
1. CORPORATE DIRECTORY

DIRECTORS

| Name | Address | Occupation | Nationality |
|--|---|-------------------|--------------------|
| Mej Jen (Rtd) Dato ^r Haji Fauzi bin Hussain <i>(Chairman and Independent Non-Executive Director)</i> | No. 29, Jalan Suadamai 2/3 Bandar Tun Hussein Onn 43200 Cheras Kuala Lumpur | Company Director | Malaysian |
| Chen Khai Voon <i>(Executive Director)</i> | No. 2-E, Jalan Bukit Indah Pangsapuri Bukit Mewah Kajang 43000 Kajang Selangor Darul Ehsan | Company Director | Malaysian |
| Lee Kok Keong <i>(Executive Director)</i> | Lot 28D, Taman Paling Jaya 43500 Semenyih Selangor Darul Ehsan | Company Director | Malaysian |
| Hamidon bin Abdullah <i>(Non-Executive Director)</i> | No. 94, Jalan Athinahappan Dua Taman Tun Dr. Ismail 60000 Kuala Lumpur | Company Director | Malaysian |
| Sa Chee Peng <i>(Non-Executive Director)</i> | No. 1, Jalan Maju Satu 4 Taman Maju Satu Sungai Jelok 43000 Kajang Selangor Darul Ehsan | Company Director | Malaysian |
| Chen Siew Chong @ Chin Siew Chong <i>(Non-Executive Director)</i> | No. 91, Taman Gembira 43500 Semenyih Selangor Darul Ehsan | Company Director | Malaysian |
| Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan <i>(Independent Non-Executive Director)</i> | No. 24, Persiaran Bruas Darnansara Heights 50490 Kuala Lumpur | Company Director | Malaysian |
| Lim Yong Jin <i>(Independent Non-Executive Director)</i> | No. 88, Taman Kajang Baru Off Jalan Sungai Chua 43000 Kajang Selangor Darul Ehsan | Company Director | Malaysian |

AUDIT COMMITTEE

| Name | Designation | Directorship |
|--|---------------------------|---|
| Mej Jen (Rtd) Dato ^r Haji Fauzi bin Hussain | Chairman of the Committee | Chairman and Independent Non-Executive Director |
| Lee Kok Keong | Member of the Committee | Executive Director |
| Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan | Member of the Committee | Independent Non-Executive Director |

1. **CORPORATE DIRECTORY (Cont'd)**

| | | |
|---|---|--|
| COMPANY SECRETARY | : | Ng Wai Peng MAICSA 7014112 No.1 Jalan USJ 2/4G 47600 Subang Jaya Selangor Darul Ehsan |
| REGISTERED OFFICE | : | Lot 1, Jalan P/12, Seksyen 10 Kawasan Perusahaan Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan Tel. no.: (03) – 8926 6388 Fax. no.: (03) – 8926 9689 |
| MANAGEMENT OFFICE OF KVCN | : | No.7 & 9, Jalan Kalong Off Jalan Sungai Besi 55200 Kuala Lumpur Tel. no.: (03) – 9222 1222 Fax. no.: (03) – 9223 6694 |
| MANAGEMENT OFFICE OF TSIH | : | No.7, Jalan 1/1 Taman Industri Selesa Jaya 43000 Balakong, Selangor Tel. no.: (03) – 8962 2888 Fax. no.: (03) – 8962 2920 |
| MANAGEMENT OFFICE OF GT | : | Lot 1, Jalan P/12, Seksyen 10 Kawasan Perusahaan Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan Tel. no.: (03) – 8926 6388 Fax. no.: (03) – 8926 9689 |
| MANAGEMENT OFFICE OF WPI | : | 2153 & 2154, Jalan TS 2/8B Taman Semarak 71809 Nilai Negeri Sembilan Tel. no.: (06) – 799 5790 Fax. no.: (06) – 799 5791 |
| REGISTRAR | : | PFA Registration Services Sdn Bhd Level 13, Uptown 1 No. 1, Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: (03)-7725 4888/7725 8046 Fax No.: (03)- 7722 2311 E-mail : rcgn@pfa.com.my |
| AUDITORS AND REPORTING ACCOUNTANTS | : | KPMG Chartered Accountants Wisma KPMG, Jalan Dungun Damansara Heights 50490 Kuala Lumpur |

1. **CORPORATE DIRECTORY (Cont'd)**

- PRINCIPAL BANKERS** :
- Bumiputra-Commerce Bank Bhd
Business Centre, KL2-Cheras
2468, Jalan Mutiara Timur Satu
Taman Mutiara Cheras
56100 Kuala Lumpur
 - Hong Leong Bank Berhad
Level 2, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
 - Public Bank Bhd
No. 12, Jalan Sungai Besi
57100 Kuala Lumpur
 - United Overseas Bank (Malaysia) Bhd.
No. 10-12, Medan Pasar
50050 Kuala Lumpur
- SOLICITORS FOR THE PUBLIC ISSUE** :
- Sim Hazlina & Co.
Advocates & Solicitors
Suite 8-12-6, Level 12
Menara Olympia
No.8, Jalan Raja Chulan
50200 Kuala Lumpur
- ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT** :
- Commerce International Merchant Bankers Berhad
8th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
- UNDERWRITERS** :
- Commerce International Merchant Bankers Berhad
8th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
 - K&N Kenanga Berhad
16th Floor
Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
 - OSK Securities Berhad
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
 - Hwang-DBS Securities Berhad
Suite 12-01, 12th Floor, Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur

1. CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE : Malaysian Issuing House Sdn Bhd
27th Floor, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No.: (03)-2693 2075
Fax No.: (03)-2693 0858

LISTING SOUGHT : Main Board of the KLSE

2. SUMMARY OF INFORMATION

This section is only a summary of the salient information about the Group. Investors should read and understand the whole Prospectus prior to deciding whether to invest in ATIS.

The following information is delivered from the full text of this Prospectus and should be read in conjunction with the full text.

2.1 History and Business

ATIS was incorporated in Malaysia under the Companies Act, 1965 on 8 September 1997 as a public limited company under the name of KVC Corporation Berhad. Its name was changed to ATIS Corporation Berhad on 23 May 2002.

The principal activity of the Company is that of investment holding with interests in eighteen (18) subsidiaries. The Group is engaged in providing a broad range of standard and customised industrial products and services required by a diverse range of industries such as manufacturing, engineering, utilities, electronics, hard disk drive and semiconductor. The principal activities of its subsidiaries, all of which are incorporated in Malaysia, are summarised as follows:

| Subsidiaries of ATIS | Principal activities |
|-----------------------------|---|
| KVCM Group | Industrial supply and distribution of a comprehensive range of industrial electrical, electronics and industrial hardware products and their related components and accessories. |
| GT | Design and manufacture of customized factory automation equipment and vision systems from design, development of prototypes to mass replication of machines and manufacture of high precision tooling, die sets and parts and high precision jigs and fixtures. |
| WPI/GPT | Manufacture of plastic injection moulding products, customized and standard engineering products from mould design, fabrication to injection moulding, sub-assembly and secondary processes such as printing and spraying. |

As at the date of this Prospectus, the Company does not have any associated companies.

2. SUMMARY OF INFORMATION (Cont'd)

2.2 Major Shareholders and Promoters

| Name | No. of Shares after the Public Issue | | | |
|----------------------|---|-------|--------------|-------|
| | Direct | % | Indirect | % |
| Plentiful Summit | 16,000,000 | 13.33 | - | - |
| Evolusi Impian | 20,000,000 | 16.67 | - | - |
| Chen Khai Voon | 22,712,000 | 18.93 | *i36,000,000 | 30.00 |
| Intra Teguh | 7,246,000 | 6.04 | - | - |
| Hamidon bin Abdullah | 16,500,000 | 13.75 | **7,246,000 | 6.04 |

Notes:

* Deemed interest by virtue of his shareholdings in Plentiful Summit and Evolusi Impian. The new Shares have been issued to Chen Khai Voon pursuant to the Acquisitions. As at the date of this Prospectus, he is still the registered holder of the said Shares. However, the Shares are expected to be transferred to Plentiful Summit and Evolusi Impian, investment holding companies owned by Chen Khai Voon, prior to the listing of the Company on the KLSE. Information on Plentiful Summit and Evolusi Impian is disclosed in Sections 10.5.1 and 10.5.2 of this Prospectus.

** Deemed interest by virtue of his shareholdings in Intra Teguh. The new Shares have been issued to Hamidon bin Abdullah pursuant to the Acquisition of KVCM. As at the date of this Prospectus, he is still the registered holder of the said Shares. However, the Shares are expected to be transferred to Intra Teguh, an investment holding company owned by Hamidon bin Abdullah, prior to the listing of the Company on the KLSE. Information on Intra Teguh is disclosed in Section 10.5.3 of this Prospectus.

Further details on the major shareholders and promoters are set out in Section 10.1 of this Prospectus.

