

CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Designation	Nationality
Beh Lai Lien <i>(Managing Director)</i>	118C-9-3, Pearl Garden Jalan Dato' Ismail Hashim Sungai Ara 11900 Bayan Lepas Penang	Company Director	Malaysian
Lai Siaw Ling <i>(Executive Director)</i>	214, Jalan Jenun Guar Chempedak 08800 Gurun Kedah	Company Director	Malaysian
Wong Pow Keong <i>(Executive Director)</i>	1062-9-31, Jalan Paya Terubong 11060 Penang	Company Director	Malaysian
Mohd Daniel Bin Mat Noh <i>(Independent Non-Executive Director)</i>	23, Persiaran Bukit Kecil 5 Jalan Sri Nibong 11900 Bayan Lepas Penang	Company Director	Malaysian
Hui Khee Sum @ Hooi Kee Sum <i>(Independent Non-Executive Director)</i>	32-A, Jalan Oh Cheng Keat 30250 Ipoh Perak Darul Ridzuan	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Mohd Daniel Bin Mat Noh	Chairman	Independent Non-Executive Director
Hui Khee Sum @ Hooi Kee Sum	Member	Independent Non-Executive Director
Lai Siaw Ling	Member	Executive Director

COMPANY SECRETARIES : Teh Lay Gnoh (MIA 4357)
70 Lorong Seremban
10150 Penang

Ooi Teik Huat (MIA 21851)
98-2F, Mewah Court
Jalan Tan Sri Teh Ewe Lim
11600 Penang

REGISTERED OFFICE : Suites 704 & 705, 7th Floor
No.11, Lorong Kinta
10400 Penang
Tel: 04-227 0363
Fax: 04-227 2011

1. CORPORATE DIRECTORY

- HEAD OFFICE** : 49, Hilir Sungai Kluang 2
 Bayan Lepas Industrial Park, Phase IV
 11900 Bayan Lepas
 Penang
 Tel.: 04-644 7771
 Fax: 04-644 7773
 E-mail: at@ate.com.my
 Website: www.ate.com.my
- REGISTRAR** : AGRITEUM Share Registration Services Sdn Bhd (578473-T)
 2nd Floor, Wisma Penang Garden
 42, Jalan Sultan Ahmad Shah
 10050 Penang.
 Tel: 04-228 2321
 Fax: 04-227 2391
- PRINCIPAL BANKERS** : Public Bank Berhad (6463-H)
 No. 1 & 3
 Jalan Relau
 11900 Pulau Pinang
 Tel: 04-644 3112
- Malayan Banking Berhad (3812-K)
 216-222, Weld Quay/
 Macallum Street Ghaut
 10300 Pulau Pinang
 Tel: 04-261 8067
- AUDITORS AND REPORTING ACCOUNTANTS** : Messrs. Horwath (AF 1018)
 Chartered Accountants
 Suites 701 & 702, 7th Floor
 No.11, Lorong Kinta
 10400 Penang
 Tel: 04-227 7061
- SOLICITORS** : Messrs. Salina, Lim Kim Chuan & Co.
 Advocates and Solicitors
 (Corporate Division)
 51-15-C2, Menara BHL
 Jalan Sultan Ahmad Shah
 10050 Penang
 Tel: 04-228 2785
- INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** Vital Factor Consulting Sdn Bhd (266797-T)
 75C & 77C Jalan SS22/19
 Damansara Jaya
 47400 Petaling Jaya
 Selangor
 Tel: 03-7728 0248
- VALUERS** : Messrs. Henry Butcher, Lim & Long (North) Sdn. Bhd. (177498-P)
 142-M, Jalan Burma
 10050 Penang
 Tel: 04-229 8999
- Messrs. Henry Butcher, Lim & Long (North) Sdn. Bhd. (177498-P)
 No. 2708, Chain Ferry Road
 Kimsar Garden
 13700 Prai
 Penang
 Tel: 04-398 8999

1. CORPORATE DIRECTORY

ISSUING HOUSE : Malaysian Issuing House Sdn Bhd (258345-X)
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No.: 03 – 2693 2075

**ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT** : OSK Securities Berhad (14152-V)
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

LISTING SOUGHT : MESDAQ Market of Bursa Securities

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2. INFORMATION SUMMARY

This following summary is only a summary of the salient information about the ATS Group and that investors shall read and understand the whole Prospectus prior to deciding whether to invest.

2.1 History, Principal Activities and Group Structure

ATS was incorporated in Malaysia on 8 March 2004 under the Act as a public limited company under the name of AT Systematization Berhad. The principal activity of the Company is investment holding whilst the principal activities of its subsidiaries are as follows:

Name	Principal activities
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Subsidiaries of ATS

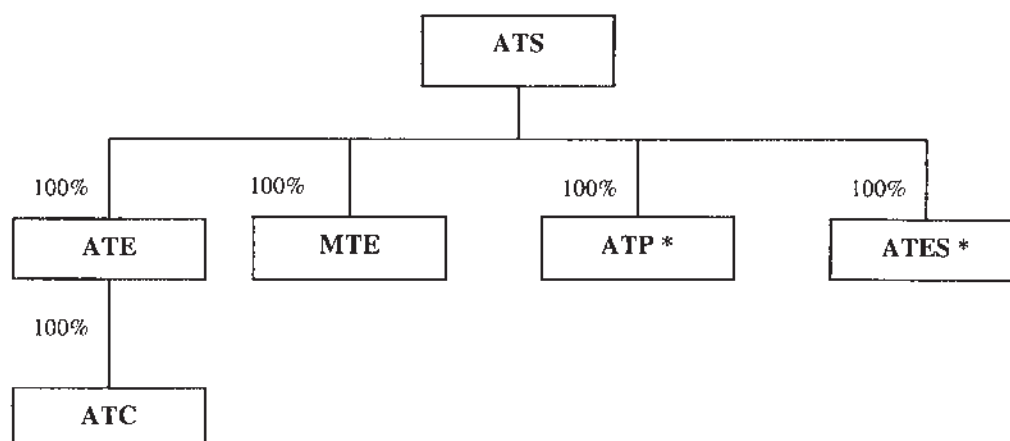
ATE	Engaged in the designing and manufacturing of industrial automation systems and machinery.
MTE	Engaged in the fabrication of industrial and engineering parts.
ATES	Dormant
ATP	Dormant

Subsidiary of ATE

ATC	Engaged in the designing and manufacturing of industrial automation systems and machinery.
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ATS Group is primarily a designer and manufacturer of Industrial Automation Systems and Machinery with supporting activities including fabrication of parts and equipment and provision of industrial automation support services.

The corporate structure of the ATS Group is as follows:-



* ATP and ATES are presently dormant. ATP and ATES will be used to cater for new products and future business expansion. The pioneer status of ATP and ATES has been granted on 6 April 2004 and 26 June 2004 respectively, and this is expected to provide significant tax advantage to ATS Group. ATES has submitted an application for a manufacturing license on 9 January 2004 and is currently pending approval.

Further information on the ATS Group is disclosed under Sections 6 and 8 of this Prospectus.

2. INFORMATION SUMMARY

2.2 Ownership and Management

The management team of the ATS Group is headed by its Managing Director, Mr. Beh Lai Lien, who is the founder of ATE. The key management team of the Group comprises people with capabilities in their respective fields including engineering, designing, R&D, production, quality control, finance, marketing, business development and human resource management.

