

Interim Report for the  
Fourth Quarter Ended  
31 December 2010

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ATIS CORPORATION BERHAD (446118 -T)  
INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENT

|   | Individual Quarter |                | Cumulative Quarter |                |
|---|--------------------|----------------|--------------------|----------------|
|   | Current Year       | Preceding Year | Current Year       | Preceding Year |
|   | Quarter            | Corresponding  | To-date            | Corresponding  |
| Note  | 31/12/2010         | Quarter #      | 31/12/2010         | Period #       |
|   | RM'000             | 31/12/2009     | RM'000             | 31/12/2009     |
|   |                    | RM'000         |                    | RM'000         |
| Revenue   | 248,513            | 132,901        | 750,037            | 451,445        |
| Operating expenses  | (240,368)          | (127,026)      | (707,943)          | (431,937)      |
| Other operating Income  | 1,255              | 2,028          | 3,660              | 5,392          |
| Profit from operations  | 9,400              | 7,903          | 45,754             | 24,900         |
| Finance costs   | (4,448)            | (1,149)        | (9,025)            | (4,280)        |
| Net gain/(loss) on financial assets and financial liabilities at fair value | 258                | -              | (46)               | -              |
| Negative goodwill arising from acquisition of subsidiary                    | 23,178             | -              | 39,793             | -              |
| Negative goodwill arising from acquisition of associate company             | -                  | 23,451         | -                  | 23,451         |
| Gain on dilution of interest in a subsidiary                                | -                  | -              | -                  | 14,426         |
| Share of profit in associates   | 3,118              | 1,022          | 5,864              | 2,029          |
| Profit before taxation  | 31,506             | 31,227         | 82,340             | 60,526         |
| Income tax expense  | 17 (4,064)         | (2,709)        | (13,453)           | (4,578)        |
| Profit for the period   | <u>27,442</u>      | <u>28,518</u>  | <u>68,887</u>      | <u>55,948</u>  |
| Profit attributable to:   |                    |                |                    |                |
| Owners of the parent  | (7,351)            | 27,943         | 27,066             | 53,399         |
| Non-controlling interest  | 34,793             | 575            | 41,821             | 2,549          |
| Profit for the period   | <u>27,442</u>      | <u>28,518</u>  | <u>68,887</u>      | <u>55,948</u>  |
| Earnings per share (sen) :-   | 25                 |                |                    |                |
| (a) Basic   | (5.01)             | 19.15          | 18.44              | 36.26          |
| (b) Fully diluted   | N/A                | N/A            | N/A                | N/A            |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | Individual Quarter |                | Cumulative Quarter |                |
|---|--------------------|----------------|--------------------|----------------|
|   | Current Year       | Preceding Year | Current Year       | Preceding Year |
|   | Quarter            | Corresponding  | To-date            | Corresponding  |
|   | 31/12/2010         | Quarter #      | 31/12/2010         | Period #       |
|   | RM'000             | (restated)     | RM'000             | (restated)     |
|   |                    | 31/12/2009     |                    | 31/12/2009     |
|   |                    | RM'000         |                    | RM'000         |
| Profit for the period                             | 27,442             | 28,518         | 68,887             | 55,948         |
| Other Comprehensive Income:                       |                    |                |                    |                |
| Foreign exchange translation differences          | (134)              | 71             | (699)              | 956            |
| Fair value of available-for-sale financial assets | (2)                | -              | (8)                | -              |
| Fair value adjustment on cash flow hedge          | 405                | -              | 743                | -              |
| Other Comprehensive Income for the period         | <u>269</u>         | <u>71</u>      | <u>36</u>          | <u>956</u>     |
| Total Comprehensive Income for the period         | <u>27,711</u>      | <u>28,589</u>  | <u>68,923</u>      | <u>56,904</u>  |
| Total comprehensive income attributable to:       |                    |                |                    |                |
| Owners of the parent                              | (12,842)           | 27,975         | 27,778             | 53,915         |
| Non-controlling interest                          | 40,553             | 614            | 41,145             | 2,989          |
| Total comprehensive income for the period         | <u>27,711</u>      | <u>28,589</u>  | <u>68,923</u>      | <u>56,904</u>  |

# ATIS has changed its financial year end from 31 March to 31 December from its financial year ended 31 March 2009. Therefore, comparative figures in the preceding year corresponding quarter and period is only for reference purpose. Preceding year corresponding period is in respect of the period from 1 January 2009 to 31 December 2009.

The Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Period Ended 31 December 2009

ATIS CORPORATION BERHAD (446118 -T)  
INTERIM REPORT FOR FOURTH QUARTER ENDED 31 DECEMBER 2010

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | (Unaudited)<br>As at<br>end of<br>current<br>quarter | (Audited)<br>As at<br>preceding<br>financial<br>period ended<br>(restated) |
|---|--|--|
| Note  | 31/12/2010<br>RM'000                                 | 31/12/2009<br>RM'000   |
| <b>ASSETS</b>   |  |  |
| <b>Non-current assets</b>                                       |  |  |
| Property, plant and equipment                                   | 57,045   | 54,047   |
| Investments properties  | 37,053   | 10,441   |
| Investment in associates  | 35,549   | 110,204  |
| Other investments   | 23,565   | 7,514  |
| Intangible assets   | 15,133   | 13,227   |
| Land held for property development                              | 228,459  | -  |
| Deferred tax assets   | 12,803   | 461  |
| <b>Total non-current assets</b>                                 | <b>409,607</b>                                       | <b>195,894</b>   |
| <b>Current assets</b>   |  |  |
| Inventories   | 460,865  | 79,612   |
| Trade receivables   | 232,314  | 169,355  |
| Other receivables, deposits and prepayments                     | 37,575   | 10,826   |
| Amount due from associates                                      | 2,229  | 549  |
| Current tax assets  | 3,972  | 3,346  |
| Assets classified as held for sale                              | 35,551   | 739  |
| Cash and cash equivalents                                       | 135,354  | 36,650   |
| <b>Total current assets</b>                                     | <b>907,860</b>                                       | <b>301,077</b>   |
| <b>TOTAL ASSETS</b>   | <b>1,317,467</b>                                     | <b>496,971</b>   |
| <b>EQUITY AND LIABILITIES</b>                                   |  |  |
| Share capital   | 79,934   | 79,934   |
| Reserves  | 228,301  | 182,848  |
| <b>Total equity attributable to shareholders of the company</b> | <b>308,235</b>                                       | <b>262,782</b>   |
| <b>Non-controlling interest</b>                                 | <b>244,138</b>                                       | <b>33,983</b>  |
| <b>Total equity</b>   | <b>552,373</b>                                       | <b>296,765</b>   |
| <b>Non-current liabilities</b>                                  |  |  |
| Loans and borrowings  | 21 224,984   | 68,033   |
| Deferred tax liabilities  | 42,804   | 1,282  |
| <b>Total non-current liabilities</b>                            | <b>267,788</b>                                       | <b>69,315</b>  |
| <b>Current liabilities</b>                                      |  |  |
| Trade payables  | 90,416   | 57,409   |
| Other payables and accruals                                     | 52,607   | 11,645   |
| Amount due to associates  | 19   | 20   |
| Loans and borrowings  | 21 205,497   | 53,732   |
| Derivative financial instrument                                 | 7,469  | 3,594  |
| Current tax liabilities   | 11,013   | 4,491  |
| Deferred revenue  | 130,285  | -  |
| <b>Total current liabilities</b>                                | <b>497,306</b>                                       | <b>130,891</b>   |
| <b>Total equity and liabilities</b>                             | <b>1,317,467</b>                                     | <b>496,971</b>   |
| <b>Net assets per share (RM)*</b>                               | <b>2.10</b>  | <b>1.80</b>  |

\* Net assets per share attributable to shareholders of the Company : Equity attributable to equity holders of the parent/Number of issued and paid-up ordinary shares, net of treasury shares.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Period Ended 31 December 2009.