2.3 Directors and Key Management Team

Directors

| Name | Designation | No. of Shares after the Public Issue | | | |
|--|---|---|-------|--------------|-------|
| | | Direct | % | Indirect | % |
| Mej Jon (Rtd) Dato' Haji Fauzi bin Hussain | Chairman and Independent Non-Executive Director | - | - | - | - |
| Chen Khai Voon | Executive Director | 22,712,000 | 18.93 | *i36,000,000 | 30.00 |
| Lee Kok Kcong | Executive Director | - | - | - | - |
| Hamidon bin Abdullah | Non-Executive Director | 16,500,000 | 13.75 | **7,246,000 | 6.04 |
| Sa Chee Peng | Non-Executive Director | - | - | - | - |
| Chen Siew Chong @ Chin Siew Chong | Non-Executive Director | - | - | - | - |
| Tunku Ahmad Burhanuddin bin Tunku Datuk Seri Adnan | Independent Non-Executive Director | - | - | - | - |
| Lim Yong Jin | Independent Non-Executive Director | - | - | - | - |

Notes:

* Deemed interest by virtue of his shareholdings in Plentiful Summit and Evolusi Impian. The new Shares have been issued to Chen Khai Voon pursuant to the Acquisitions. As at the date of this Prospectus, he is still the registered holder of the said Shares. However, the Shares are expected to be transferred to Plentiful Summit and Evolusi Impian, investment holding companies owned by Chen Khai Voon, prior to the listing of the Company on the KLSE. Information on Plentiful Summit and Evolusi Impian is disclosed in Sections 10.5.1 and 10.5.2 of this Prospectus.

** Deemed interest by virtue of his shareholdings in Intra Teguh. The new Shares have been issued to Hamidon bin Abdullah pursuant to the Acquisition of KVCM. As at the date of this Prospectus, he is still the registered holder of the said Shares. However, the Shares are expected to be transferred to Intra Teguh, an investment holding company owned by Hamidon bin Abdullah, prior to the listing of the Company on the KLSE. Information on Intra Teguh is disclosed in Section 10.5.3 of this Prospectus.

*** The table above does not include allocations of the Public Issue Shares reserved for eligible Directors and employees of the A11S Group pursuant to the Public Issue.

Further details on the Directors are set out in Section 10.2 of this Prospectus.

2. SUMMARY OF INFORMATION (Cont'd)

Key Management

| Name | Position | No. of Shares held after the Public Issue | | | |
|--------------------------------------|---|--|------|----------|---|
| | | Direct | % | Indirect | % |
| Tam Kim Sum, William | Chief Executive Officer of ATIS | - | - | - | - |
| Ab Manan bin Ab Majid | Executive Chairman of WPI | 4,224,000 | 3.52 | - | - |
| Yee Kim Yuen | Managing Director of TSIH and Director of TSSA, AYS and CDA | - | - | - | - |
| Chin Kem Weng | Managing Director of GT and Director of GPT | - | - | - | - |
| Yeoh Tay Hean | Director and Chief Executive Officer of GPT | - | - | - | - |
| Sa Chee Peng | Director of ATIS, KVCM and Managing Director of KVCC | - | - | - | - |
| Lee Kok Keong | Director of ATIS, KVCI, KVCPK, KVCS, KVCJB, KVCMC, KVCK, KVCPG, KVCKT and KVCNS | - | - | - | - |
| Chen Siew Chong @ Chin Siew Chong | Director of ATIS, KVCI, KVCPK, KVCS, KVCK, KVCC, KVCMC, KVCJB, KVCPG, KVCKT and KVCNS | - | - | - | - |
| Ong Phoe Be | Head of Corporate Finance | - | - | - | - |
| Hew Voon Foo | Financial Controller | - | - | - | - |

Note:

* The table above does not include allocations of the Public Issue Shares reserved for eligible Directors and employees of the ATIS Group pursuant to the Public Issue.

Further details on the key management team are set out in Section 10.4 of this Prospectus.

2.4 Risk Factors

Applicants for the Public Issue Shares should carefully consider the following risk factors (which may not be exhaustive and which are elaborated in Section 6 of this Prospectus) in addition to the other information contained elsewhere in this Prospectus, before applying for the Public Issue Shares:

- (i) No prior market for the Shares.
- (ii) Profit forecast.
- (iii) Business risks.
- (iv) Foreign exchange fluctuation.
- (v) Competition.
- (vi) Political, economic and regulatory consideration.
- (vii) Control by substantial shareholders.
- (viii) Dependence on key personnel.
- (ix) Risks of rapid or over-expansion of the Group's business.
- (x) Technological change.
- (xi) Forward looking statements.
- (xii) Supplier base.

2. SUMMARY OF INFORMATION (Cont'd)

- (xiii) Agency and distributorships.
- (xiv) Geographical risk.
- (xv) Adequacy of insurance coverage on the Group's inventories.
- (xvi) Restrictive covenants under borrowing facility agreements.
- (xvii) Lengthy sales cycle.
- (xviii) Dependence on particular markets.
- (xix) Risk associated with the proposed c-procurement system
- (xx) Implications of the Association of South-East Asian Nations ("ASEAN") Free Trade Agreement ("AFTA")
- (xxi) Delay in or abortion of the listing exercise.

2.5 Financial Highlights

The following is a summary of the proforma audited results of the Group for the past five (5) financial years ended 31 December 2001 prepared for illustrative purposes only and on the assumption that the structure of the Group has been in existence throughout the years under review:

| | ←-----Year ended 31 December-----> | | | | |
|---|------------------------------------|----------------|----------------|----------------|----------------|
| | 1997 RM'000 | 1998 RM'000 | 1999 RM'000 | 2000 RM'000 | 2001 RM'000 |
| Revenue | 109,001 | 96,570 | 122,538 | 160,049 | 171,372 |
| Profit before interest, depreciation and taxation | 12,859 | 13,704 | 16,595 | 23,103 | 26,167 |
| Interest expense | (734) | (918) | (683) | (686) | (994) |
| Interest income | 170 | 474 | 299 | 230 | 299 |
| Depreciation | (1,368) | (1,533) | (1,750) | (2,390) | (3,110) |
| PBT and minority interest | 10,927 | 11,727 | 14,461 | 20,257 | 22,362 |
| Taxation | (3,000) | (3,025) | (582) | (5,947) | (6,440) |
| PAT but before minority interest | 7,927 | 8,702 | 13,879 | 14,310 | 15,922 |
| Minority interest | (157) | (511) | (919) | (1,443) | (1,537) |
| PAT and minority interest | 7,770 | 8,191 | 12,960 | 12,867 | 14,385 |
| No. of Shares assumed in issue ('000) | 82,900 | 82,900 | 82,900 | 82,900 | 82,900 |
| Gross EPS (RM)* | 0.13 | 0.14 | 0.17 | 0.24 | 0.27 |
| Net EPS (RM)* | 0.09 | 0.10 | 0.16 | 0.16 | 0.17 |

Note:

* Computed based on the number of ordinary shares assumed to be in issue of 82,900,000 Shares after the Acquisitions and the reduction in par value of ordinary shares in ATIS from RM1.00 each to RM0.50 each.

Further details on the proforma audited results of the Group are set out in Section 15 of this Prospectus.

2. SUMMARY OF INFORMATION (Cont'd)

2.6 Proforma Balance Sheets of ATIS

The following is a summary of the proforma consolidated balance sheets of ATIS as at 31 December 2001, prepared for illustrative purposes only, to show the effects of the Acquisitions, Rights Issue and Public Issue on the assumption that these transactions were completed on 31 December 2001:

| | Audited balance sheet at 31.12.2001 RM'000 | Proforma I After the Acquisitions RM'000 | Proforma II After Proforma I, Rights Issue and reduction in par value from RM1.00 each to RM0.50 each RM'000 | Proforma III After Proforma II and the Public Issue RM'000 |
|-------------------------------|--|---|---|---|
| Property, plant and equipment | - | 24,543 | 24,543 | 38,543 |
| Quoted investment | - | 40 | 40 | 40 |
| Goodwill | - | 603 | 603 | 603 |
| Current Assets | | | | |
| Inventories | - | 24,331 | 24,331 | 24,331 |
| Trade and other receivables | - | 61,205 | 61,205 | 61,205 |
| Cash and cash equivalents | 297 | 12,360 | 22,304 | 29,334 |
| | 297 | 97,896 | 107,840 | 114,870 |
| Current Liabilities | | | | |
| Trade and other payables | 7 | 32,381 | 32,381 | 32,381 |
| Bank borrowings | - | 12,603 | 12,603 | 7,603 |
| Provision for taxation | - | 11,345 | 11,345 | 11,345 |
| Dividend payable | - | 9,986 | 9,986 | 9,986 |
| | 7 | 66,315 | 66,315 | 61,315 |
| Net current assets | 290 | 31,581 | 41,525 | 53,555 |
| | 290 | 56,767 | 66,711 | 92,741 |
| Represented by: | | | | |
| Share Capital | 300 | 41,450 | 50,490 | 60,000 |
| Share Premium | - | 5,001 | 5,905 | 22,425 |
| Reserve on consolidation | - | 4,937 | 4,937 | 4,937 |
| Accumulated loss | (10) | (10) | (10) | (10) |
| Shareholders' Funds | 290 | 51,378 | 61,322 | 87,352 |
| Minority interests | - | 3,991 | 3,991 | 3,991 |
| Bank borrowings | - | 623 | 623 | 623 |
| Deferred taxation | - | 775 | 775 | 775 |
| | 290 | 56,767 | 66,711 | 92,741 |
| NTA per ordinary share (RM) | *0.97 | *1.22 | *0.60 | *0.72 |

Notes:

* Based on ordinary shares of RM1.00 each

** Based on ordinary shares of RM0.50 each

Further details on the proforma consolidated balance sheets of ATIS as at 31 December 2001 are set out in Section 14.10 of this Prospectus.