Based on the Register of Members of ATS as at 31 December 2004, the direct and indirect interests of the promoter and substantial shareholders, Directors and key management in the issued and paid-up share capital of the Company, before and after the Public Issue are as follows:-

Name	Nationality / Country of incorporation	Before Public Issue		After Public Issue	
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Promoter & Substantial Shareholder					
Pegasus	Malaysia	91,859,924	-	91,859,924	-
				54.86	-
Substantial Shareholders					
Beh Lai Lien	Malaysian	7,326,974	91,859,924 ²	8,326,974 ⁴	91,956,924 ¹
Lai Siaw Ling	Malaysian	5,934,718	91,859,924 ²	6,934,718 ⁴	91,859,924 ²
Wong Pow Keong	Malaysian	6,185,888	91,859,924 ²	7,185,888 ⁴	91,859,924 ²
Yap Kim Lean	Malaysian	6,143,221	91,859,924 ²	6,143,221	91,859,924 ²
				3.67	54.86
Directors					
Beh Lai Lien	Malaysian	7,326,974	91,859,924 ²	8,326,974 ⁴	91,859,924 ²
Lai Siaw Ling	Malaysian	5,934,718	91,859,924 ²	6,934,718 ⁴	91,859,924 ²
Wong Pow Keong	Malaysian	6,185,888	91,859,924 ²	7,185,888 ⁴	91,859,924 ²
Mohd Daniel bin Mat Noh	Malaysian	-	-	400,000 ⁴	-
Hui Khee Sum @ Hooi Kee Sum	Malaysian	-	-	400,000 ⁴	-
				0.24	-
				0.24	-
				4.97	54.86
				4.14	54.86
				4.29	54.86
Key Management					
Saw Wci Tat	Malaysian	-	-	450,000 ⁴	-
Leong Poh Theen, Peter	Malaysian	-	-	450,000 ⁴	-
Tan Siew Hooi	Malaysian	-	-	97,000 ⁴	100,186,898 ³
Tham Yew Loong	Malaysian	-	-	95,000 ⁴	-
Sim Chooi Beng	Malaysian	-	-	20,000 ⁴	-
				0.27	-
				0.27	-
				0.06	59.83
				0.06	-
				0.01	-

2. INFORMATION SUMMARY

Name	Nationality / Country of incorporation	Before Public Issue		After Public Issue	
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
<i>Key Management</i>					
Ong Chin Hock	Malaysian	-	-	50,000 ⁴	0.03
Lyc Ban Lin	Malaysian	-	-	97,000 ⁴	0.06
Cheong Kah Poh	Malaysian	-	-	20,000 ⁴	0.01
Chong Soon On	Malaysian	-	-	-	-

Notes:-

- Deemed interested by virtue of his direct shareholdings in Pegasus and his spouse, Tan Siew Hooi's direct shareholdings in ATS.*
- Deemed interested by virtue of their direct shareholdings in Pegasus.*
- Deemed interested by virtue of her spouse, Beh Lai Lien's direct and indirect shareholdings in ATS.*
- Assuming full subscription of their respective entitlements pursuant to the Pink Form Allocation.*

Further information on the Promoters, substantial shareholders, Directors, Promoters and key management and their direct and indirect shareholdings in the Company, is disclosed under Section 9 of this Prospectus.

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2. INFORMATION SUMMARY

2.3 Products and Services

ATS Group is primarily a designer and manufacturer of industrial automation systems and machinery with supporting activities including fabrication of parts and equipment, and provision of industrial automation support services.

Further information on the Group's products and services is disclosed under Section 8.2 of this Prospectus.

2.4 Marketing and Distribution

In order to promote its products and services to potential customers locally and overseas, ATS Group participates in exhibitions and conventions both locally and overseas. The Group has participated in the Electronic China 2003 fair in Shanghai, China and SMIDEC, Malaysia fair. In addition, ATS Group has also undertaken joint-participation with customers in various exhibitions and conventions. The marketing strategy of ATS Group is to deploy its own sales and marketing team to focus on business development with both existing and potential customers.

ATS Group's distribution channel strategy is primarily based on direct distribution, which is also applicable for export markets. This has enabled ATS Group to gain a strong footing on both local and export market.

Further information on the Group's sales and distribution channels is disclosed under Section 8.12 of this Prospectus.

2.5 Technology and Intellectual Property

ATS Group utilises numerous technologies for development of Industrial Automation System and Machinery to achieve quality products and cost efficiency. The various technologies or systems applied include the following:

(i) Vision Systems

Vision technology that enables machinery to act or react based on a set of rules that are dependent on differences in locations, colours, shapes and markings, and presence or absence of objects.

(ii) Robotics

Robotics is a mechanism that can move automatically. Commonly it is a mechanical device for performing a task, which might otherwise be done by a human, for example spraying paint on cars.

(iii) Multi-Discipline Engineering

Developing Industrial Automation Systems and Machinery relies primarily on technologies from the following engineering disciplines: mechanical, electronics, mechatronics (combination of mechanical and electronic), electrical, software and ergonomics.

(iv) Computing Technology

The Industrial Automation Systems and Machinery today are controlled by software. Computing technology provides the man-machine interface where all the desired action steps, conditions and rules are coded and commonly sits in a server or computer dedicated to the IASM.

2. INFORMATION SUMMARY

(v) Clean Room Technologies

Clean room is a work area where the air quality in terms of airborne particles, temperature and humidity are highly regulated in order to protect sensitive equipment from contamination. Clean rooms are particularly important for the semi-conductor industries, for example in the production of silicon chips and hard disk drives.

(vi) Servo Motor Technologies

A Servo is a small device that has an output shaft that can be positioned to specific angular positions by sending a coded signal. As long as the coded signal exists on the input line, the servo will maintain the angular position of the shaft. As the coded signal changes, the angular position of the shaft changes.

Further information on the Group's technology and intellectual property is disclosed under Section 8.5 of this Prospectus.

2.6 Research and Development / Quality Control

ATS Group's R&D activities are focused on developing specific products and systems, as well as supporting sub-systems, products and processes. New products created through R&D would provide ATS Group with the basis for continuing business growth and success. All products sold by ATS Group are a result of its own research and development. As such, there is no need to pay royalties or franchise fees to any principals.

Further information on the Group's research and development/ quality control procedures is disclosed under Section 8.4 of this Prospectus.

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2. INFORMATION SUMMARY**2.7 Proforma Historical Financial Record**

The financial highlights of the Group for the past five (5) financial years ended 29 February 2004 and nine (9) month period ended 30 November 2004, reproduced from the Accountants' Report and based on the assumption that the Acquisitions had been in existence throughout the periods under review, are set out below:

	FYE 29 February 2000 RM'000	2001 RM'000	FYE 28 February 2002 RM'000	2003 RM000	FYE 29 February 2004 RM'000	9 months period ended 30 November 2004 RM'000
Revenue	14,988	18,826	11,400	16,618	18,804	22,204
Profit before interest, depreciation and taxation	1,568	2,215	1,064	3,201	4,460	5,742
Less:						
Depreciation	(627)	(662)	(688)	(712)	(726)	(653)
Interest	(183)	(319)	(274)	(263)	(201)	(144)
Profit before taxation	758	1,234	102	2,226	3,533	4,945
Taxation	(324)	(249)	(186)	(723)	(586)	(1,447)
Profit/(Loss) after taxation	434	985	(84)	1,503	2,947	3,498
No. of Shares assumed in issue to form the Group ¹ ('000)	114,394	114,394	114,394	114,394	114,394	114,394
Earnings/(Loss) per share ² (sen)						
Gross	0.66	1.08	0.09	1.95	3.09	4.33
Net	0.38	0.86	(0.07)	1.31	2.58	3.06

Notes:-

1. The number of ATS Shares assumed in issue to form the Group represents the number of ATS Shares before the Novation of Debt and the Public Issue.
2. The gross and net EPS/(LPS) have been calculated by dividing the PBT and PAT/LAT respectively for the financial years/period by the number of Shares assumed in issue to form the Group.

The proforma consolidated income statement above is presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report as set out in Section 13 of this Prospectus.

There were no extraordinary or exceptional items and no audit qualifications for all the financial years / period under review.

Further information on the Group's financial performance throughout the years / period under review is disclosed under Section 5 of this Prospectus.

