

Overall, the Group achieved a pre-tax profit of RM0.42 million as compared to pre-tax profit of RM1.29 million (comprising continuing and discontinued operations) achieved during the corresponding period. This represents a decrease of RM0.87 million.

**B2) Material Change in the Profit before Taxation of Current Quarter Compared with the Immediate Preceding Quarter**

The Group posted pre-tax loss of RM1.04 million for the fourth quarter ended 28 February 2015, a decrease of RM0.99 million as compared to pre-tax profit of RM0.05 million in the preceding quarter. The pre-tax loss was mainly due to decrease in customers’ orders in fabrication of industrial & engineering parts business, particularly from disc manufacturers.

**B3) Prospects**

The Group will continue to focus and expand on the core business in the fabrication of industrial & engineering parts and the design & manufacture of industrial automation system and machinery. Notwithstanding that, the Group will continuously seek opportunity for business growth and will look for new market opportunities, including having joint venture with the strategic partners.

**B4) Variance between Actual Profit and Forecast Profit**

The Group did not issue any profit forecast or profit guarantee during the current quarter and financial period.

**B5) Taxation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Individual Quarter** | | **Cumulative Quarter** | |
|  | **28.2.2015** | **28.2.2014** | **28.2.2015** | **28.2.2014** |
|  | **RM’000** | **RM’000** | **RM’000** | **RM’000** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Income tax income/(expense) | 275 | 40 | (25) | (215) |
| Deferred tax transfers | 326 | 33 | 326 | 33 |
|  | 601 | 73 | 301 | (182) |

The effective tax rate of the Group is lower than the statutory income tax rate for the current financial period mainly due to availability of reinvestment allowance by a subsidiary.

**B6) Corporate Proposals**

1. The Company completed a private placement exercise on 15 March 2013 (“Private Placement 2013”) and the Rights Issue with Free Warrants (“Rights Issue Exercise”) on 5 February 2014. The Company announced on 4 June 2014 and 28 August 2014 the variations of the unutilised proceeds from the respective fund raising exercises.

The Company has varied RM0.387 million of the remaining proceeds from the Private Placement 2013 and RM2.65 million of the remaining proceeds from the Rights Issue Exercise for the construction of factory building extension. Further RM0.15 million and RM0.70 million from Rights Issue Exercise were re-allocated for Goods and Services Tax compliance and implementation, capital expenditure and/or working capital for AT Precision Tooling Sdn Bhd, respectively. Taking into consideration the variation of proceeds, the summary of the utilisation of proceeds are set out below:-

i) Private Placement 2013

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Details** | **Proposed utilisation** | **Revised**  **utilisation** | **Amounts utilised**  **as at**  **28 February 2015** | **Balance**  **unutilised** | **Estimated timeframe for the utilisation of proceeds** |
|  | **RM'000** | **RM'000** | **RM'000** | **RM'000** |  |
| To purchase glove counting machines | 300 | - | - | - | Within three (3) months |
| To fund the development and production of wheel- chair washing machines | 189 | 102 | 102 | - | Within three (3) months |
| Partially finance the construction of factory building extension | - | 387 | 387 | - | Within three (3) months |
| Estimated expenses in relation to the private placement exercise | 20 | 20 | 20 | - | - |
| Total | **509** | **509** | **509** | **-** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **B6) Corporate Proposals (cont’d)**  ii) Rights Issue Exercise   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Details** | **Proposed**  **utilisation** | **Revised utilisation** | **Amounts utilised**  **as at**  **28 February 2015** | **Balance**  **unutilised** | **Estimated timeframe for the utilisation of proceeds** | |  | **RM'000** | **RM'000** | **RM'000** | **RM'000** |  | | Repayment of bank borrowings | 12,600 | 12,600 | 12,600 | - | Within six (6) months | | Working capital | 3,785 | 285 | 285 | - | Within twelve  (12) months | | Partially finance the construction of factory building extension | 2,800 | 5,450 | 3,841 | 1,609 | Within twelve  (12) months | | Goods and Services Tax  compliance and  implementation | - | 150 | 21 | 129 | Within twelve  (12) months | | Capital expenditure and/or working capital for the Group’s wholly-owned subsidiary, namely AT Precision Tooling Sdn Bhd | - | 700 | 335 | 365 | Within twelve  (12) months | | To defray expenses relating to rights issue exercise | 500 | 500 | 500 | - | Within three (3) months | | Total | **19,685** | **19,685** | **17,582** | **2,103** |  | |
|  |

1. On 17 April 2014, the Company subscribed for 25,000 ordinary shares of RM1.00 each representing 5% of the issued and fully paid-up share capital of ATS Biotech Sdn. Bhd. (“ATS Biotech”) for a total cash consideration of RM25,000. On even date, the Company entered into a Joint Venture Agreement with Anhui Shengyun Environment Protection Group Co. Ltd., Promosi Mantap Sdn. Bhd. and Md. Wira Dani Bin Abdul Daim to bid for the construction of a mass-scale incinerator facility under the “Waste to Energy” Public Private Partnership Project through ATS Biotech. On 29 October 2014, the Company announced that ATS Biotech was unsuccessful in bidding for the said tender. Subsequently on 1 March 2015, the Company disposed of the 5% equity stake in ATS Biotech for a consideration of RM25,000.
2. On 4 June 2014, TA Securities Holdings Berhad (“TA Securities”), on behalf of the Company had announced that the Company proposed to implement a private placement of up to 59,053,700 new ordinary shares of RM0.10 each in the Company, representing not more than ten percent (10%) of the enlarged issued and paid-up capital of the Company to independent third party investor(s) to be identified at a later date (hereinafter referred to as “Proposed Private Placement”).