2. SUMMARY OF INFORMATION (Cont'd)

2.7 Audit Qualifications in the Audited Financial Statements for the Past Five (5) Financial Years

Save for the following, the financial statements for all the subsidiaries of ATIS for the past five (5) financial years were reported on without any auditor's qualifications.

- (i) The auditor's report of TSIH for the financial year ended 28 February 1999 was qualified as follows:

The auditors did not observe the physical inventory count of the inventories as at 28 February 1999 and were unable to satisfy themselves as to physical inventories quantities and value by other audit procedures. The auditors therefore do not express an opinion on the existence of the inventory balance and value shown in the balance sheet as at 28 February 1999.

The inventory value as at 28 February 1999 was RM410,000.

- (ii) The auditor's report of TSSA for the financial years ended 31 May 1999 and 31 May 2000 were qualified as follows:

The auditors did not observe the physical inventory count of the inventories as at 31 May 1999 and 31 May 2000 and were unable to satisfy themselves as to physical inventories quantities by other audit procedures. The auditors therefore do not express an opinion on the existence of the inventory balance shown in the balance sheet as at 31 May 1999 and 2000.

The inventory value as at 31 May 1999 and 31 May 2000 was RM49,000 and RM150,000 respectively.

- (iii) The auditor's report of TSSA for the financial period ended 31 December 2000 were qualified as follows:

As the auditors did not observe counting of inventories at 31 May 2000 and were unable to satisfy themselves as to physical inventory quantities by other audit procedures, the auditors then did not express an opinion on the existence of the inventories balance shown in the balance sheet as at 31 May 2000.

Accordingly, the auditors issued an "except for" opinion in respect of the effects of such adjustments, if any, on the income statement and cash flow statement for the period ended 31 December 2000 as might have been determined to be necessary had the auditors been able to satisfy themselves as to the physical inventory quantity as at 31 May 2000.

2.8 Principal statistics relating to the Public Issue

- (i) **Share Capital**

| | RM |
|---|--------------------|
| Authorised: | |
| 200,000,000 ordinary shares of RM0.50 each | <u>100,000,000</u> |
| Issued and fully paid-up: | |
| 100,980,000 ordinary shares of RM0.50 each | 50,490,000 |
| To be issued pursuant to the Public Issue: | |
| 19,020,000 new ordinary shares of RM0.50 each | 9,510,000 |
| | <u>60,000,000</u> |

2. SUMMARY OF INFORMATION (Cont'd)

| | | |
|-------|--|----------------------------|
| (ii) | Issue Price per Public Issue Share | 1.50 |
| (iii) | Proforma Group NTA as at 31 December 2001 | |
| | Proforma Group NTA <i>(after deducting estimated listing expenses of RM2,500,000)</i> | RM86,749,341 |
| | Proforma Group NTA per Share as at 31 December 2001 <i>(based on the enlarged issued and paid-up share capital of 120,000,000 Shares)</i> | RM0.72 |
| (iv) | Consolidated Profit Forecast | |
| | Financial year ending 31 December 2002 | Forecast RM'000 |
| | Revenue | 220,047 |
| | Consolidated PBT | 30,411 |
| | Less: Taxation | (8,202) |
| | Consolidated PAT | 22,209 |
| | Minority interest | (3,581) |
| | Consolidated PAT and minority interest | 18,628 |
| | Less: Pre-acquisition profit | ^{vi} (7,800) |
| | Consolidated PAT, minority interest and pre-acquisition profit | 10,828 |
| | Net EPS based on weighted average share capital (RM) | ^{vii} 0.262 |
| | Net EPS based on enlarged share capital (RM) | ^{viii} 0.155 |
| | PE Multiple based on net EPS before deducting pre-acquisition profit and based on the enlarged share capital (times) ^{iv} | 9.7 |

Notes:

ⁱ Computed based on pro-rated five (5) months profit up to the date of the Acquisitions as at 31 May 2002.

ⁱⁱ Based on the consolidated PAT and minority interest before deducting pre acquisition profit and weighted average number of Shares in issue of 71,028,219 Shares assuming the completion of the Public Issue on 31 July 2002.

ⁱⁱⁱ Based on the consolidated PAT and minority interest before deducting pre-acquisition profit and enlarged share capital of 120,000,000 Shares.

^{iv} Computed based on an issue price of RM1.50 per Share.

The principal bases and assumptions upon which the consolidated profit forecast of A11S have been made are set out in Section 14.5 of this Prospectus.

2. SUMMARY OF INFORMATION (Cont'd)

(v) Dividend Forecast

The dividend forecast for the financial year ending 31 December 2002 is as follows:

Financial year ending 31 December 2002

| | |
|---|-----|
| Gross dividend per Share (sen) | 5.0 |
| Net dividend per Share (sen) | 3.6 |
| Gross dividend yield (based on the issue price of RM1.50 per Share (%)) | 3.3 |
| Net dividend yield (based on the issue price of RM1.50 per Share (%)) | 2.4 |
| Gross dividend cover (times) | 3.1 |
| Net dividend cover (times) | 4.3 |

For further details, please refer to Section 14.8 of this Prospectus.

2.9 Utilisation of Proceeds

The gross proceeds of RM38,474,000 from the Rights Issue and Public Issue will be utilised in the following manner:

| | RM |
|---|-------------------|
| Construction of an integrated one (1)-stop industrial supply and distribution center in Bandar Baru Bangi | 5,000,000 |
| Construction of a production factory-cum-office building for the Industrial Automated Equipment business unit in Bandar Baru Bangi | 5,000,000 |
| Acquisition of a production factory-cum-office building in Nilai to cater for the expansionary requirements of the Plastic Injection Moulding business unit and purchase of injection moulding machines | 4,000,000 |
| Repayment of bank borrowings | 5,000,000 |
| Working capital | 16,974,000 |
| Estimated listing expenses | 2,500,000 |
| | <u>38,474,000</u> |

Further details of the utilisation of proceeds are set out in Section 5.5 of this Prospectus.

2.10 Material Litigation

Neither the Company nor its subsidiaries are engaged in any litigation, either as plaintiff or defendant which has a material effect on the financial position of the Company and its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries.

2. SUMMARY OF INFORMATION (Cont'd)

2.11 Capital Commitments

As at 17 June 2002, (being the latest practicable date prior to the printing of this Prospectus), the Group has total capital commitments of approximately RM0.3 million as follows:

| | RM'000 |
|---|---------------|
| Remaining 80% of the purchase price for a single storey semi-detached factory located at Lot No. 849 in the Mukim of Bukit Katil, District of Melaka. | 184 |
| Remaining 80% of the purchase price for a double storey terrace factory located at Lot No. 847 in the Mukim of Bukit Katil, District of Melaka. | 124 |
| Remaining 5% of the purchase price for a shopoffice at Block A, Level 3A, Unit 3, Kuchai Square, Kuala Lumpur. | 7 |
| | <hr/> |
| | <u>315</u> |

2.12 Contingent Liabilities

As at 17 June 2002, (being the latest practicable date prior to the printing of this Prospectus), neither ATIS nor its subsidiaries have any contingent liabilities which have a material effect on the financial position of ATIS or its subsidiaries.

3. INTRODUCTION

This Prospectus is dated 29 June 2002.

A copy of this Prospectus has been registered by the SC and lodged with the CCM who takes no responsibility for its contents.

Approval has been obtained from the SC on 8 March 2002 and 29 April 2002 for the flotation scheme detailed in this Prospectus. The approval of the SC shall not be taken as an indication of the merits of the Company or of its Shares or that the SC recommends the Public Issue. Investors should rely on their own evaluation to assess the merits and risks of the investment.

The KLSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

An application will be made to the KLSE for admission to the Official List of the Main Board of the KLSE and for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up Shares of the Company, including the Public Issue Shares, which are the subject of this Prospectus. Any allotment made on an application to subscribe for securities pursuant to this Prospectus shall be void if the permission is not applied for in the form for the time being required by the KLSE before the third day on which the exchange is open after the date of issue of the Prospectus or the permission is not granted before the expiration of six (6) weeks from the date of issue of the Prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of the exchange within the six (6) weeks or such longer period as may be specified by the SC. The Shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications will be conditional upon permission being granted by the KLSE to deal in and quotation for the entire issued and fully paid-up Shares of the Company, including the Public Issue Shares. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission is not granted.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed ATIS as a CDS counter. In consequence thereof, the Public Issue Shares issued through this Prospectus will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An applicant should state his or her CDS account number in the space provided in the Application Form if the applicant presently has such an account and the applicant should then not enter the preferred ADA Code. Where an applicant does not presently have a CDS account, the applicant should state in the Application Form his or her preferred ADA Code.