ATIS CORPORATION BERHAD (446118 -T)  
INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Non-Distributable    |                      |                            |                             |                        |                      |                            |                           |                         |                             | Distributable               |                |                | Total Shareholders' Equity RM'000 | Non-controlling Interest RM'000 | Total Equity RM'000 |
|---|----------------------|----------------------|----------------------------|-----------------------------|------------------------|----------------------|----------------------------|---------------------------|-------------------------|-----------------------------|-----------------------------|----------------|----------------|-----------------------------------|---------------------------------|---------------------|
|   | Share Capital RM'000 | Share Premium RM'000 | Translation Reserve RM'000 | Share Option Reserve RM'000 | Treasury Shares RM'000 | Hedge Reserve RM'000 | Revaluation Reserve RM'000 | Fair Value Reserve RM'000 | Retained Profits RM'000 | Shareholders' Equity RM'000 | Shareholders' Equity RM'000 |                |                |                                   |                                 |                     |
| <b>12 months ended 31 December 2009 (restated) #</b>  |                      |                      |                            |                             |                        |                      |                            |                           |                         |                             |                             |                |                |                                   |                                 |                     |
| Balance at 1 January 2009                             | 79,934               | 9,143                | (244)                      | 874                         | (11,313)               | -                    | -                          | -                         | -                       | 137,875                     | 216,269                     | 20,747         | 237,016        |                                   |                                 |                     |
| Transfer to share premium for share options exercised | -                    | 77                   | -                          | (77)                        | -                      | -                    | -                          | -                         | -                       | -                           | -                           | -              | -              |                                   |                                 |                     |
| Transfer to retained profits for share options lapsed | -                    | -                    | -                          | (797)                       | -                      | -                    | -                          | -                         | -                       | 797                         | -                           | -              | -              |                                   |                                 |                     |
| Repurchased of treasury shares                        | -                    | -                    | -                          | -                           | (5,519)                | -                    | -                          | -                         | -                       | -                           | (5,519)                     | -              | (5,519)        |                                   |                                 |                     |
| Total comprehensive income for the period             | -                    | -                    | 516                        | -                           | -                      | -                    | -                          | -                         | -                       | 53,399                      | 53,915                      | 2,989          | 56,904         |                                   |                                 |                     |
| Dividend paid to non-controlling interest             | -                    | -                    | -                          | -                           | -                      | -                    | -                          | -                         | -                       | -                           | -                           | (3,600)        | (3,600)        |                                   |                                 |                     |
| Dilution of interest in a subsidiary                  | -                    | -                    | -                          | -                           | -                      | (1,883)              | -                          | -                         | -                       | -                           | (1,883)                     | 13,847         | 11,964         |                                   |                                 |                     |
| <b>Balance at 31 December 2009</b>                    | <b>79,934</b>        | <b>9,220</b>         | <b>272</b>                 | <b>-</b>                    | <b>(16,832)</b>        | <b>(1,883)</b>       | <b>-</b>                   | <b>-</b>                  | <b>-</b>                | <b>192,071</b>              | <b>262,782</b>              | <b>33,983</b>  | <b>296,765</b> |                                   |                                 |                     |
| <b>12 months ended 31 December 2010</b>               |                      |                      |                            |                             |                        |                      |                            |                           |                         |                             |                             |                |                |                                   |                                 |                     |
| Balance at 1 January 2010                             | 79,934               | 9,220                | 272                        | -                           | (16,832)               | (1,883)              | -                          | -                         | -                       | 192,071                     | 262,782                     | 33,983         | 296,765        |                                   |                                 |                     |
| Effects of applying FRS 139                           | -                    | -                    | -                          | -                           | -                      | -                    | -                          | -                         | -                       | (40)                        | (40)                        | -              | (40)           |                                   |                                 |                     |
| Balance at 1 January 2010, as restated                | 79,934               | 9,220                | 272                        | -                           | (16,832)               | (1,883)              | -                          | -                         | -                       | 192,031                     | 262,742                     | 33,983         | 296,725        |                                   |                                 |                     |
| Resale of treasury shares                             | -                    | -                    | -                          | -                           | 1,105                  | -                    | -                          | -                         | -                       | -                           | 1,105                       | -              | 1,105          |                                   |                                 |                     |
| Repurchase of treasury shares                         | -                    | -                    | -                          | -                           | (4)                    | -                    | -                          | -                         | -                       | -                           | (4)                         | -              | (4)            |                                   |                                 |                     |
| Total comprehensive income for the period             | -                    | -                    | (433)                      | -                           | -                      | 1,153                | -                          | (8)                       | -                       | 27,086                      | 27,778                      | 41,145         | 68,923         |                                   |                                 |                     |
| Revaluation surplus                                   | -                    | -                    | -                          | -                           | -                      | -                    | 16,616                     | -                         | -                       | -                           | 16,616                      | -              | 16,616         |                                   |                                 |                     |
| Realisation of revaluation reserve                    | -                    | -                    | -                          | -                           | -                      | -                    | (3,873)                    | -                         | -                       | 3,871                       | (2)                         | -              | (2)            |                                   |                                 |                     |
| Acquisition of subsidiaries                           | -                    | -                    | -                          | -                           | -                      | -                    | -                          | -                         | -                       | -                           | -                           | 169,010        | 169,010        |                                   |                                 |                     |
| Loss on deemed disposal of AIV                        | -                    | -                    | -                          | -                           | -                      | -                    | -                          | -                         | -                       | -                           | -                           | -              | -              |                                   |                                 |                     |
| <b>Balance at 31 December 2010</b>                    | <b>79,934</b>        | <b>9,220</b>         | <b>(161)</b>               | <b>-</b>                    | <b>(15,731)</b>        | <b>(730)</b>         | <b>12,743</b>              | <b>(8)</b>                | <b>-</b>                | <b>222,968</b>              | <b>308,235</b>              | <b>244,138</b> | <b>552,373</b> |                                   |                                 |                     |