**B6) Corporate Proposals (cont’d)**

The Company is expected to raise gross proceeds amounting to RM5.9 million from the Proposed Private Placement. The proceeds raised are expected to be utilised in the following manner:-

|  |  |  |  |
| --- | --- | --- | --- |
| **Details of utilisation** | **Minimum**  **Scenario**  **RM’000** | **Maximum**  **Scenario RM’000** | **Estimated timeframe for the utilisation of proceeds** |
| Business expansion and/or investments | 3,500 | 5,000 | Within twelve  (12) months |
| Working capital | 297 | 725 | Within twelve  (12) months |
| Estimated expenses | 140 | 180 | - |
| Total | **3,937** | **5,905** |  |

On 17 April 2015, TA Securities, on behalf of the Company had announced that Bursa Securities had vide its letter dated 16 April 2015, approved the application for the listing of and quotation for up to 59,053,700 new ordinary shares pursuant to the Proposed Private Placement, subject to the following conditions:

1. The Company and TA Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements (“LR”) pertaining to the implementation of the Proposed Private Placement;
2. The Company and TA Securities to inform Bursa Securities upon the completion of the Proposed Private Placement; and
3. The Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed.
4. On 18 June 2014, the Company announced that its wholly-owned subsidiary, AT Precision Tooling Sdn. Bhd. (“ATP”) has entered into a Memorandum of Understanding (“MOU”) with Fong’s Engineering & Manufacturing Pte. Ltd. (“FEM”) with the intention to form a Joint Venture Company (“JVCO”) to collaborate in the area of oil and gas, life science, electronics, aerospace and other industries operations and to position the JVCO as FEM’s manufacturing arm outside Singapore to meet FEM’s customers’ job orders and requirements. On 5 November 2014, ATP signed a Joint Venture and Shareholders Agreement (“JVSA”) with FEM to formalise the joint venture arrangement and regulate the relationship of both parties as shareholders of JVCO as well as their rights and obligations. All current and existing projects/orders from FEM to ATP will be transferred to and managed by the JVCO within 3 months upon the execution of JVSA. On 27 January 2015, the Company announced the incorporation of JVCO, namely Fong’s & AT Venture Sdn. Bhd. on 2 January 2015 together with the completion of shares allotment and allocation pursuant to JVSA, i.e. 75% equity stake by ATP and 25% equity stake by FEM.

**B6) Corporate Proposals (cont’d)**

1. On 10 March 2015, the Company announced that its wholly-owned subsidiary, AT Engineering Solution Sdn. Bhd. (“ATES”) had secured the Feed-in Approval (“FiA”) from Sustainable Energy Development Authority Malaysia (“SEDA”) on 9 March 2015. ATES is expected to sign an agreement with Tenaga Nasional Berhad (“TNB”) for the sale and delivery of renewable energy by ATES to TNB for a concession period of 21 years.

**B7) Borrowings and Debts Securities**

Group’s borrowings as at 28 February 2015 are as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **RM’000** |
| **Non-Current** |  |  |  |
| Secured: |  |  |  |
| - Finance lease payables |  |  | 2,122 |
| - Bank borrowings |  |  | 764 |
|  |  |  | 2,886 |
| **Current** |  |  |  |
| Secured: |  |  |  |
| - Finance lease payables |  |  | 967 |
| - Bank borrowings |  |  | 235 |
|  |  |  | 1,202 |
|  |  |  |  |
| **Total** |  |  | **4,088** |

**B8) Material Litigation**

There were no material litigations against the Group as at the date of the interim financial report. The directors of the Group 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.

**B9) Dividend**

There was no dividend declared or paid for the current period under review.

**B10) Earnings/(Loss) per Share**

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

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | |  | |  | |  | |  | |
|  | **Individual Quarter** | | | | **Cumulative Quarter** | | | |
|  | **28.2.2015** | | **28.2.2014** | | **28.2.2015** | | **28.2.2014** | |
|  | **RM’000** | | **RM’000** | | **RM’000** | | **RM’000** | |
| Profit/(Loss) attributable to owners of the parent | (494) | | 1,499 | | 719 | | 1,111 | |
|  |  | |  | |  | |  | |
| Weighted average number of shares in issue (RM’000) | 389,365 | | 247,151 | | 393,692 | | 209,040 | |
|  |  | |  | |  | |  | |
| Earnings/(Loss) Per Share |  | |  | |  | |  | |
| - Basic (sen) | (0.13) | | 0.61 | | 0.18 | | 0.53 | |
| - Diluted (sen) | (0.13) | | 0.61 | | 0.18 | | 0.53 | |

The diluted earnings/(loss) per share equal the basic earnings/(loss) per share as the Company did not have any dilutive potential ordinary shares during the financial period. The Company’s warrants are anti-dilutive for the financial period under review.

**B11) Profit/(Loss) Before Tax**



**B12) Fair Value Hierarchy**

(a) The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 28 February 2015, the Group held the following assets and liabilities on the statements of financial position:



**B13) Realised and Unrealised Profits/ (Losses)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **As At** | | **As At** |
|  | **28.2.2015** | | **28.2.2014** |
|  | **RM’000** | | **RM’000** |
| Total accumulated losses of the Company and its subsidiaries:- |  | |  |
| - Realised | | (33,667) | (35,666) |
| - Unrealised | | (2,180) | (369) |
|  | | (35,847) | (36,035) |
| Consolidation adjustments and eliminations | | 3,076 | 2,568 |
| Total accumulated losses as per statement of financial position | | (32,771) | (33,467) |

**B14) Authorisation for Issue**

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board on 30 April 2015.