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 the Company and/or CIMB. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, in any circumstances and at any time, constitute a representation or create any implication that there has been no change in the affairs of the Company or of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares are subject to Malaysian law and the Company and/or CIMB takes no responsibility for the distribution of this Prospectus and/or sale of the Public Issue Shares outside Malaysia. Persons who may be in 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 offer to sell or invitation of an offer to buy any Public Issue Shares in any jurisdiction in which such offer is not authorised or lawful or to any person to whom it is unlawful to make such offer.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately.

4. SHARE CAPITAL

| | RM |
|--|--------------------|
| Authorised | |
| 200,000,000 Shares | <u>100,000,000</u> |
| Issued and fully paid-up | |
| 100,980,000 Shares | 50,490,000 |
| To be issued pursuant to the Public Issue | |
| 19,020,000 new Shares | <u>9,510,000</u> |
| Enlarged share capital | <u>60,000,000</u> |

The issue price of RM1.50 for each Public Issue Share is payable in full on application.

There is only one (1) class of shares in ATIS, being ordinary shares of RM0.50 each. 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 other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the holders of the 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 and other distributions in respect of the whole of any surplus in the event of the 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 vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

5. PARTICULARS OF THE PUBLIC ISSUE

5.1 Details of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue Shares will be allotted in the following manner:

(i) Eligible Employees and Directors of the ATIS Group

6,000,000 ordinary shares of RM0.50 each have been reserved for eligible employees and Directors of the ATIS Group.

(ii) Private Placement

9,020,000 ordinary shares of RM0.50 each have been reserved for private placement to identified investors, of which at least 30% is to be placed, to the extent possible, to Bumiputera investors.

(iii) Malaysian Public

4,000,000 ordinary shares of RM0.50 each will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% will be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Public Issue Shares in respect of (i) above need not be and will not be underwritten. The placement shares as set out in paragraph (ii) above need not be underwritten only to the extent that irrevocable undertakings have been received by the placees. The Public Issue Shares made available to the Malaysian public as set out in paragraph (iii) above have been fully underwritten. Any Public Issue Shares not subscribed for under paragraph (i) will subsequently be offered to the Malaysian public. CIMB as placement agent, has entered into various placement agreements to place out the Public Issue Shares mentioned in (ii) above.

The minimum number of Shares to be subscribed pursuant to the Public Issue is 19,020,000 ordinary shares of RM0.50 each at an issue price of RM1.50 per share to meet the funding requirements of ATIS.

Pursuant to the SC's Policies and Guidelines on Issue/Offer of Securities, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 1,000 shares each, of which at least 750 shareholders are members of the public who are not employees of the Company, upon completion of the Public Issue and at the point of listing. Upon completion of the Public Issue and at the point of listing, the Company will ensure that there are at least 1,000 shareholders in order for the Company to be listed on the Main Board of the KLSE.

5.2 Important Tentative Dates for the Public Issue

| Events | Tentative Dates |
|---|------------------------|
| Opening date | : 29 June 2002 |
| Closing date | : 8 p.m., 12 July 2002 |
| Balloting date for applications for the Public Issue Shares | : 19 July 2002 |
| Allotment date of the Public Issue Shares | : 1 August 2002 |
| Listing date | : 7 August 2002 |

Note:

The application for the Public Issue Shares will open and close at the dates as stated above or for such further period as the Directors of ATIS and the Managing Underwriter in their absolute discretion may decide.

5. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

5.3 Opening and Closing of Applications

The Applications will be accepted from 10.00 a.m. on 29 June 2002 and will close at 8.00 p.m. on 12 July 2002 or for such further period or periods as the Directors of the Company and the Managing Underwriter in their absolute discretion may decide.

5.4 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

- (i) To obtain the listing of and quotation for the entire issued and paid-up share capital of ATIS on the Main Board of the KLSE;
- (ii) To enable the ATIS Group to gain access to the capital market in order to tap external sources of equity funds for future expansion and continued growth;
- (iii) To provide an opportunity for the Malaysian public and eligible employees and Directors of the ATIS Group to benefit directly from the continuing growth of the Group by way of equity participation;
- (iv) To raise proceeds for the items stated in Section 5.5 below; and
- (v) To provide an opportunity for increased Bumiputera equity participation.

5.5 Proceeds of the Rights Issue and Public Issue

The Rights Issue and Public Issue are expected to raise gross proceeds of RM38,474,000 which will accrue entirely to the Company. The Company shall bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up ordinary share capital of ATIS on the Main Board of the KLSE, estimated at RM2,500,000.

The utilisation of the gross proceeds from the Rights Issue and Public Issue, which are expected to be fully utilised by end 2003 are as follows:

| | Notes | RM |
|---|-------|-------------------|
| Construction of an integrated one (1)-stop industrial supply and distribution center in Bandar Baru Bangi | (i) | 5,000,000 |
| Construction of a production factory-cum-office building for the Industrial Automated Equipment business unit in Bandar Baru Bangi | (ii) | 5,000,000 |
| Acquisition of a production factory-cum-office building in Nilai to cater for the expansionary requirements of the Plastic Injection Moulding business unit and purchase of injection moulding machines | (iii) | 4,000,000 |
| Repayment of bank borrowings | (iv) | 5,000,000 |
| Working capital | (v) | 16,974,000 |
| Estimated listing expenses | (vi) | 2,500,000 |
| | | <u>38,474,000</u> |

Notes:

- (i) *The Group intends to invest approximately RM5,000,000 to construct an integrated one (1)-stop industrial supply and distribution centre providing a comprehensive range of industrial electrical, electronic and hardware products in the Klang Valley. The one (1)-stop centre will house the corporate office of the Group and will comprise a large showroom, warehouse and office space measuring approximately 60,000 sq. ft. The proposed location is on a piece of leasehold land measuring approximately 61,000 sq. ft. in Bandar Baru Bangi, Selangor Darul Ehsan which is presently owned by the Group. The leasehold land has a tenure of 99 years expiring in 2098. The unexpired portion of the lease is 96 years.*

5. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (ii) The Group intends to invest approximately RM5,000,000 to construct its own factory-cum-office on a proposed site in Bandar Baru Bangi, Selangor Darul Ehsan measuring approximately 61,000 sq. ft. as it is presently operating from a rented premise with a total built-up area of 25,000 sq. ft.. This proposed manufacturing facility will house the entire operations of the Industrial Automated Equipment business unit. The leasehold land on which the factory-cum-office is expected to be constructed is owned by the Group and has a tenure of 99 years expiring in 2098. The unexpired portion of the lease is 96 years.
- (iii) The Group is renting a factory-cum-office measuring approximately 31,000 sq. ft. which is located at Lot 83, Jalan Permata 2/3, Arab-Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan Darul Khusus at a monthly rental rate of RM16,500. The tenancy is for a period of 1½ years and will expire on 31 December 2002. In the tenancy agreement, there is an option granted by Wilayah Maju Enterprise Sdn Bhd, the landlord for the Group to acquire the factory-cum-office at a purchase consideration of RM2.5 million. The Group intends to acquire the said property for that purchase price and utilise an additional RM0.75 million for renovation purposes. The remaining RM0.75 million is expected to be utilised for the purchase of additional injection moulding machines to facilitate the expected increase in production volume.
- (iv) Approximately RM5.0 million from the total gross proceeds will be utilised for the repayment of the Group's short term bank borrowings such as bankers' acceptances, trust receipts and bank overdraft.
- (v) Part of the proceeds from the Rights Issue and Public Issue of approximately RM16,974,000 will be utilised to finance the working capital requirements of the Group.
- (vi) The details of the estimated listing expenses are as follows:

| | RM |
|---|------------------|
| Professional fees | 950,000 |
| SC fee | 60,000 |
| SC registration fee | 5,000 |
| KLSE initial listing fee | 30,000 |
| Registration fee to increase authorised share capital | 70,000 |
| CCM lodgement fee | 500 |
| Printing of prospectus | 180,000 |
| Advertisement | 160,000 |
| Issuing house fee | 90,000 |
| Brokerage | 285,300 |
| Underwriting commission and placement fee | 390,600 |
| Managing Underwriter fee | 30,000 |
| Contingencies | 248,600 |
| Total | 2,500,000 |

The financial impact on the Group from the utilisation of the proceeds raised from the Rights Issue and Public Issue is reflected in Section 14 of this Prospectus.

5. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

5.6 Brokerage, Underwriting Commission and Management Fee

Brokerage relating to the Public Issue Shares is payable by the Company at the rate of one percent (1.0%) of the issue price of RM1.50 per Share in respect of successful applications which bear the stamp of either CIMB, member companies of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

The Managing Underwriter for the Public Issue is CIMB, whilst the underwriters are CIMB, K&N Kenanga Berhad, OSK Securities Berhad and Hwang-DBS Securities Berhad.