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2. INFORMATION SUMMARY

2.8 Proforma Consolidated Balance Sheets

The table below sets out the proforma consolidated balance sheets of ATS as at 30 November 2004 which are to be read in conjunction with the accompanying notes as set out in proforma consolidated balance sheets in Section 14 of this Prospectus, and are provided for illustrative purposes, based on the audited accounts of ATS and its subsidiary companies and the listing scheme as stated in Section 6.3 of this Prospectus:

	Audited as at 30 November 2004	Proforma I	Proforma II	Proforma III
	RM'000	RM'000	RM'000	RM'000
Assets employed				
Property, plant and equipment	-	8,835	8,835	11,835
Current assets				
Inventories	-	2,592	2,592	2,592
Trade and other receivables	-	15,266	15,266	15,266
Cash and bank balances	*	120	120	12,120
	-	17,978	17,978	29,978
Current liabilities				
Trade and other payables	5	7,338	6,329	6,329
Hire purchase payables	-	209	209	209
Bank borrowings	-	1,237	1,237	1,237
Income tax payable	-	1,066	1,066	1,066
	5	9,850	8,841	8,841
Net current assets/(liabilities)	(5)	8,128	9,137	21,137
	(5)	16,963	17,972	32,972
Financed by:				
Share capital	*	11,439	11,745	16,745
Share premium	-	-	703	10,703
Retained profits/ (Accumulated loss)	(5)	3,525	3,525	3,525
	(5)	14,964	15,973	30,973
Long term liabilities				
Hire purchase payables	-	149	149	149
Term loan	-	918	918	918
Deferred taxation	-	932	932	932
	(5)	16,963	17,972	32,972
No of Shares ('000)	*	114,394	117,451	167,451
NTA per share (sen)	N/A	13.08	13.60	18.50

* Issued and fully paid-up share capital of RM2 at 20 ordinary shares of RM0.10 each.

A. The proforma consolidated balance sheets have been prepared for illustrative purposes only, and are based on the proforma financial statements of ATS and the audited financial statements of its subsidiaries as at 30 November 2004, and the bases and accounting policies consistent with those normally adopted in the preparation of the audited financial statements.

2. INFORMATION SUMMARY

- B. The proforma consolidated balance sheets incorporate, on a proforma basis, the following transactions as though they have been effected on 30 November 2004:-

Proforma I

Proforma I incorporates the acquisitions of the following companies:-

- (i) Acquisition of ATE

Acquisition by ATS of the entire issued and paid-up capital of ATE comprising 1,000,000 ordinary shares of RM1.00 each in ATE for a purchase consideration of RM10,807,050 based on the audited consolidated net tangible assets of ATE as at 29 February 2004, fully satisfied by the issuance of 108,070,500 new ATS Shares at par. The Acquisition of ATE was completed on 20 December 2004.

- (ii) Acquisition of MTE

Acquisition by ATS of the entire issued and paid-up capital of MTE of 700,000 ordinary shares of RM1.00 each in MTE for a purchase consideration of RM1,290,535 based on the audited net tangible assets of MTE as at 29 February 2004 partly satisfied by the issuance of 6,323,620 new ATS Shares at par and the remaining RM658,173 in cash. The Acquisition of MTE was completed on 20 December 2004.

- (iii) Acquisition of ATES

Acquisition by ATS of the entire issued and paid-up capital of ATES comprising 2 ordinary shares of RM1.00 each in ATES for a purchase consideration of RM2.00 fully satisfied by the issuance of 20 new ATS Shares at par. The Acquisition of ATES was completed on 20 December 2004.

- (iv) Acquisition of ATP

Acquisition of the entire issued and paid-up capital of ATP comprising 2 ordinary shares of RM1.00 each in ATP for a purchase consideration of RM2.00 fully satisfied by the issuance of 20 new ATS Shares at par. The Acquisition of ATP was completed on 20 December 2004.

Proforma II

Proforma II incorporates the effects of Proforma I and Novation of Debts as follows:-

The Novation involves the novation to ATS of the amounts owing to the shareholders of ATE and MTE amounting to RM1,008,673 ("Debts"). ATS had settled the Debts via issuance of 3,056,585 new ATS Shares on the basis of approximately 3.03 new ATS Shares for every RM1.00 owed.

The Novation of Debts was completed on 21 December 2004.

Proforma III

Proforma III incorporates the effects of Proforma I and Proforma II and the following:-

- (i) Public Issue; and
- (ii) The estimated listing expenses of RM1,500,000 will be set-off against the share premium account.

2. INFORMATION SUMMARY

2.9 Risk Factors

Prospective investors, prior to making an investment in the Company, should carefully consider the risk factors inherent in and affecting the business of the Group and this Public Issue. In addition, the discussion in this Prospectus contains forward-looking statements that involve risks and uncertainties. The ATS Group's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to those discussed in the "Risk Factors" section, but also include all the other factors discussed throughout this Prospectus.

The major risk factors facing the Group include:

- no prior market for ATS Shares and possible volatility of share price;
- operational risk;
- competition;
- technological change and process development;
- product risk;
- dependence on directors and key personnel;
- dependence on the semiconductor and electronics industries;
- dependence on major relationships;
- protection of intellectual property rights;
- failure in or delay of the Listing exercise;
- acquisitions and joint ventures;
- future capital requirements;
- ownership and control by the substantial shareholders;
- foreign exchange risk;
- litigation risk;
- regulatory risk;
- new geographical markets;
- risk of Severe Acute Respiratory Syndrome;
- underwriting;
- capital market risk;
- adequacy of insurance coverage on the Group's assets;
- risk of rapid or over-expansion of the Group's businesses;
- general economic, political and social considerations;
- disclosure regarding forward-looking statements;
- impact of AFTA;
- financial risk;
- lack of engineering supporting and ancillary activities;
- availability of skilled manpower; and
- restrictive covenants under credit facility agreements.

Investors are advised to carefully consider the above risk factors, which may not be exhaustive, together with other information contained in this Prospectus before subscribing to any of the Public Issue Shares, which are the subject of this Prospectus.

Further information on the Group's risk factors is disclosed under Section 4 of this Prospectus.

2.10 Prospects and Outlook

The prospects for the specialised industrial machinery and equipment industry in Malaysia remain favourable. The industry is forecasted to grow at approximately 5% to 8% per annum for the next five (5) years. The growth is expected to be supported by the following factors:

- (i) Strong export market, which increased at an average annual rate of 12.7% between 1999 and 2003;

2. INFORMATION SUMMARY

- (ii) Domestic demand as manufacturing sector continues to shift from labour-intensive processes to high technology applications, which require more advanced or customised manufacturing process automation; and
- (iii) Import replacement, with high imports amounting to RM25.1 billion in 2003, local operators (such as ATS) have ample opportunities to replace imports, by leveraging on local support, prompt delivery and cost effectiveness.

(Source: Assessment of the Machinery and Equipment Industry prepared by Vital Factor Consulting Sdn Bhd, dated 12 April 2004)

Further information on the Group's prospects and outlook is disclosed under Sections 7 and 10 of this Prospectus.

2.11 Principal Statistics Relating to the Public Issue

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with the whole text.

2.11.1 Share Capital

<i>Authorised share capital:</i>	RM
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
<i>Issued and fully paid-up share capital:</i>	
117,450,765 ordinary shares of RM0.10 each	11,745,077
<i>To be issued pursuant to the Public Issue:</i>	
50,000,000 ordinary shares of RM0.10 each	5,000,000
<i>Enlarged share capital</i>	
167,450,765 ordinary shares of RM0.10 each	<u>16,745,077</u>
<i>Public Issue Price</i>	RM0.33
<i>Market capitalisation based on Issue Price</i>	55,258,752
<i>Proforma NTA based on the proforma consolidated balance sheet as at 30 November 2004:-</i>	
Proforma NTA upon Listing (RM'000)	30,973
Proforma NTA per share upon Listing (Sen)	18.5

2.11.2 Class of Shares

There is only one class of shares in the Company, namely ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of this Prospectus.

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2. INFORMATION SUMMARY

2.12 Utilisation of Proceeds from the Public Issue

Based on the Public Issue price of RM0.33, gross proceeds of the Public Issue of RM16.5 million are expected to accrue to the Company. This amount is expected to be utilised in the following manner:-

Details of utilization	Amount RM'000
Business Development and Expansion	3,000
Purchase of New Equipment and Computer Hardware and Software	3,000
Research & Development	2,500
Working Capital	6,500
Estimated listing expenses	1,500
TOTAL	16,500

Further information on the Public Issue proceeds is disclosed under Section 3.10 of this Prospectus.