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**ATIS CORPORATION BERHAD (446118 -T)**  
**INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | NOTE | 12 months<br>ended<br>31/12/2010<br>RM'000 | 12 months<br>ended<br>31/12/2009 #<br>RM'000 |
|---|------|--|--|
| Profit before tax   |      | 82,340                                     | 60,526                                       |
| <b>Adjustment for :-</b>  |      |  |  |
| Depreciation and amortisation                                   |      | 5,107                                      | 7,754  |
| Other non-cash items  |      | 2,534                                      | 4,669  |
| Non-operating items   |      | (36,631)                                   | (34,996)                                     |
| <b>Operating profit before changes in working capital</b>       |      | <b>53,350</b>                              | <b>37,953</b>                                |
| <b>Changes in working capital</b>                               |      |  |  |
| Net change in current assets                                    |      | (125,974)                                  | (8,248)                                      |
| Net change in current liabilities                               |      | 17,916                                     | 6,118  |
| <b>Net cash generated (used in)/ from operating activities</b>  |      | <b>(54,708)</b>                            | <b>35,823</b>                                |
| <b>Investing Activities</b>                                     |      |  |  |
| Net cashflow for acquisition in subsidiary companies            | 1    | 5,676                                      | -  |
| Subsequent acquisition of subsidiary                            |      | (22,213)                                   |  |
| Net proceeds from partial disposal of a subsidiary              | 2    | -  | 28,272                                       |
| Investment in quoted investment                                 |      | -  | (15,000)                                     |
| Dividends received from an associate                            |      | 1,814                                      | 965  |
| Increase in an investment in an associated company              |      | (5,145)                                    | (54,669)                                     |
| Others  |      | 83,065                                     | (14,279)                                     |
| <b>Net cash generated from/ (used in) investing activities</b>  |      | <b>63,197</b>                              | <b>(54,711)</b>                              |
| <b>Financing Activities</b>                                     |      |  |  |
| Net drawdown/(repayment) of bank borrowings and bonds           |      | 57,699                                     | (53,520)                                     |
| Net repayment of hire purchase liabilities                      |      | 1,521                                      | (1,589)                                      |
| Net drawdown/(repayment) of term loan                           |      | 40,558                                     | 62,191                                       |
| Dividend paid to non-controlling interest                       |      | (3,168)                                    | (3,600)                                      |
| Repurchase of treasury shares                                   |      | (4)  | (5,520)                                      |
| Resell of treasury shares                                       |      | 1,105                                      | -  |
| Interest paid   |      | (9,025)                                    | (3,978)                                      |
| <b>Net cash generated from / (used in) financing activities</b> |      | <b>88,686</b>                              | <b>(6,016)</b>                               |
| Net Change in Cash and Cash Equivalents                         |      | 97,175                                     | (24,904)                                     |
| Cash and Cash Equivalents at beginning of year                  |      | 35,524                                     | 60,428                                       |
| Cash and Cash Equivalents at end of year                        |      | 132,699                                    | 35,524                                       |
| <u>Cash and cash equivalents</u>                                |      |  |  |
| Cash and bank balances  |      | 135,354                                    | 36,650                                       |
| Bank overdrafts   |      | (2,655)                                    | (1,126)                                      |
|   |      | <b>132,699</b>                             | <b>35,524</b>                                |