A conditional underwriting agreement was entered into between the Company, CIMB, K&N Kenanga Berhad, OSK Securities Berhad and Hwang-DBS Securities Berhad on 11 June 2002 ("Underwriting Agreement") to underwrite 4,000,000 Public Issue Shares, which are available for application by the Malaysian Public. The Managing Underwriter fee and underwriting commission fee are payable by the Company at the rate of zero point five percent (0.5%) and two per cent (2.0%) respectively of the issue price of RM1.50 for each Public Issue Share being underwritten.

5.7 Details of the Underwriting Agreement

Some of the salient terms of the Underwriting Agreement are summarised as follows:

- (i) The obligations of each of the Underwriters and the Managing Underwriter under the Underwriting Agreement are conditional upon:
 - (a) there having been as at the date of the registration of the Prospectus up to the Closing Date, neither any adverse change in the condition (financial or otherwise) of the Group, taken as a whole, which is material in the context will effect the Public Issue (not only in regards to the listing of Public Issue) from that existing at the date of the Underwriting Agreement, nor the occurrence of any event which makes any of the representations and warranties contained in Clause 2 of the Underwriting Agreement in the opinion (which opinion is final and binding) of the Managing Underwriter to be untrue and incorrect in any material respect on the date of the Underwriting Agreement as though they have been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 2 of the Underwriting Agreement.
 - (b) the delivery to the Managing Underwriter on or prior to the date of the registration of the Prospectus of:
 - (i) a copy, certified as true by a duly authorised officer of the Company of resolutions of the Company's directors and shareholders in general meeting approving the Underwriting Agreement, the Prospectus and the Public Issue authorising the execution of the Underwriting Agreement and the issuance of the Prospectus;
 - (ii) a certificate dated the date of the Prospectus signed by the duly authorised officers of the Company stating that to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2 of the Underwriting Agreement; and

5. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (iii) such reports and confirmations dated the same day as the date of the Prospectus from the Board as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Group.
 - (c) the approval in principle being obtained from the KLSE for the listing of and quotation for the entire issued and fully paid-up share capital of the Company on the Main Board of the KLSE which is conditional or subject to such conditions which are acceptable to the Managing Underwriter.
 - (d) the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13 of the Underwriting Agreement.
 - (e) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
 - (f) the acceptance for registration by the SC and the lodgement with the CCM of the Prospectus and such other documents as may be required in accordance with the Companies Act, 1965 on or before their release under the Public Issue; and
 - (g) all necessary approvals and consents required for the listing of and quotation for all the issued share capital of the Company on the Main Board of the KLSE having been obtained and are full force and effect and the Company having complied and is not in breach of any of the terms and conditions of any of the aforesaid approvals and consents.
- (ii) If any of the conditions set out in Clause 1.3 of the Underwriting Agreement is not satisfied on or before the expiry of three (3) months from the date of the Underwriting Agreement, the Managing Underwriter and Underwriters shall thereupon be entitled to terminate the Underwriting Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided for in Clause 13 of the Underwriting Agreement incurred prior to or in connection with such termination, there shall be no further claims by the Managing Underwriter against the Company, and the parties hereto shall be released and discharged from their respective obligations hereunder provided that the Managing Underwriter may at its discretion with respect only to its own obligations waive compliance with any of the provisions of Clause 1.3 of the Underwriting Agreement.
- (iii) Subject to prior consultation, the Managing Underwriter and Underwriters shall be entitled to terminate this Underwriting Agreement by notice in writing delivered to the Company prior to the Closing Date if the success of the Public Issue or the success of the offering of the underwritten Shares and their distribution for sale (whether in the primary market or in respect of dealings in the secondary market) is in the opinion of the Managing Underwriter and Underwriters giving the aforesaid notice, seriously jeopardised by:
- (a) the coming into force of any laws or Governmental regulations or directives which seriously affects or will seriously affect the business of the Company and/or its subsidiaries; or
 - (b) any material breach by the Company of any of their warranties, obligations or undertakings under the Underwriting Agreement; or

5. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (c) any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus; or
 - (d) the average KLSE composite index for five (5) consecutive market days falls below six hundred points on or before the Closing date; or
 - (e) any adverse change in the national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates or any relevant authorities' directives or interpretation or application thereof by a Court or other competent authority or an occurrence as a result of an act or acts of God.
- (iv) On delivery of such a notice the Underwriting Agreement shall become void and each party's rights and obligations hereunder shall cease and none of the parties hereto (except for the liability of the Company in respect of payments of cost and expenses referred to in Clause 13 of the Underwriting Agreement incurred prior to or in connection with such termination) shall have any claim against each other.

Thereafter the Underwriters and the Company shall confer with a view to deferring the Public Issue or amending their terms and/or entering into a new Underwriting Agreement PROVIDED THAT neither the Company nor the Underwriters shall be under any obligation to enter into such new agreement.

5.8 Pricing of the Public Issue Shares

The issue price of the Public Issue Shares of RM1.50 per Share was determined and agreed upon by the Directors of ATIS and CIMB as Adviser and Managing Underwriter of the Public Issue, after taking into account, inter-alia, the following factors:

- (i) The Group's financial and operating history and conditions as outlined in Sections 9 and 14 of this Prospectus;
- (ii) The various industries the Group operates in and the prospects and future plans as described in Sections 7 and 8 of this Prospectus respectively;
- (iii) The Group's consolidated profit forecast for the financial year ending 31 December 2002 and the corresponding PE Multiple of 9.7 times as set out in Section 14.5 of this Prospectus;
- (iv) The proforma consolidated NTA of ATIS as at 31 December 2001 of RM0.72 per Share. The issue price of RM1.50 per Share represents a 108% premium over the proforma consolidated NTA per Share of RM0.72; and
- (v) The qualitative and quantitative factors as set out in Sections 9 and 10 of this Prospectus.

Investors should note that the market prices of the Shares upon and subsequent to the listing on the Main Board of the KLSE are subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded. Investors should also bear in mind the risk factors as set out in Section 6 of this Prospectus before deciding on whether or not to invest in the Shares.

5.9 Details on Allocation to Directors and Employees of the Group

The allocation of 6,000,000 of the Public Issue Shares to the employees of the Group is based on the level of management, job position and length of service of the eligible employee of the Group as at 31 May 2002. Based on this criteria, there are 565 employees who are eligible to subscribe for the Public Issue Shares.

6. RISK FACTORS

Applicants for the Public Issue Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to all the other information contained elsewhere in this Prospectus before applying for the Public Issue Shares.

6.1 No prior market for the Shares

Prior to the Public Issue, there was no public market for the Shares. There can be no assurance that an active market for the Shares will develop upon its listing on the Main Board of the KLSE or that such market if developed, will be sustained. The issue price of RM1.50 per Public Issue Share has been determined after taking into consideration a number of factors, including but not limited to those set out in Section 5.8 of this Prospectus. There can be no assurance that the issue price will correspond to the price at which the Shares will trade upon or subsequent to its listing.

6.2 Profit forecast

This Prospectus contains the profit forecast of the Group for the financial year ending 31 December 2002 which are based on certain assumptions deemed reasonable by the Directors of ATIS. Due to the subjective judgements and inherent uncertainties of the forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecast that are contained herein.

The profit and cashflow forecast of the ATIS Group were submitted to the SC on 16 July 2001. Barring any unforeseen circumstances, the Directors of ATIS do not foresee the slowdown in the global economy in 2001 having any significant impact on the profit forecast of the ATIS Group for the financial year ending 31 December 2002 mainly due to the diversity in its customer base of over 7,000 and product range of over 20,000 items. Its customers are from a diverse range of manufacturing activities and the Directors of ATIS believe that the ATIS Group is one of the essential components in the supply chain which will meet the customer's constant requirement for factory maintenance and for manufacturing purposes such as the supply of OEM components. Further, as the global situation is currently still uncertain, the Directors of ATIS are not able to ascertain the extent of the global economic slowdown and the impact it may have on the Malaysian economy. The principal bases and assumptions upon which the consolidated profit forecast have been prepared are disclosed in Section 14.5 of this Prospectus.

6.3 Business risks

The Group is not insulated from general business risk as well as certain risks inherent in the industry in which it operates. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply, changes in law and tax legislation affecting the industry, increase in production and purchase costs, changes in business and credit conditions and fluctuations in foreign exchange rates.

Although the Group seeks to limit these business risks through, inter-alia, a large and diversified supplier and customer base, prudent management policies and maintaining good business relationships with its customers and suppliers, no assurance can be given that any change in any of these factors will not have a material adverse effect on the Group's business.

6. RISK FACTORS (Cont'd)

6.4 Foreign exchange fluctuation

The Group's direct imported products comprises approximately 19.0% of the Group's total purchases for the financial year ended 31 December 2001. Due to the Group's exposure to the foreign markets for its imported products, the Group is subject to foreign exchange fluctuation. On 1 September 1998, the Malaysian government imposed a fixed exchange rate at RM3.80/USD1.00, thus minimizing foreign exchange risk. In order to minimize the foreign exchange fluctuation, it has always been a policy and concerted effort of the management of the Group, wherever possible, to hedge against the foreign currencies to be transacted. However, there can be no assurance that the exchange rate peg will remain or that future foreign exchange fluctuations will not adversely affect the Group.