2.13 Material Litigations

Save as disclosed in Section 16.8 of this Prospectus, as at 31 December 2004, being the latest practicable date prior to the issuance of the Prospectus, neither ATS nor any of its subsidiary company is engaged in any material litigation or arbitration either as plaintiff or defendant that has a material effect on the financial position of the Group, and the Directors of the Company and its subsidiary companies have no knowledge of any proceeding pending or threatened against the Company and its subsidiary companies or of any fact likely to give rise to any proceeding that may materially affect the position and business of the Company and/or its subsidiary companies.

Further information on material litigations is disclosed under Section 16.8 of this Prospectus.

2.14 Material Capital Commitments

As at 30 November 2004, being the date up to which the audited financial statements were made, there are no material commitments for capital expenditure incurred or known to be incurred by ATS or its subsidiary companies that may have a substantial impact on the financial position of the Group.

Further information on material capital commitments is disclosed under Section 16.9 of this Prospectus.

2.15 Contingent Liabilities

As at 30 November 2004, being the date up to which the audited financial statements were made, the Directors of ATS are not aware of any contingent liability, which upon becoming enforceable, may have a material impact on the Group.

Further information on contingent liabilities is disclosed under Section 16.10 of this Prospectus.

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 27 January 2005.

Approval has been obtained from the SC on 22 November 2004 for the Public Issue and from Bursa Securities on 24 November 2004 for admission to the Official List of the MESDAQ Market, and for listing of and quotation of the entire issued and paid-up share capital of ATS including the Public Issue Shares which are the subject of this Prospectus.

These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all the CDS accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. The SC and Bursa Securities assume no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary company or of its Shares.

Under Bursa Securities' trading rules, effective from the date of Listing, trading in all Bursa Securities listed securities can only be executed through an ADA who is also a Bursa Securities member.

A copy of this Prospectus has been registered with the SC. A copy of this prospectus, together with the form of application, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, Public Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

Pursuant to the MMLR, at least 25% but not more than 49% of the total number of shares of the Company for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 shares each, at the time of the Listing. However, in the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

Only an applicant who has a CDS Account can make an application by way of an Application Form. In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she presently has such an account and he/she shall be deemed to have authorized Bursa Depository to disclose information pertaining to the CDS Account to the MIH/the Company for the purpose of crediting the Issue Shares allotted to him/her to his/her CDS Account. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the Public Issue Shares. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his/her CDS Account number to the Participating Financial Institution by way of keying in his/her CDS Account number if the instruction on the ATM screen at which he/she enters his/her Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by ATS. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall under any circumstance constitute a representation or create any implication that there has been no change in the affairs of the Company since the date hereof.

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

The distribution of this Prospectus and the sale of the Public Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

Acceptance of applications will be conditional upon permission being granted to deal in, and quotation for all the Issue Shares. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 Indicative Timetable

Event	
Date of Prospectus	27 January 2005
Opening of the Application for the Issue Shares	27 January 2005
Closing of the Application for the Issue Shares	7 February 2005
Tentative Balloting of Applications for the Issue Shares	14 February 2005
Tentative Allotment of the Issue Shares	18 February 2005
Tentative Listing	23 February 2005

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The Public Issue will close at the date stated above or such later date as the Directors and the underwriter may agree.

In the event the closing date of the application is extended, the notice of the extension will be advertised in widely circulated English and Bahasa Malaysia newspapers prior to the original closing date of the application. Following this, the dates for the balloting of application for the Issue Shares, allotment of the Issue Shares and Listing would be extended accordingly.

3.3 Purpose of the Public Issue

The purpose of the Public Issue is as follows:-

- (i) to obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of ATS on the MESDAQ Market, which is expected to enhance the business profile and future prospects of the Group;
- (ii) to raise funds for the Group's working capital and business expansion, details of which are disclosed under Section 2.12 of this Prospectus;
- (iii) to provide an opportunity for Malaysian investors and institutions, business associates, eligible employees and Directors and persons who have contributed to the success of the Group and the public to participate in the continuing growth of the Group; and
- (iv) to enable the Group to have access to the capital market for its continued growth and future expansion.

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

3.4 Particulars of the Public Issue

	RM
<i>Authorised share capital</i>	
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
<i>Issued and fully paid-up share capital:</i>	
117,450,765 ordinary shares of RM0.10 each	11,745,077
<i>To be issued pursuant to the Public Issue:</i>	
50,000,000 ordinary shares of RM0.10 each	5,000,000
<i>Enlarged share capital</i>	
167,450,765 ordinary shares of RM0.10 each	<u>16,745,077</u>

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each all of which rank pari passu with one another. The Public Issue Shares shall rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special right attaching to any share that may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held.

The Public Issue of a total of 50,000,000 Shares at an Issue Price of RM0.33 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner :-

- (i) 5,000,000 Public Issue Shares will be made available for application by the public;
- (ii) 35,000,000 Public Issue Shares will be made available for private placement to identified institutions/investors;
- (iii) 10,000,000 Public Issue Shares will be made available for application by eligible employees, directors and persons who have contributed to the success of the ATS Group.

The Public Issue Shares in respect of item (i) have been fully underwritten by the Underwriter listed in Section 1. Any Issue Shares in respect of item (iii) above which are not subscribed for by the eligible employees, directors and persons who have contributed to the success of ATS Group will be made available for application by the Malaysian public and institutional investors, and will also be underwritten. The Public Issue Shares in respect of item (ii) are not underwritten.

The basis of allocation shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view to broadening the shareholding base of the Company to meet the public spread requirements of the Bursa Securities and to establish a liquid market in ATS Shares. To ensure compliance with Clause 2.9 of the MESDAQ Listing Requirements, the final allocation to any single applicant shall not exceed 5% of the enlarged share capital of the Company upon listing, regardless of the number of ATS Shares applied for. Applicants will be selected in a manner to be determined by the directors of ATS.

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

In the event of under-subscription by the public pursuant to the Public Issue, all the ATS Shares not applied for will be made available for subscription by the Underwriter specified in the underwriting agreement dated 3 January 2005.

3.5 Criteria of Allocation of Shares to Eligible Directors and Employees

The Issue Shares in respect of paragraph (iii) of Section 3.4 above are allocated based on the following criteria:

- (a) The Directors of ATS have been allocated with an aggregate of 3,800,000 Issue Shares in the following manner: -

No.	Name of Director	Number of Shares
1.	Beh Lai Lien	1,000,000
2.	Lai Siaw Ling	1,000,000
3.	Wong Pow Keong	1,000,000
4.	Mohd. Daniel bin Mat Noh	400,000
5.	Hui Kee Sum @ Hooi Kee Sum	400,000

- (b) The eligible employees of ATS and its subsidiaries have been allocated an aggregate of 3,909,000 Issue Shares. The basis of allocation of the Issue Shares reserved for 137 eligible employees of ATS and its subsidiaries as at 31 December 2004 have been based on their position held in the Group, length of service and working performance with the ATS Group; and
- (c) The persons who have contributed to the success of ATS and its subsidiaries have been allocated with an aggregate of 2,291,000 Issue Shares. The criteria of allocation of the Issue Shares reserved for forty (40) individuals/ corporations have been based on their contribution to ATS and its subsidiaries.

3.6 Pricing of the Public Issue Shares

Prior to this Public Issue, there has been no public market for ATS Shares. The Issue Price of RM0.33 per ATS Share was agreed upon between the Company and the Underwriter. Among the factors considered in determining the Issue Price, in addition to prevailing market conditions, were the Group's technologies, estimates of business growth potential and revenue prospects for the Group and an assessment of the Group's management.

3.7 Placement, Brokerage and Underwriting Expenses

3.7.1 Brokerage

Brokerage is payable in respect of the Issue Shares at the rate of 1% of the Public Issue Price in respect of successful applications which bear the stamp of participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks or Issuing House. No brokerage is payable on the Public Issue Shares to be placed out by the Placement Agent.

3.7.2 Underwriting Commission and Placement Fee

An underwriting commission is payable by the Company in respect of the 5,000,000 Issue Shares to be offered to the Malaysian public at the rate of 2.0% of the Issue Price of RM0.33 per Share. The same commission is payable by the Company in respect of any 10,000,000 Public Issue Shares not subscribed for in Section 3.5, which will then be offered to the public.