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The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the Financial Period Ended 31 December 2009.

**ATIS CORPORATION BERHAD (446118 -T)  
INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

The figures have not been audited

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

**Note 1**

The fair values of the assets acquired and liabilities assumed from the acquisitions of the subsidiary companies and the cash flow effects are as follows:

|  | RM'000          | Fair value<br>recognised on<br>acquisition<br>RM'000 |
|--|-----------------|--|
| Non-current assets   |                 | 384,879  |
| Current assets   |                 | 431,156  |
| Non-current liabilities  |                 | (230,054)  |
| Current liabilities  |                 | (214,780)  |
| Non-controlling interest   |                 | (4,493)  |
| Fair value of net assets acquired                                    |                 | <u>366,708</u>                                       |
| Total cost of investments  |                 | (120,878)  |
| Non-controlling interest   |                 | (174,891)  |
|  |                 | <u>70,939</u>  |
| Represented by:  |                 |  |
| Goodwill arising from consolidation                                  |                 | (498)  |
| Negative goodwill  |                 | 71,437   |
|  |                 | <u>70,939</u>  |
| Cash and cash equivalent of subsidiaries acquired                    |                 | 36,237   |
| Purchase consideration   | 120,878         |  |
| Less: Issue of shares by subsidiary company                          | <u>(90,317)</u> | 30,561   |
| Cash flows on acquisition, net of cash and cash equivalents acquired |                 | <u>5,676</u>   |

**Note 2**

In September 2009, ATIS Corporation Berhad ("ATIS") completed the disposal of its 16% shareholding in KVC Industrial Supplies Sdn Bhd ("KVC"), comprising 80,000 ordinary shares of RM1.00 each for a cash consideration of RM28.272 million. The partial disposal has resulted to a gain of RM14.4 million to ATIS.

**INTERIM REPORT FOR THE QUARTER ENDED 31 DECEMBER 2010**

The figures have not been audited.

**1 Notes to the Condensed Financial Statements**

The interim financial report has been prepared in accordance with the requirements of the Financial Reporting Standard (FRS) 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited financial statements of ATIS Corporation Berhad ("ATIS" or "the Company") for the period ended 31 December 2009.

These explanatory notes attached to the interim financial report provides an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 December 2009.