6.5 Competition**(i) Industrial Supply and Service Support Segment**

While no assurance can be given that the ATIS Group will be able to maintain its existing customer base, it is pertinent to note that the Group has been able to chart continued growth in its businesses. This is the result of the Group's continued effort to provide high quality products and sales services to its existing customers as well as attracting new ones.

Though the Group's main customers are from a wide and varied spectrum in the industrial sector, the Group is not insulated from competition from both local and foreign distributors/producers. The Group, through KVCN, is a member of the Trading Group of Electrical and Electronics Association of Malaysia ("TEEAM"). There are a total of 530 members registered with TEEAM. Amongst the TEEAM's members are Lim Kim Hai Electric (Malaysia) Sdn Bhd and Juang Kuang (KL) Electric Sdn Bhd which are subsidiaries of two (2) public companies listed on the Kuala Lumpur Stock Exchange, namely MOL.Com Berhad and Juang Kuang (M) Berhad respectively. Competition from other players comes in the form of better pricing and more efficient customer service. In these aspects, the Group continually seeks to increase its competitiveness through, inter-alia, expansion of its distribution network and improving its quality of service and products. Nonetheless, no assurance can be given that the ATIS Group will be able to maintain or increase its market share in the future.

The Directors of the ATIS Group believe that the main entry barriers to the Industrial Supply & Service Support Segment include a wide distribution network, long term relationships with suppliers and a team of experienced sales personnel. Over the years, the ATIS Group has successfully protected itself against these potential entrants by strengthening these key areas.

(ii) Industrial Automated Equipment Segment

This is a niche market whereby only those organisations with strong engineering base and technical know-how in the production processes are able to offer integrated solutions to customers in high technology related industries such as hard disk drive and semiconductor. Hence, according to the Directors of the ATIS Group, there are only a few competitors in Malaysia, one of which is LKT Industrial Berhad, a company listed on the Main Board of the KLSE. The barriers to entry are R&D capabilities, strong engineering skills, technical know-how in specific manufacturing processes and ability to meet stringent pre-requisites set by the customers. The Group's ability to expand its business segment is attributable mainly to its engineering and R&D capabilities and its established customer base which comprises leading manufacturers in the hard disk drive industry such as the Read-Rite Group of Companies and Seagate.

6. RISK FACTORS (Cont'd)

(iii) Plastic Injection Moulding Segment

The plastic injection moulding industry in general has relatively low barriers to entry. However, in more niche product segment such as plastic engineering products, potential entrants are faced with higher barriers to entry such as mould design capabilities and ability to meet stringent requirements set by customers for quality and processes control. Some of the competitors in this industry are JPK Holdings Berhad and Mah Sing Group Berhad. Despite stiff competition from competitors in terms of pricing, the Group is able sustain itself in this industry as it has been able to maintain its competitiveness in terms of reliability in delivery, customer service as well as pricing of products.

6.6 Political, economic and regulatory consideration

Like all other business entities, changes in the political, economic and regulatory conditions in Malaysia and other countries which the ATIS Group has direct business links could materially and adversely affect the financial prospects and business of the Group. The Group has business relationship with customers in the US, Thailand and China, amongst others while some of the major overseas suppliers that the Group has dealings with are from the US, Europe, Australia, India, Taiwan, Thailand and Singapore. Amongst the political, economic and regulatory uncertainties are the risks of war, expropriation, nationalisation or nullification of existing contracts, changes in interest and foreign exchange rates and methods of taxation and currency exchange controls.

6.7 Control by substantial shareholders

Following the Public Issue, Chen Khai Voon, the Executive Director of ATIS, will hold directly and indirectly, approximately 48.93% of the Company's issued and paid-up share capital. It is therefore likely that he will be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders, unless he is required to abstain from voting by law and/or by the relevant authorities.

6.8 Dependence on key personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing team of Executive Directors and key management. This key management team is supported by a middle management team, which manages the daily operational matters of the Group. As part of its succession plan, every effort is being made to groom the younger members of the key management to slowly take over from the senior members to ensure a smooth transition in the management team should any changes occur. Hence, the effect of the loss of any of the Group's Executive Directors or key management team on the operations of the Group is mitigated.

6.9 Risks of rapid or over-expansion of the Group's business

The Group has planned a series of expansion plans, which are detailed in Section 8 of the Prospectus. The success that the Group has achieved to date is the result of careful implementation of a series of well-structured expansion plans. Since its incorporation in 1989, the management of the Group has stayed focus in developing its core business and this has resulted in the increase in its customer base by about 25% from approximately 5,600 in 2000 to 7,000 in 2001. The future expansion plans are designed to further expand its core business. The Directors of ATIS views the risk of over-expansion as minimal as the Group will continually focus on implementing plans that are designed to expand its core business.

6. RISK FACTORS (Cont'd)

6.10 Technological change

The success of the Group's Industrial Automated Equipment business will depend upon its ability to maintain and enhance its technological capabilities, develop and design machines which meet changing customers' needs and respond to customers requirements on a timely basis.

The Directors of ATIS believe that the Group's operations utilise the technology and automation currently required by the Group's customers and is continuously undertaking R&D and exploring other areas of technological improvement. However, there can be no assurance that the Group's development or replication process will be successful or that the emergence of new technology or customers' requirements will not render the Group's technology, machines or processes obsolete or uncompetitive.

6.11 Forward looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and other statements which are forward-looking in nature, are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Company, and although believed to be reasonable by the Board, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the 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 Group and the industry, changes in interest rates and changes in foreign exchange rate.

In the light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be successfully achieved.

6.12 Supplier base

The Group currently sources its broad range of industrial electrical, electronics and hardware products and plastic resins from over 1,600 local and overseas suppliers. Consequently, none of the suppliers contribute more than 5.0% of the total Group's purchases for the financial year ended 31 December 2001. In addition, most of the products are substitutable with other brands and are easily sourced through the Group's established purchasing network. Through years of good business relationships, the Group has gained strong support from its suppliers. However, no assurance can be given that the Group will be able to maintain its business relationships with its suppliers in the future.

6.13 Agency and distributorships

The Group presently holds a total of twenty-four (24) distributorships, of which three (3) are exclusive distributorships as disclosed in Section 9.4.3(ii) of this Prospectus. These contributed approximately 16% to the total Group's purchases for the financial year ended 31 December 2001. No single agency contributes more than 5.0% to the total Group's purchases. Hence, a loss of an agency or distributorship (including the exclusive distributorships) is expected to only have minimal effect on the Group's sales and consequently its profitability. The Directors of ATIS believe that the Group has established a good track record with its principals over the years and the loss of any agency or distributorship currently held by the Group is unlikely.

6. RISK FACTORS (Cont'd)

6.14 Geographical risk

Approximately 72.36% of the revenue of the Industrial Supply & Service Support Segment for the financial year ended 31 December 2001 was contributed by customers located within the Klang Valley. This is mainly due to the high concentration of factories and businesses located within the Klang Valley and which represents an increase in revenue of approximately 18.4% as compared to year 2000. The Directors of ATIS believe that the risk of over-dependence on customers in the Klang Valley is minimal as the Group has a wide network of sales centers throughout Peninsular Malaysia which will allow the Group to tap into the economic growth in any other geographical locations. Further, the present network will be extended to cover East Malaysia and Singapore within the next one (1) to two (2) years. In year 2001, the percentage of contribution to the total revenue from geographical area outside the Klang Valley has reduced marginally as compared to year 2000.

6.15 Adequacy of insurance coverage on the Group's inventories

As at 31 December 2001, the inventory level of the Group is approximately RM21 million, of which RM17.2 million was stored at its main warehouses. The total insurance coverage for the Group's inventories amounts to approximately RM23 million and RM4 million for fire insurance and burglary insurance respectively. The insurance coverage is expected to be adequate to compensate the Group against any events of burglary and/or fire.

6.16 Restrictive covenants under borrowing facility agreements

The subsidiaries of ATIS have entered into various credit facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, inter-alia, covenants, which may limit the Group's operating and financial flexibility. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. Breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities granted, in relation to that credit facility or may cause a cross-default on other credit facilities. The Directors of ATIS are aware of such covenants and has taken all precautions necessary to prevent any breach of these agreements.

6.17 Lengthy sales cycles

The sales cycle for a particular automation project secured by the industrial automated equipment segment is largely dependent on the complexity of the design and the requirements of the customers. The cycle from the procurement of sales order to the delivery of the industrial automated equipment is also longer for the first prototype machine unit due to the design and development time required. However, the subsequent mass replication orders have substantially shorter sales cycle. The length of the sales cycles is one of the factors that have an effect on the quantum of revenue achievable by this segment. This risk is mitigated by continuous R&D activities undertaken to improve the current designs and technology and to focus on developing standard industrial automated equipment that is required by manufacturers in a specific industry.

6.18 Dependence on particular markets

Currently, approximately 61.5% (54.9% in year 2000) and 1.0% (20% in year 2000) of the revenue of the Industrial Automated Equipment Segment for the financial year ended 31 December 2001 is generated from customers in the hard disk drive and semiconductor industry respectively. Hence, no assurance can be given that the loss of any one or more of these customers in this industry sector would not adversely affect the revenue contribution of this segment to the Group. To reduce the dependency on the hard disk drive industry, the Group has plans to venture into other market segments such as biotechnology, fibre-optics and pharmaceutical as disclosed in Section 8(ii)(c) of the Prospectus. However, revenue generated from the hard disk drive industry only represents 5.6% to the Group's revenue.