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

A placement fee is payable by the Company in respect of the 35,000,000 Issue Shares to be offered to identified institutions/investors at the rate of 1.5% of the Issue Price of RM0.33 per Share.

3.8 Salient Terms of the Underwriting Agreement

Pursuant to the Underwriting Agreement dated 3 January 2005 between ATS and OSK ("Underwriting Agreement"), OSK agreed to underwrite in full the 5,000,000 Issue Shares to be made available for application by the Malaysian Public and the portion of the 10,000,000 Issue Shares made available for application by 5 eligible Directors, 137 eligible employees of ATS Group and 40 persons who have contributed to the success of the ATS Group which are not taken up and are subsequently made available for application by the Malaysian public.

In the event of an overall under-subscription of the Public Issue, all Public Issue Shares not applied for will be made available for subscription by the Underwriter based on the terms and conditions of the Underwriting Agreement. There is no minimum level of subscription for the Public Issue.

The following salient terms are reproduced from the Underwriting Agreement and unless otherwise stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

"8 *Conditions precedent*

8.1 *The obligations of the Underwriter to perform its obligations to underwrite the Underwritten Shares under this Agreement are conditional upon:*

- (i) *there not having been on or prior to the Closing Date in the opinion of the Underwriter (which opinion is final and binding), any adverse change or any development reasonably likely to result in any adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group, taken as a whole, which is material in the context of the Public Issue from that set forth in the Prospectus nor the occurrence of any event or discovery of any fact or circumstance rendering untrue or incorrect to an extent which is material as aforesaid or any breach of any of the representations, warranties contained in Clause 5 as though they had been given or made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings of the Company contained in Clause 5.*
- (ii) *the issuance of the Prospectus within six (6) weeks from the date of this Agreement, or such other later date as the Underwriter may extend and the Company receiving the approval-in-principle of the Bursa Securities for the Listing within six (6) weeks from the date of issue of the Prospectus (or such longer period as may be specified by the relevant authorities) and complying with the conditions imposed by the Bursa Securities (if any);*
- (iii) *the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the Underwriting Commission and the expenses referred to in Clause 22;*
- (iv) *the Public Issue not being prohibited or impeded by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue and/or the Listing have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;*

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

- (v) *the Underwriter having been satisfied that the Company has complied with and that the Public Issue is in compliance with the policies, guidelines and requirements of the Appropriate Authorities and all revisions, amendments and/or supplements thereto;*
- (vi) *the Public Issue and the Listing being approved by the shareholders of the Company in an Extraordinary General Meeting;*
- (vii) *the due registration and lodgement of the Prospectus with the Appropriate Authorities together with copies of all required documents in accordance with the SCA, Act and the relevant laws and regulations before the issuance of the same for purposes of the Public Issue;*
- (viii) *the Composite Index of the Bursa Securities is at no less than 700 points; and*
- (ix) *all approvals of the Appropriate Authorities remain in full force and effect on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date and the Underwriter being reasonably satisfied that all conditions of the same (to the extent that can be complied with prior to the Closing Date) have been complied with.*

8.2 *If any of the foregoing conditions is not satisfied or complied with to the satisfaction of the Underwriter on or before the Closing Date, the Underwriter shall thereupon be entitled subject as mentioned below, to terminate this Agreement by notice in writing served by the Underwriter and upon such termination, the obligations and liabilities of the Company and the Underwriter hereunder shall become null and void and none of the parties shall have any claim against the other save that each party shall return any and all moneys paid by the other(s) under this Agreement, except for the costs and expenses referred to in Clause 22, within three (3) days of the receipt of such notice PROVIDED THAT the Underwriter may at its discretion waive compliance with any of the above provisions of Clause 8.1.*

9 **Events affecting the listing**

9.1 *The Underwriter shall be entitled to terminate this Agreement by notice in writing delivered by the Underwriter to the Company prior to the Closing Date if the success of the Listing is in the reasonable opinion of the Underwriter seriously jeopardised or affected by:*

- (i) *the coming into force of any laws or governmental regulations or directives which seriously affects or is likely to seriously affect the business of the Group; or*
- (ii) *any material breach by the Company of any of its representations, warranties, obligations or undertakings under this Agreement; or*
- (iii) *any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus.*

9.2 *On delivery of such a notice, this Agreement shall be terminated and rights and obligations of the Company and the Underwriter hereunder shall cease and none of the parties (except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 22 incurred prior to or in connection with such termination) shall have any claim against each other. Thereafter the Underwriter and the Company shall confer with a view to deferring the Public Issue or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company and the Underwriter shall not be under any obligation to enter into such new agreement.*

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

10 *Termination in the event approval for the Listing of Public Issue Shares is withdrawn*

The Underwriter shall have the right to terminate this Agreement by notice in writing served by the Underwriter on the Company in the event that the approval-in-principle of the Bursa Securities for the Listing is withdrawn or not procured within six (6) weeks from the date of issue of the Prospectus (or such longer period as may be specified by the Appropriate Authorities and agreed by the Underwriter) and upon such termination, the liabilities and obligations herein of the Company and the Underwriter shall become null and void and none of the parties aforementioned shall have a claim against each other save that each party shall return any money paid by the other under this Agreement within three (3) days of the receipt of such notice, except for the costs and expenses referred to in Clause 22.

11 *Force Majeure*

11.1 *Notwithstanding anything herein contained, the Underwriter may, after consultation with the Company in good faith at any time before the Closing Date, terminate its obligations under this Agreement by notice in writing delivered by the Underwriter to the Company if in the reasonable opinion of the Underwriter there shall have occurred, happened or come into effect any of the following circumstances ("Force Majeure"):*

- (i) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, earthquake, epidemic, disease, civil commotion, sabotage, hijacking, acts of war or terrorism, hostilities, riot, uprising or accidents);*
- (ii) without prejudice to the generality of the foregoing, any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;*
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the Bursa Securities due to exceptional financial circumstances or otherwise;*

which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Public Issue and the distribution or sale of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or the Listing or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms and upon such termination, the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 22 hereof incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

12 *Termination*

12.1 *Notwithstanding anything herein contained, the Underwriter may by notice in writing delivered to the Company, terminate, cancel or withdraw its underwriting commitment to underwrite the Underwritten Shares under this Agreement if:*

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

- (i) *there is any breach by the Company of any of the representations, warranties and undertakings of the Company contained in Clause 5 above which is not capable of remedy, or if capable of remedy, is not remedies within such period as stipulated in the notice given by the Underwriter to the Company or by the Closing Date, whichever is earlier;*
- (ii) *there is failure on the part of the Company to perform any of its obligations under this Agreement;*
- (iii) *there is withholding of information of material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Public Issue or the distribution or sale of the Public Issue Shares;*
- (iv) *there shall have occurred or happened any material and adverse change in the business or financial condition of the Company or the Group as a whole;*
- (v) *there shall have occurred or happened any Force Majeure event referred to in Clause 11 above.*

12.2 *Upon any such notice being given pursuant to Clause 12.1, the Underwriter shall be released and discharged from its obligations under this Agreement whereupon this Agreement shall be of no further force or effect and no party shall be liable to the other in respect of this Agreement save and except that the Company shall remain liable in respect of its liabilities under Clause 5 or for any antecedent breach and for the payment of the costs and expenses referred to in Clause 22 below which are incurred prior to or in connection with such termination and such reimbursement of the costs and expenses incurred shall be paid to the Underwriter within three (3) days from the date of notification to the Company to discharge the Underwriter."*

3.9 Listing Expenses

Listing expenses in relation to the Public Issue are estimated at approximately RM1.5 million, with the following estimated breakdown:-

	RM
Estimated professional fees	600,000
Bursa Securities perusal, initial listing and annual listing fees	45,000
Prospectus registration fees	5,500
Brokerage, placement fee, and underwriting commission	371,250
Issuing house fees and disbursements	50,000
Printing and advertising fees	150,000
Miscellaneous expenses	278,250
TOTAL	<u>1,500,000</u>

The Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market.

3.10 Utilisation of Proceeds Raised from the Public Issue

The Company expects the gross proceeds of the Public Issue to amount to RM16.5 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market.