The same accounting policies and methods of computation adopted by ATIS and its subsidiary companies ("ATIS Group" or "the Group") in this interim financial report are consistent with those adopted in the financial statements for the period ended 31 December 2009, except for the following:

*Adoption of New and Revised FRSs, IC Interpretations and Amendments*

In the current year ended 31 December 2010, the Group adopted the following new and revised FRSs and IC Interpretations (including their consequential amendments) which are applicable to its financial statements and are relevant to its operations:

- FRS 7, Financial Instruments: Disclosures.
- FRS 8, Operating Segments.
- FRS 101(revised), Presentation of Financial Statements.
- FRS 123(revised), Borrowing Costs.
- FRS 132(revised), Financial Instruments: Presentation.
- FRS 139, Financial Instruments: Recognition and Measurement.
- IC Interpretation 9, Reassessment of Embedded Derivatives.
- IC Interpretation 10, Impairment and Interim Financial Reporting.
- IC Interpretation 11, FRS 2, Group and Treasury Share Transactions.

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

**FRS 101(revised), Presentation of Financial Statements**

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income (presented in either one statement of comprehensive income or two statements of a separate income statement and a statement of comprehensive income), a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The effects of the change in presentation are as follows:

The gains and losses that were recognised directly in equity in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests. The effects on the comparatives to the Group on adoption of FRS 101 are as follows:

**ATIS CORPORATION BERHAD (446118-T)**  
(Incorporated in Malaysia)

| For the period ended<br>31 December 2009    | Income<br>Statement<br>As previously<br>reported<br>RM'000 | Effects of<br>adopting FRS<br>101<br>RM'000 | Statement of<br>comprehensive<br>income<br><b>As restated</b><br>RM'000 |
|---|--|---|---|
| Profit for the period                       | 55,948   | -   | 55,948  |
| Other comprehensive income                  | -  | 956   | 956   |
| Total comprehensive income                  | -  |   | <u>56,904</u>   |
| Total comprehensive income attributable to: |  |   |   |
| Owners of the Parent                        | -  |   | 53,915  |
| Non-controlling interest                    | -  |   | <u>2,989</u>  |
|   |  |   | <u>56,904</u>   |

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

**FRS 139, Financial Instruments: Recognition and Measurement**

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

With the adoption of FRS 139, financial assets and financial liabilities recognised and unrecognised in the prior financial year are classed into the following categories:

|   | Pre-FRS 139                         | Post-FRS 139   |
|---|-------------------------------------|--|
| 1 | Long-term equity investments        | Available-for-sale (AFS) investments                       |
| 2 | Long-term quoted debt instruments   | Held-to-maturity investments                               |
| 3 | Private-debt instruments            | Loans and receivables                                      |
| 4 | Current investments                 | Financial assets at fair value through profit or loss      |
| 5 | Unrecognised derivative assets      | Financial assets at fair value through profit or loss      |
| 6 | Long-term borrowings and bonds      | Financial liabilities at amortised cost                    |
| 7 | Unrecognised derivative liabilities | Financial liabilities at fair value through profit or loss |

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

|   | Category  | Measurement basis   |
|---|---|---|
| 1 | Financial instruments at fair value through profit loss | At fair value through profit or loss  |
| 2 | Held-to-maturity investments                            | At amortised cost effective interest method   |
| 3 | Loans and receivables                                   | At amortised cost effective interest method   |
| 4 | Available-for-sale (AFS) investments                    | At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost |
| 5 | Loans and other financial liabilities                   | At amortised cost effective interest method   |

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using the specified hedge accounting requirements of FRS 139.



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All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. The effects of the remeasurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves. The effects on the statement of financial position as at 1 January 2010 are as follows:

| As at<br>1 January 2010         | As previously<br>reported<br><br>RM'000 | Effects of<br>adopting FRS<br>139<br><br>RM'000 | As restated<br><br><br>RM'000 |
|---------------------------------|---|---|-------------------------------|
| <b>Current liabilities</b>      |   |   |                               |
| Derivative financial instrument | 3,594                                   | 40  | 3,634                         |
|                                 |   |   |                               |
| <b>Equity</b>                   |   |   |                               |
| Retained profits                | 192,071                                 | (40)  | 192,031                       |

**Amendment to FRS 117, Leases**

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating leases. The considerations paid were classified and presented as prepaid lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie.