6. RISK FACTORS (Cont'd)

For the Plastic Injection Moulding Segment, about 78.6% of the revenue for the financial year ended 31 December 2001 is derived from customers in the electronic and electrical products sector. As such, the Group will be affected by changes in demand from these sectors. Demand in these sectors will in turn be affected by various factors, including world wide demand for products by the customers as well as cost competitiveness. Although, the revenue of this segment is highly dependent on these sectors, the contribution to the Group's revenue is only 3.0%. For the financial year ended 31 December 2001, the Plastic Injection Moulding Segment made a loss before taxation of approximately RM1.16 million. The contribution of loss before taxation to the Group is only RM0.76 million.

6.19 Risk associated with the proposed e-procurement system

The Group implemented an on-line e-procurement system for the buying and selling processes between some of its sales centers and the head-office in the fourth quarter of 2001. The Group intends to introduce this mode of ordering to its customers by the fourth quarter of 2002. This on-line procurement is expected to improve the operational efficiency of the Group. In the event of a disruption in services either by the internet service provider or the e-procurement service provider, the Group can easily revert to the conventional mode of processing of orders through faxes and telephone.

6.20 Implications of the AFTA

Under the AFTA as initiated by the ASEAN countries, a comprehensive programme of regional tariff reduction has been laid out. The Common Effective Preferential Tariff has been proposed for goods traded within the ASEAN Region. The AFTA is not expected to have any material effect on the business of the Group as majority of the purchases is imported, either directly or indirectly from countries which are not from ASEAN. However, any purchases from ASEAN countries is expected to benefit the Group as this will reduce the cost of purchases.

6.21 Delay in or Abortion of the listing exercise

The listing exercise is exposed to the risk that it may fail or be delayed should the following events occur:

- (i) the places under the private placement fail to subscribe to the portion of the Public Issue Shares allocated to them;
- (ii) the Underwriters exercising their rights pursuant to the Underwriting Agreement, discharging themselves from their obligation thereunder; and
- (iii) the Company is unable to meet the public spread requirements, which is at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders (of which at least 750 shareholders are members of the public who are not employees of the Group) holding not less than 1,000 shares each upon completion of the Public Issue and at the point of listing.

Although the Directors of ATIS will endeavour to ensure compliance by ATIS of the listing requirements by the various authorities, no assurance can be given that the above-mentioned factors will not cause a delay in or abortion of the listing exercise.

7. INDUSTRY OVERVIEW AND OUTLOOK

The Group is engaged in providing a broad range of standard and customised industrial products and services required by a diverse range of industries such as manufacturing, engineering, power, electronics and semiconductor. Hence, the Group's prospects are closely linked to the aforementioned industries, the manufacturing sector and are also dependent on the general economic condition.

7.1 Overview of the Malaysian Economy

The Malaysian economy remained resilient in 2001 in the face of a challenging external environment. While the global economic slowdown in 2001 was more severe than earlier expectations, Malaysia avoided economic contraction and growth for the year remained in positive territory. Unemployment was also contained at a low level.

Given the openness of the Malaysian economy, the negative effects of the US economic slowdown and global electronics downturn was felt as early as March 2001. These were manifested in declining manufacturing production and negative export growth. Concerted efforts since the crisis to promote domestic sources of growth and reduce the over-dependence on exports resulted in real Gross Domestic Product ("GDP") expanding by 0.4% in 2001. Fiscal stimulus measures and monetary policy that had remained accommodative led to higher public spending and positive growth in private consumption.

Through policies on several fronts, consumption has remained resilient despite lower export earnings. While national savings remained high at 34.9% of Gross National Product, total domestic consumption accounted for more than half of GDP. The resilience in private consumption together with the strong growth in public sector expenditure mitigated the impact of the external sector on the domestic economy and the contraction in domestic private investment, following the consolidation by the corporate sector.

On the supply side, weaker growth in the export-oriented manufacturing industries was mitigated by positive growth in all other sectors, especially the services sector, domestic demand-oriented industries in the manufacturing sector and the construction sector. Overall, the effectiveness of policy measures and the diversified economic structure of the Malaysian economy moderated the impact of the decline faced by the export-oriented industries.

The Malaysian economy is expected to strengthen in 2002 following a strengthening of external demand. Past trends show that there is a brief lag between the recovery in the major economies and recovery in Malaysian exports. As such, the timing and magnitude of the recovery would have a significant impact on the Malaysian economy. Current indications suggest that external demand will not pick up as strongly as in the 1999-2000 period, where recovery was mainly led by the internet-boom and the Y2K factor. The current economic upturn is taking place amidst global excess capacity, particularly in the technology sector. External demand is, therefore, expected to strengthen gradually. Against this background, the recovery in the Malaysian economy would be modest, with real GDP expanding by 3.5% in 2002.

(Source : Bank Negara Malaysia Annual Report 2001)

7.2 Overview of the World Economy

The global economic slowdown that began in late 2000 became more severe than anticipated in 2001. The events following September 11 created further downside risk to an early recovery. In the second half of 2001, overall growth in the major economic blocs declined by 0.5% from a modest growth in the first half of the year (1.5%). Falling confidence amidst disruption in activity after September 11, especially in the US, had adversely affected world growth, which was also reflected in declining global trade. World growth halved to 2.4% in 2001, while world trade growth decelerated from a double-digit growth to only 1% in 2001.

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

Going forward, the outlook for the global economy has improved, supported by positive developments in the US. There has also been improvement in other parts of the world. Sentiment indicators in Europe have shown a marked improvement, while in the region there have been further signs of stabilisation in economic activity, mainly a slower pace of decline in exports. Prospects are for the US to lead the recovery, thus supporting an upturn in the other regions, including the euro area and East Asia. However, Japan is expected to experience another year of contraction.

(Source : Bank Negara Malaysia Annual Report 2001)

7.3 Overview of the Manufacturing Sector

The overall performance of the manufacturing sector was affected by the slowdown in major industrial countries and the downturn in the global electronics cycle. While production in the export-oriented industries declined, industries that were dependent on domestic demand continued to expand, benefiting from the positive effects of the fiscal stimulus programme and low interest rates. Domestic demand for passenger cars and contraction-related materials remained strong throughout the year. As a result, capacity utilisation in the domestic-oriented industries remained high at close to 80%. The strength in the domestic-oriented sector had mitigated, to some extent, the more severe contraction in the export-led manufacturing activities.

On the production side, all major sectors are expected to record positive growth in 2002. The manufacturing sector is anticipated to recover, benefiting from the improvement in global demand for electronics. The services and construction sectors are expected to continue to support growth, benefiting from the pro-growth policies already in place.

Value-added growth in the manufacturing sector is expected to turn around to register a positive growth of 4.2% in 2002. The anticipated upturn in the US economy and electronics demand is expected to translate into stronger demand for Malaysian manufactured exports and, hence, stronger growth in the production of manufactured goods. Both foreign and domestic manufacturers in Malaysia have indicated increased optimism on the outlook for the manufacturing sector in general, and the electronics sector in particular.

(Source : Bank Negara Malaysia Annual Report 2001)

7.4 Electrical and Electronic Industry

The electrical and electronics industry is Malaysia's leading industrial sector and accounts for about two-thirds of total manufactured exports. Birted in the country in the early sixties, the sector today offers investors a ready pool of experienced managers, engineers and technicians who are capable of undertaking overall responsibilities and operating and maintaining equipment used in the manufacture and testing of products.

Besides components and parts, the industry has developed significant capacity and skills in the manufacture of a wide range of electrical appliances and electronics goods. Today, Malaysia is a leading exporter of semiconductors and room air-conditioners, while the production of consumer and industrial electronics goods such as telecommunications equipment, computers and computer peripherals is expanding rapidly. Exports by the electrical and electronics sector totalled RM18.5 billion (USD4.9 billion) and RM212.3 billion (USD55.9 billion) respectively in 2000.

(Source: Malaysian Industrial Development Authority Publication - Malaysia's Electronics Industry, 18 February 2002)

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

Growth in the electronics industry is expected to be underpinned by several positive factors. First, there was a significant drawdown of inventories by companies in 2001 and, thus, new orders are expected to result in an immediate increase in production, especially for electronics. In addition, some manufacturers of electrical products have also begun to focus on new products to meet the changing consumer preferences. Second, there is an increasing trend towards outsourcing of activities in the manufacturing sector. As a result, some large manufacturers in the region are expected to transfer some operations to Malaysia following corporate consolidation of plants in the region. Malaysia is expected to benefit from these developments.

With the electronics and electrical products industries leading output growth in the export-oriented sector, the production of export-oriented industries as a whole is projected to recover in 2002 with a growth of 4.9% (2001:10.2%). Output in the domestic-oriented sector is expected to be sustained at a strong rate of 6% in 2002 (2001:7.4%), supported by the Government's pro-growth policies.