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

The proceeds from the Public Issue are expected to be utilised in the following manner:-

Details of utilisation	Note	Amount RM'000
Business Development and Expansion	(i)	3,000
Purchase of New Equipment and Computer Hardware and Software	(ii)	3,000
Research & Development	(iii)	2,500
Working Capital	(iv)	6,500
Estimated listing expenses		1,500
TOTAL		16,500

Notes:

- (i) *ATS Group expects to spend approximately RM3.0 million for business development and expansion, which includes exhibition and business development activities in domestic markets and foreign countries such as China, Thailand and Singapore.*
- (ii) *Purchase of New Equipment and Computer hardware and software*
- ATS Group expects to spend approximately RM3.0 million to purchase new equipment and computer hardware and software to increase its manufacturing capacity in order to support future growth. These new equipment and computer hardware and software will enable the Group to plan its schedules of production activities better, thus ensuring timely delivery of products to customers.*
- The Group has also planned to purchase equipment and machineries such as CNC Milling, Wire Cut, CNC Lathe, Grinding Machines and others.*
- (iii) *The R&D involves the following:*
- (a) *Continuous development and improvement on ATS Group's existing and new products in order to meet customers' requirement;*
- (b) *Developing of new products and improvement of existing production processes and system, which include the following:*
- *Design tools development / compilation*
 - *Software development*
 - *Vision system*
 - *Acquisition of related technology companies standard products*
 - *Manufacturing process improvement*
- (iv) *The proceeds of RM6.50 million allocated will be mainly utilized for working capital requirements such as purchase of raw materials, general and administrative expenses as well as to fund daily operation.*

It is intended that the above-mentioned proceeds of RM16.5 million will be utilised within 24 months from the Listing date.

The proforma impact of the utilization of proceeds on the consolidated balance sheets of ATS as at 30 November 2004 is reflected in Section 14 of this Prospectus.

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4. RISK FACTORS

In addition to the other information in this Prospectus, the following factors relating to the Group (which may not be exhaustive) should be considered carefully in evaluating an investment in the Shares offered by this Prospectus. The discussion in this Prospectus contains certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that actual results or events may differ materially from those disclosed in this Prospectus.

If you are unsure about any of the information contained in this section on "Risk Factors", you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

4.1 No Prior Market for the ATS Shares and Possible Volatility of Share Price

4.1.1 No prior market for the ATS Shares

There has been no prior public market for the ATS Shares. The Issue Price was determined by the Company and its Underwriters based upon several factors and may not be an indication of the market price of the Shares after the Public Issue. There can be no assurance that an active public market in the Shares will be developed or be sustained after the Public Issue or that the market price of the Shares will not decline below the Issue Price.

4.1.2 The price of ATS Shares may fluctuate following the Public Issue

The Group believes that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amounts of the Shares in the public market in the future; announcements of developments relating to the Group's business; fluctuations in the Group's operating results and sales levels; general industry conditions or the world-wide economy; announcements of new products or product enhancements by the Group or its competitors; and developments in patent, copyright or other intellectual property rights which affect the Group's products. In addition, in recent years both the foreign and local stock markets in general, and the market for the shares of many high technology companies in particular, have experienced extreme price fluctuations which have often been unrelated to the operating performance of such companies. Such fluctuations may adversely affect the market price of the ATS Shares.

4.1.3 Future sale of the ATS Shares

Any future sale or availability of the ATS Shares can have a downward pressure on the price. The sale of a significant amount of Shares in the public market after the Public Issue, or the perception that such sale may occur, could materially affect the market price of the ATS Shares. These factors also affect the Company's ability to issue additional securities. Except as otherwise described in this Prospectus, there will be no restriction on the ability of the Group's substantial shareholders or Promoter to sell their Shares in ATS on the Bursa Securities.

ATS firmly believes that its competitive and corporate strategies place its business in a strategic position in its industry, hence generating continued interest from potential future investors.

4.2 Operational Risk

ATS Group, like other businesses operating in an open economy, is subject to market forces. As such, there is potential for its products turning obsolete, process technologies being cost ineffective, the Group's market share being eroded or the industry experiencing downturn.

Furthermore, the Group's revenue and operating results could be adversely affected by many factors including, inter alia, the outlook for the industrial automation industry, lengthy sales cycles, debtors' collection problems, customer order deferrals, changes in the Group's operating expenses, the ability of the Group to develop and market new products and services

4. RISK FACTORS

operating expenses, the ability of the Group to develop and market new products and services and to control costs, market acceptance of new products or services, and other business risks common to going concerns.

In order to mitigate this risk, the Group has implemented various strategies such as increasing its product range, expansion of geographical reach of its customer base and R&D to strengthen and expand its business activities. Emphasis is also placed on continuous quality checking to ensure the products meet customers' requirements and are of high quality and providing good after-sales service support.

The ATS Group is also exposed to risks related to its operation, which include fire hazards and disruptions to electricity supply, due to the nature of its business. Such incidents may impair the Group's assets and financial condition. In this regard, the ATS Group conducts regular test on its fire fighting systems i.e. fire hydrants, hose reels and fire extinguishers and the water sprinkle system installed in their buildings and factories. Fire drills are also carried out at regular intervals with its staff. The Group's factory premises are adequately protected through the adoption of stringent security measures. In addition, the Group has taken up insurance coverage for all its fixed assets to cover risk of fire breakouts. As for the risk of a power failure the management of ATS is of the view that a blackout would not pose critical risks or have any material impact on the Group's operations.

4.3 Competition

The ATS Group has experienced, and expects to continue to experience competition from current and future competitors. The Group believes that its ability to compete depends upon many factors within and outside its control, including the timing and market acceptance of new products and services and enhancements developed by the Group and its competitors, product functionality, ease of use, performance, price, value for money, reliability, customer service and support, sales and marketing efforts, product distribution channels and the resources of its competitors.

The industrial automation industry in Malaysia as well as those in countries where ATS Group operates is competitive, subject to rapid technological changes and new product development. No assurance can be given that ATS Group will be able to maintain its competitive advantage over its competitors and also maintain its customer base. Many of ATS Group's customers are MNCs operating in Malaysia and overseas, for whom selection of equipment for their respective manufacturing processes are based on stringent criteria such as high quality standard equipment, competitive pricing, good after-sales service support and product reliability.

ATS Group has an in-house team of mechanical, electrical, electronic and computer system engineers whose skills enable the Group to develop proprietary automation solutions using advance technological know-how. ATS Group's ability to independently develop its own automation solutions for machine control serves as an effective barrier for prospective entrants to the industry.

4.4 Technological Change and Process Development

The risks associated with rapid technological changes are the obsolescence of current technology, the requirements of new technology not matched by existing technical staff and that the operations of the Group are not ready for new methods. The Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers. To the extent that one or more of the Group's competitors introduce products and services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition could be materially and adversely affected.

As part of the Group's efforts to mitigate this risk, the Group has undertaken efforts to provide staff training in line with new technologies pursue technological innovations and actively and continuously undertake R&D.

4. RISK FACTORS

Although the Group has put in efforts to mitigate this risk, there can be no assurance that the Group will be successful in developing and marketing new products or making enhancements to its existing products.

4.5 Product Risk

The Group's future results will substantially depend on market acceptance of the products and services developed. A reduction in demand or an increase in competition in the market for these products, or the Group's other existing or future products, will have a material adverse effect on the Group's business, results and financial condition.

There is also no assurance that the Group will be able to develop and introduce new products and services, or enhancements in a timely manner in response to changing market conditions or customer requirements, or that the process will not encounter unforeseen problems.

To date, the Group's products and services have been well received by its customers as evidenced by repeat orders from existing customers. The Group also enjoys good business relationship with its customers where 70% of its top 10 customers have been dealing with ATS Group for five (5) or more years. The Group expects that continued enhancements of product features, quick time to market and good after-sales service, should ensure continuous acceptance of the Group's products.

4.6 Dependence on Directors and Key Personnel

The Group's future performance depends to a significant extent upon the continued marketing efforts and the abilities as well as the business contacts of its directors, key technical, sales and marketing, and senior management personnel. The senior management has experience in the business and operations of the Group and has been instrumental in the growth and expansion of the Group. The loss of the services of any of these individuals may have an adverse effect on the Group's financial condition, operational results and competitiveness. The Group's future success also depends on its ability to attract sufficient skilled employees.