The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification has no effect to the profit or loss of the current period ended 31 December 2010 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows:

| As at<br>1 January 2010       | As previously<br>stated<br><br>RM'000 | Effects of<br>Amendment of<br>FRS 117<br><br>RM'000 | As restated<br><br><br>RM'000 |
|-------------------------------|---------------------------------------|---|-------------------------------|
| <b>Non-current assets</b>     |                                       |   |                               |
| Property, plant and equipment | 51,364                                | 2,683   | 54,047                        |
| Prepaid lease payments        | 2,683                                 | (2,683)   | -                             |

**2 Qualification of audit report of the preceding annual financial statements**

There were no qualifications of audit report of the preceding annual financial statements.

**3 Seasonality or cyclicity of interim operations**

The operations of the Group are not significantly affected by any seasonality or cyclically factors.

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**4 Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

**5 Changes in estimates of amounts reported in prior interim years of the current financial year-to-date or in prior financial year-to-date**

There was no material changes in estimates in respect of amounts reported in prior interim years of the current financial year-to-date or prior financial year-to-date.

**6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuance, cancellations, resale and repayment of debt and equity securities for the current financial year-to-date except for the following:

(a) Share resold

During the second quarter, the Company resold 914,100 of its issued ordinary shares to the open market at an average price of RM1.21 per share. The details of the ATIS Shares resold during the year are as follows:

| Month Breakdown 2010 | Number of ATIS Shares Resold | Resale Prices per ATIS Share (RM) |        |         | Average cost per ATIS Shares (RM) | Total Cost (RM) |
|----------------------|------------------------------|-----------------------------------|--------|---------|-----------------------------------|-----------------|
|                      |                              | Highest                           | Lowest | Average |                                   |                 |
| Apr-10               | 914,100                      | 1.26                              | 1.21   | 1.24    | 1.21                              | 1,105,163       |
| <b>Total</b>         | 914,100                      | 1.26                              | 1.21   | 1.24    | 1.21                              | 1,105,163       |

(b) Share buy-backs

During the financial year ended 31 December 2010, ATIS bought back a total of 3,000 of its ordinary shares of RM0.50 each ("ATIS Shares") which are listed and quoted as "ATIS" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("ATIS Shares") in the open market. The details of the ATIS Shares bought back during the year are as follows:

| Month Breakdown 2010 | Number of ATIS Shares Bought Back | Buy Back Prices per ATIS Share (RM) |        |         | Average cost per ATIS Shares (RM) | Total Cost (RM) |
|----------------------|-----------------------------------|-------------------------------------|--------|---------|-----------------------------------|-----------------|
|                      |                                   | Highest                             | Lowest | Average |                                   |                 |
| Jun-10               | 2,000                             | 1.19                                | 1.19   | 1.19    | 1.19                              | 2,424           |
| Dec-10               | 1,000                             | 1.10                                | 1.10   | 1.10    | 1.10                              | 1,142           |
| <b>Total</b>         | 3,000                             | 1.19                                | 1.10   | 1.15    | 1.16                              | 3,566           |

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**6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities (cont'd)**

All ATIS Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 31 December 2010, a total of 13,056,280 ATIS Shares bought back were held as treasury shares. None of the treasury shares held were resold or cancelled during the financial year.

**7 Dividends paid**

There was no dividend paid in the financial year under review.