(Source : Bank Negara Malaysia Annual Report 2001)

7.5 Power Industry

Value added derived from services provided by electricity, gas and water suppliers is expected to continue to expand in 2001, albeit at a slower pace of 4.8%, compared with 7.5% in 2000, mainly due to the softening in industrial and business activities. In the first six (6) months of 2001, electricity consumption by the commercial sector increased by 7.1% (2000 : 10.8%), while the industrial sector registered an increase of 2.6% (2000 : 17.5%).

(Source : Economic Report 2001/2002)

Peak demand increased from 7,212 MW in 1995 to 10,673 MW in 2000, averaging 8.2% per annum. However, peak demand in Peninsular Malaysia was affected by the economic crisis and registered a lower average growth of 8.1% per annum. Following the recovery, demand grew by 10.1%, peaking at 9,712 MW in 2000 compared with 8,819 MW in 1999. Following the economic recovery, demand for power is expected to increase resulting in the need for additional capacity from the year 2008 onwards.

(Source : Eighth Malaysia Plan 2001 – 2005)

The main thrust of the electricity subsector will continue to emphasize the adequacy of electricity supply as well as improve its productivity and efficiency. New private investments in the generation activities, including co-generation system connected to the distribution networks, will be encouraged. At the same time, the transmission and distribution systems will be further strengthened to improve coverage, reliability and quality of supply. The Malaysian Grid and Distribution Codes will be further improved, particularly in terms of frequency limit and reactive power requirement. The electricity supply industry will be restructured to create an efficient industry, in terms of both technical and economic efficiencies. An Energy Commission will be established to regulate the technical and economic efficiencies of the industry.

(Source : Third Outline Perspective Plan, 2001 to 2010)

7. **INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

7.6 **Semiconductor and Hard Disk Drive Industry**

Latest available indicators suggest that the downturn in the global electronics cycle has bottomed out. The pace of contraction in semiconductor sales has eased and on a month-on-month basis has turned around to record positive growth. In addition, orders received by global chipmakers have picked up, resulting in an improvement in the book-to-bill ratio, prices of selected product segments such as DRAMs have improved and some large companies have indicated a brighter outlook.

(Source : Bank Negara Malaysia Annual Report 2001)

Note:

* *No further details on the hard disk drive industry are available as there is no latest official publication available on the subject matter.*

8. PROSPECTS AND FUTURE PLANS OF THE GROUP

(i) Industrial Supply & Service Support Segment

Presently, the Group has a network of eighteen (18) industrial supply and distribution centers, which are located in major commercial and industrial areas in the Peninsular Malaysia. This network will be extended over the next one (1) to two (2) years with the opening of at least one (1) distribution center in East Malaysia and Singapore respectively. The plan is at its initial stages whereby the management is currently undertaking a preliminary study on the expansion program such as to identify a suitable location and to perform a cost analysis.

Besides expanding its existing network of sales centers, the Group also has plans to construct an integrated one (1)-stop industrial supply and distribution center providing a comprehensive range of industrial electrical, electronic and industrial hardware products in the Klang Valley to further expand its existing range of products and to venture into e-commerce.

(a) Expanding its range of products

The Group currently has a large customer base, which requires the Group's products mainly for maintenance and upkeep of factories. This segment contributed approximately RM150 million to the Group's revenue for the financial year ended 31 December 2001. The Group intends to further capitalize on its specialty in this segment by expanding its existing range of products to include a range of industrial hardware products such as wire mesh, welding equipment and valves required for regular maintenance and upkeep of factories. This expansion plan will commence towards the end of the third quarter of 2002 and will be implemented over a period of two (2) years.

(b) An integrated one (1)-stop industrial supply and distribution center in the Klang Valley

The Group has plans to construct what the management believes to be the largest integrated one (1)-stop industrial supply and distribution center providing a comprehensive range of industrial electrical, electronic and hardware products in the Klang Valley. This one (1)-stop sales center will house the corporate office of the Group and will comprise a large showroom, warehouse and office space.

The proposed location for this warehouse-cum-office is on a piece of leasehold land located in Bandar Baru Bangi. The leasehold land belongs to the Group and measures approximately 61,000 sq ft. The construction will commence in July 2002 and is expected to be completed within a period of fifteen (15) months.

(c) Venture into electronic commerce

The Group has engaged GiantSpot Dot Com (M) Sdn Bhd, an e-procurement solution provider, to provide a customised e-procurement system for its buying and selling processes. This project has started on a limited scale whereby the various sales centers throughout Malaysia are able to place orders with the head office on an on-line basis. This pilot run commenced in the fourth quarter of 2001 and by the fourth quarter of 2002, the Group intends to introduce this mode of ordering to its customers.

With on-line procurement, the Group would be able to improve its efficiency and the quality of customer service provided to its existing customers. This is expected to lead to savings in cost and time and ultimately, the improvement in profitability.

(d) Expanding its existing sales network

Presently, the Group has a total of eighteen (18) sales centers throughout the main industrial and commercial areas in the Peninsular Malaysia. This sales network will be extended to cover East Malaysia and Singapore within the next one (1) to two (2) years.

8. PROSPECTS AND FUTURE PLANS OF THE GROUP (Cont'd)

(e) Creating its own brand name

The Group is in the process of establishing its own line of products comprising non-ferrous industrial hardware products which will carry its own brand name. It is a novel strategy in this industry and through effective branding, the Group is confident of enlarging its existing customer base. Under this project, the Group will contract manufacturers to produce and pack certain product range under its brand name. The Group has identified various manufacturers and is currently having on-going negotiations on the possibility of engaging them as a contract manufacturer for the Group. The pilot project is targeted to be launched towards the end of third quarter of 2002 and more product ranges will be included under this proposed branding over the next two (2) to three (3) years.

(ii) Industrial Automated Equipment Segment

The Group has plans to further develop this niche segment within the next two (2) to three (3) years. Firstly, the Group is planning to construct its own factory-cum-office on a piece of leasehold land measuring about 61,000 sq. ft. in Bandar Baru Bangi. This piece of property is owned by the ATIS Group. The Group is also looking into the possibility of establishing an office in the US, enhancing its design and R&D team as well as to develop and market its own range of industrial equipment and venturing into other high technology field such as fibre optics.

(a) Proposed factory-cum-office

Presently, the Group is operating from a rented premise with a total built-up of 26,000 sq. ft. The Group intends to construct its own factory cum office on a proposed site measuring about 61,000 sq ft. This property is owned by the Group and is located in close proximity to the present location. The construction will commence in the first quarter of 2003 and is expected to be completed within a period of twelve (12) months.

(b) Establishing a representative office in the US

Most of the Group's customers in this segment are leading manufacturers in the global hard disk drive industry. The corporate offices of these leading MNCs are based in the US. By establishing a representative office in the US, the Group will be able to effectively market its services to potential customers in the US. This office will also act as a channel of communication between the customers and the Group in Malaysia. As such, the Group is currently undertaking a feasibility study on the possible locations and the costs involved.

By having a presence in the US, the Group will have the added advantage of being in the R&D center for high technology industries such as hard disk drive, semi conductor and fibre optics. The proposed set-up date for the office in US is in the third quarter of 2003.

(c) Strengthening of the design and R&D team

Design and R&D are the key factors in ensuring the continuous progress of the Group. More engineers from various engineering disciplines such as mechanical, electronics, mechatronics and software engineering will be recruited over the next one (1) to two (2) years to further strengthen the existing team.

The Group has plans to venture into other market segments, which require automation of manufacturing processes such as biotechnology, fibre-optics and pharmaceutical within the next two (2) to three (3) years. To achieve this plan, the Group needs to recruit specialists and professionals who have the relevant qualifications as well as exposure to these industries.

8. PROSPECTS AND FUTURE PLANS OF THE GROUP (Cont'd)

Other than the internal R&D, the Group is also seeking to engage external consultants who have experience in certain technology-related manufacturing companies and entering into strategic business arrangements with established machine-design houses. This is expected to be implemented over the next two (2) to three (3) years.

(d) Establishing its own range of standard industrial automated equipment

The Group possesses a strong team of R&D engineers who are well versed in the production processes of the hard disk drive and semiconductor industries. Such strength will be fully capitalized in the future as the Group plans to further design and manufacture standard industrial automated equipment that will suit the requirements of manufacturers in both industries. Over the last three (3) years, the Group has successfully designed two (2) of such equipment, namely a multi-functional industrial automated equipment that is able to combine several processes in the head stack assembly production lines into one work station and an automated pick-and-place system in relation to hard disk drive manufacturing.

(iii) Plastic Injection Moulding Segment

The Group has formulated several capital expansion plans for this segment, which include the proposed acquisition of a factory-cum-office in Nilai and plastic injection moulding machines. The Group has an option to acquire the factory-cum-office, whereby the option can be exercised before 31 December 2002. Besides capital expansion, the Group will also be focusing on developing mould designs for its customers as the Group has a strong design and R&D team. To further improve its production efficiency, the Group continuously improves the current level of skills of its operators, who are mainly unskilled workers, through training and exploring ways to introduce some automated processes to reduce the dependency on human operators. The training currently provided to these workers are basic training on operational of equipment