Nevertheless, the Group has established resources such as database of designs and methods, compilation of mechanical drawing, software design data, documented procedures, system design and implementation practices for the purposes of ongoing in house training and skills development. These measures and precautions have been taken in grooming younger members of the management team in key management areas to ensure that they will be provided with the necessary experience and exposure to gradually assume senior positions.

4.7 Dependence on the Electrical and Electronics Industry

The Group sells its products and services mainly to customers from various sub-sectors of the electrical and electronics industries. As such, the Group's performance will, to a certain extent, depend on the outlook and cyclical nature of the aforementioned industries. As such, there can be no assurance that any adverse development in the semiconductor and electronics industries will not affect the Group's business, operating results and financial conditions.

To mitigate this risk, the Group is continuously exploring new products in different industry, customers and geographical markets to whom/which its products can be sold.

4.8 Dependence on Major Customers and Suppliers

There is no long term contractual agreement between ATS Group and its customers and/or its suppliers. The Group seeks to limit this risk by employing various measures to broaden its customer base, which includes, inter alia, venturing into new markets through the set-up of new marketing/sales offices abroad.

Despite the absence of long term contracts with its customers, the Group has an established and proven track record in terms of providing quality products and services, which has earned the Group the confidence and recognition of its MNC customers locally and abroad. ATS continually nurtures its customer relationships by providing product enhancements and good

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after-sales service support. The Group has an established customer base whereby 70% of its top 10 customers have been dealing with the Group for five (5) or more years. This relatively established top 10 customer base would provide the basis for continuing business relationship to help mitigate dependencies on any one or small group of customers.

The major raw materials required by ATS Group in its production include fabrication parts, conveyors, sensors, busing and bearing, motors, vibrating devices, electrical parts for industrial use and others can be sourced with relative ease and as such, it is not necessary for the Group to enter into long term contracts with its suppliers. Notwithstanding the foregoing, ATS Group has enjoyed strong supplier relationships lasting as disclosed under Section 8.11 of this Prospectus. The Group's top 10 suppliers accounted for 32.5% of the Group's total purchases for the financial year ended 29 February 2004. ATS Group has a stable group of suppliers whereby approximately 80% of the top 10 suppliers have been dealing with the Group for four (4) or more years.

4.9 Protection of intellectual property

All the products sold by ATS Group depend heavily on the use of its own proprietary technological expertise and experience. The Group's success also depends on its ability to use industry third party proprietary technology and to protect its own technological know-how. Although ATS Group owns the intellectual property of most of the products it manufactures, ATS Group has not patented them with the exception of the Vision System where it has recently submitted a patent for approval. However, existing patent, copyright, trademark and trade secret laws afford only limited protection. Accordingly, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorized third party copying, use or exploitation, any of which could have a materially adverse impact on the Group's business, operating results and financial conditions.

The products developed by the Group involve numerous highly customized processes, which are complex and time-consuming to develop and integrate.

4.10 Failure in or Delay of Listing Exercise

The Listing exercise is exposed to the risk of potential failure or delay should the following events, amongst others, occur:

- (i) The eligible directors and employees of ATS Group fail to subscribe to the portion of Public Issue Shares allocated to them;
- (ii) The Company or the Underwriter fails to honour its obligations under the underwriting agreement;
- (iii) The Underwriter, in honouring its obligations, becomes a substantial shareholder of the Company; and
- (iv) The Company is unable to meet the public spread requirements of the MESDAQ Market Listing Requirements, i.e. at least 25% but not more than 49% of the total number of Shares of the Company for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 shares each, at the time of the Listing.

4.11 Acquisitions and Joint Ventures

The Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business, or to benefit from such acquisitions and joint ventures. Acquisitions and joint ventures may cause the Group to seek additional capital that may or may not be available on satisfactory terms.

4. RISK FACTORS

It is nevertheless believed that the Group will be able to bank on the vast experience of its management team in exercising appropriate discernment while executing future plans. The Group shall endeavour to undertake detailed studies either by itself or through professionals on the suitability of such potential acquisitions or joint ventures prior to undertaking the exercise.

4.12 Future Capital Requirements

It is the management's opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet its projected working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to non-shareholders will result in further dilution of the Group's shareholders.

The continued availability of credit lines has an important bearing on the operating expenditure plans of the Group. As such, there can be no assurance that the creditors that have extended credit will continue to make available the funding facilities required. Further to the above, there can be no assurance that the current assets of the Group will be realised on a timely basis to meet future requirements of the Group as and when they fall due.

As a mitigating factor, the Group has demonstrated efficiency and effectiveness in the utilisation of their resources to date. The Group believes that its experienced management team makes it sufficiently equipped to address any future capital requirements that may arise.

4.13 Ownership and Control by the Substantial Shareholders

Upon completion of the Listing of ATS, the Company will have five (5) substantial shareholders namely Pegasus, Beh Lai Lien, Lai Siaw Ling, Wong Pow Keong and Yap Kim Lean who will collectively hold 120,450,725 ATS Shares, representing 71.93% of the Company's enlarged issued and paid-up share capital. As a result, these shareholders, acting together, will be able to influence the outcome of matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nonetheless, the Company has appointed two (2) independent directors to represent the interests of the minority shareholders.

4.14 Foreign Exchange Risk

As at 31 December 2004, ATS Group operates in Malaysia and China and hence is exposed to potential foreign exchange risk to USD and Rmb. The Group intends to expand its business overseas as such there is a potential that the Group will be exposed to greater foreign exchange risk in the future due to its expansion plans. Unfavourable foreign currency fluctuations may adversely and materially affect the Group's profits.

Currently the risk of exchange fluctuation is minimised by the pegging of the Ringgit against the USD at RM3.80 to USD1.00 and the pegging of Rmb against the USD at Rmb8.3 to USD1.00. Nevertheless, there can be no assurance that any future significant fluctuations in exchange rates and financial crisis will not have an impact on the revenue and earnings stream of the Group. Although the Ringgit is presently pegged to the USD, there is no assurance that the peg will not be adjusted or removed. At present, the Group does not use any financial instruments to hedge its exposure against transactions in foreign currencies. However, the Group will continue to assess the need to utilize financial instruments to hedge its currency exposure, taking into consideration factors such as foreign currency involved, exposure period and transaction costs.

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4.15 Litigation Risk

The Group does not have any product liability insurance, as such, the Group is exposed to certain litigation risk. However, the companies in the Group have never experienced any product liability claim in the past in respect of their products. Currently, ATE, a subsidiary of the Company is involved in a litigation claim for breach of contract (failure to deliver a machine), the details of which are set out in Section 16.8 of this Prospectus. ATE is defending the claim made against it and is additionally making a counterclaim against the other party.

4.16 Regulatory Risk

Currently, save for general company and contract laws, the business activities of the Group in Malaysia are not subject to any specific legislation or regulations. However, there can be no assurance that future legislative or regulatory policy changes will not affect the operations of the Group.

In order to minimise the impact of this business risk, the Group closely monitors the industry for any legislative or regulatory change that may affect its business operations.

4.17 New Geographical Markets

If the ATS Group is not successful in penetrating new geographical markets, it may suffer an increase in operating costs. Substantial management resources will be devoted to launch its products and grow its operations in these new markets. It cannot be guaranteed that these new sales and marketing efforts will be successful or generate significant revenue. Any such failure could have an adverse impact on its business, financial condition and operating results. The Group will be subject to additional risks when it operates in foreign countries that could harm its financial condition and operating results.

These risks include the following:-

- (i) local regulatory requirements;
- (ii) fluctuations in currency exchange controls;
- (iii) any imposition of currency exchange controls;
- (iv) unexpected changes in regulatory requirements;
- (v) difficulties and costs of staffing and managing overseas operations; and
- (vi) poor market acceptance.

The Group shall study potential new markets before making any decisions. Various possible aspects of the penetration strategy will be reviewed and modified in accordance with the specific requirements of the respective target markets.

4.18 Risk of Severe Acute Respiratory Syndrome

Global health crisis caused by SARS are expected to unfavourably affect the growth of both global and Malaysian economies. However, ATS's presence in China through its subsidiary, namely ATC based in Suzhou will provide competitive edge over the Company's competitors who do not have a physical presence in China.

ATS believes that any adverse impact on the automation industry should be minimal as indications are showing that SARS epidemic remains under control.

4.19 Underwriting

The Public Issue Shares in respect of item (i) and the unsubscribed portion of item (iii) in Section 3.4 above have been fully underwritten by the Underwriters listed in Section 1. In the event of a shortfall in the subscription of the Public Issue Shares, the Underwriters will have to subscribe for all the under-subscribed Shares. Should the amount subscribed for be a significant quantum, the Underwriters may end up as substantial shareholders (i.e. holding 5% or more of the aggregate of the nominal amount of all the voting shares in the Company). This may result in non-compliance of the public shareholding spread requirements of the Bursa Securities and could adversely affect the success of the Listing.

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The underwriting agreement also provides for circumstances, as highlighted in Section 3.8, under which the Underwriters may be entitled, on or prior to the closing date of the Public Issue, to release or discharge their obligations under the underwriting agreement. This conditional obligation of the Underwriters may result in the Public Issue Shares not being underwritten and this could adversely affect the success of the Listing.

4.20 Capital Market Risk

Investors of ATS should note ATS will be listed on the MESDAQ Market of the Bursa Securities. The performance of the local bourse is dependent, to a certain extent, on external factors such as the performance of regional and global bourses and the inflow as well as outflow of foreign funds. Investor sentiments can also be driven by internal factors such as the economic and political conditions of the country and the growth potential of various sectors of the economy. The aforementioned factors will invariably contribute to the volatility of trading volumes on the Bursa Securities, adding to the risk of price volatility of Shares listed on the Bursa Securities. Nevertheless, it is to be highlighted that the profitability of ATS Group is not dependent on the performance of the Company's Shares on the Bursa Securities.

4.21 Adequacy of Insurance Coverage on the Group's Assets

The ATS Group is aware of the adverse consequences arising from inadequate insurance coverage. Although the Group will continue to review the coverage for their assets on a continuing basis, there can be no assurance that the insurance coverage would be adequate for the replacement costs of the assets, including but not limited to the raw materials and finished products, or any consequential loss arising therefrom.

4.22 Risk of Rapid or Over-expansion of the Group's Businesses

The Group has planned a series of expansion plans, which are detailed in Section 8.13 of this Prospectus. The success that the Group has achieved to date is the result of careful implementation of a series of well-structure plans and the management of the Group has stayed focus in developing its core business as an integrated designer and manufacturer of Industrial Automation Systems and Machinery. The future expansion plans are designed to further expand its core business. However, there is no assurance that the Group will not face the risk of rapid or over expansion.

4.23 General Economic, Political and Social Considerations

Adverse developments in general economic, political and social considerations in Malaysia as well as in the other countries where ATS Group operates or may operate, sources its supplies or markets its products could materially and adversely affect the financial and operational conditions as well as the overall profitability of the Group. For FYE 29 February 2004, ATS Group sourced approximately 44% or approximately RM2.3 million of its raw materials from abroad while approximately 15.4% or approximately RM2.8 million of its products were sold to customers outside of Malaysia.

Political and social uncertainties such as war, hostility, strikes, terrorist attacks, epidemic etc, have an impact on the economy which are not within the control of the Group, may lead to interruptions in normal civilian life and therefore adversely affect the daily operations of the Group. Economic and market instability may also affect the Group's business, financial condition and operational results.

In addition, any modification to policies by the authorities may lead to changes in laws and/or regulations, or the interpretation thereof, as well as changes in foreign business ownership restrictions, currency control policies, taxation, as well as import and export restrictions. These changes may have a material adverse impact on the Group's business, financial condition and operational results.

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The implementation of foreign ownership business restrictions in a particular foreign market may constrain the Group's ability to operate in that foreign market. In addition, the implementation of currency control policies may affect the Group's ability to remit monies to its head office. Unfavourable taxation as well as import and export policies may also adversely affect the pricing and competitiveness of the Group's products.

As such, there can be no assurance that the financial and business prospects of the Group would remain favourable in the event of changes in general economic, political and/or social conditions.

4.24 Disclosure Regarding Forward-Looking Statements

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts. These include certain sections, without limitation, in the "Business Overview" and "Summary of Business Development Plan" in Sections 8 and 10 respectively of this Prospectus. These forward-looking statements are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of Directors and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the ATS Group and the industry and changes in interest rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by ATS or its advisers that the plans and objectives of the Group will be achieved.

4.25 Impact of AFTA

The impact of the implementation of AFTA poses no additional risks to the industrial automation systems and machinery industry as prior to AFTA, there have been minimal or no import tariffs imposed. However, there is no assurance that the implementation of AFTA will continue to have no materially adverse impact on the Group's operations and future performance.

4.26 Financial Risks

As at 30 November 2004, being the date up to which the audited financial statements were made, the Group's audited total bank borrowings amounted to approximately RM2.512 million all of which are interest-bearing. Considering that the interest charged on bank borrowings is dependent on prevailing interest rates and total outstanding loans, future fluctuations of the interest rates could have material effect on the Group's profitability.

There can be no assurance that the performance of the ATS Group would remain favourable in the event of adverse changes in interest rates or loan amounts. Nevertheless, the Group believes that its prudent cash flow management will be able to generate sufficient funds for the repayment of the bank borrowings.

4.27 Lack of Engineering Supporting and Ancillary Activities

Engineering supporting and ancillary activities including foundries, forging, heavy and precise machining, heat treatment electroplating as well as mould and die making are critical in supporting the growth of the machinery and equipment industry. The engineering supporting and ancillary industries are weak and fragmented. Such a situation has the potential of shrinking existing market and deterring any development of the machinery and equipment industry.

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Recognizing the current situation of the engineering supporting and ancillary industry, some major developments of the industry have taken place. These include:

- The establishment of Rasah Machinery and Equipment Technology Centre ("RAMET") under SIRIM Berhad has been earmarked not only for developing human resources within the engineering sector but more so on providing standards testing facilities and promoting cluster development through the grouping of small, medium and big foundry, operators of machining, forging, heat treatment, tool, die making and welding. The centre was established in 2003.
- The mould and die design centre approved under the Eight Malaysia Plan is in its first phase of implementation and is providing computer-aided-design system services to 16 small medium enterprises. The centre is in the progress of renovation. Upon completion in 2005, the centre will promote the usage of CAD systems by SME.

These developments have helped to mitigate the risk of ATS Group being in a position of lack of engineering supports and are in tandem with the thrust of the government and aimed towards strengthening the foundation of local engineering supporting and ancillary industry in support of further growth within the machinery and equipment industry.

4.28 Availability of Skilled Manpower

There is a shortage of skilled technical workers within the machinery and equipment industry in Malaysia. The shortage of technical professionals is a concern to the operations of the machinery and equipment industry. The shortage of skilled and experienced labour may hamper the growth of the industry in general.

In ensuring long-term and sufficient supply of skilled technical professionals, technical institutions and centres namely the RAMET is in a position to provide technical training and assistance to fortify the engineering base in the country.

In addition, it is estimated that 64,516 students will be enrolled in engineering courses, representing 98.9% of overall technical courses enrolment in local public higher education institutions. With the high and preferred engineering courses enrolment and graduation as well as the government support in developing the technical skill base in Malaysia, the industry is anticipated to have a pool of skilled resources to sustain growth.

4.29 Restrictive Covenants under Credit Facility Agreements

The ATS Group has credit facilities granted by local financial institutions that have various covenants that may limit the Group's operating and financial flexibilities. Some of these covenants require the Group to seek the prior written consent of the relevant financial institutions for, inter alia, changes in share capital, capital reconstructions, and changes in shareholders' shareholdings.

While the management of the ATS Group is cognizant of the various requisite consents required from the relevant financial institutions, there can be no assurance that additional credit facilities that may be procured by the Group would not have restrictive covenants that may limit the Group's ability to operate and function properly, or that provisions in existing facilities can or will be varied to relax or remove all or any of such restrictive covenants.

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