**8 Segmental reporting**

Segmental information is presented in respect of the Group's main business segments that are industrial supply and property development.

|   | <b>Industrial<br/>Supply<br/>RM'000</b> | <b>Property<br/>Development<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|---|---|--|--------------------------------|
| <b>Business segments</b>  |   |  |                                |
| Revenue from external customers   | 684,997                                 | 65,039                                     | 750,036                        |
| Segment result  | 46,329                                  | (575)                                      | 45,754                         |
| <b>Results from operating activities</b>                                |   |  | <b>45,754</b>                  |
| Interest expenses   |   |  | (9,025)                        |
| Net loss on financial assets<br>and financial liabilities at fair value |   |  | (46)                           |
| Negative goodwill arising from<br>Acquisition of subsidiary             |   |  | 39,793                         |
| Share of profit of associate companies                                  |   |  | 5,864                          |
| <b>Profit before tax</b>  |   |  | <b>82,340</b>                  |
| Tax expense   |   |  | (13,453)                       |
| <b>Profit for the period</b>  |   |  | <b>68,887</b>                  |

**9 Valuation of property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment loss.

**10 Material events not reflected in the financial statements**

The Board is not aware of any material events subsequent to the end of the financial year that have not been reflected in the financial statements for the financial year.

## **11 Changes in the composition of the Group**

ATIS has subscribed the following shares:

- (i) 6,000 ordinary shares of HK\$1/- each for cash, representing 60% of the total issued and paid-up share capital of ATIS Porcelain (HK) Limited, a newly incorporated company in Hong Kong.
- (ii) 4,900 ordinary shares of RM1.00 each in ATIS IDR Ventures Sdn Bhd (formerly known as Elkom Transformer Components Marketing Sdn Bhd) representing 49% of the issued and paid up share.

Meanwhile, ATIS's wholly-owned subsidiary, TSA Industries Sdn Bhd has incorporated and subscribed 2 ordinary shares of SGD/- each fully paid-up, representing 100% of the total issued and paid up share capital of TSA Industries (SEA) Pte Ltd, a newly incorporated private company limited by shares in Singapore.

KVC Industrial Supplies Sdn Bhd ("KVCI"), a 64%-owned subsidiary of ATIS has acquired 765,000 ordinary shares of RM1.00 each in Skyline Technology (M) Sdn Bhd ("Skyline"), representing 51% of the total issued and paid-up share of Skyline.

ATIS Porcelain (HK) Limited ("APHL"), a 60%-owned subsidiary of ATIS has together with Jingdezhen Hua Ya Porcelain Limited ("JHYPL") (incorporated in People's Republic of China) established ATIS Porcelain (China) Limited ("APCL") on 17 May 2010. The registered capital of APCL is RMB35 million (approximately RM16.8 million) of which 80% interest is held by APHL and the remaining 20% of equity interest is held by JHYPL.

ATIS IDR Ventures Sdn Bhd (formerly known as Elkom Transformer Components Sdn Bhd) ("AIV") has acquired 120,827,700 ordinary shares of Mutiara Goodyear Development Berhad ("Mutiara Shares") representing 52.33% equity interest in Mutiara Goodyear Development Berhad ("Mutiara") as follows:-

- (i) AIV has acquired 69,915,600 ordinary shares of RM1.00 each in Mutiara Shares representing 30.28% equity interest in Mutiara from ATIS for a total consideration of RM67,818,132 satisfied by the issuance of 27,500,000 new ordinary shares of RM1.00 each in AIV ("AIV Shares") and the remaining through the issuance of 40,318,132 five (5)-year 6.00% redeemable convertible preference shares ("AIV RCPS") at an issue price of RM1.00 per AIV RCPS ("Acquisition 1").
- (ii) Meanwhile, AIV acquired 23,200,000 Mutiara Shares at RM0.97 per Mutiara Share, representing 10.05% equity interest in Mutiara from Ideal Region Sdn Bhd ("IRBS") for a total consideration of RM22,504,000 satisfied by the issuance of 22,500,000 AIV Shares and the balance of RM4,000 shall be amount due from AIV to IRSB ("Subscription").
- (iii) In addition, AIV further acquired 27,712,100 Mutiara Shares representing 12.00% equity interest in Mutiara from Kee Cheng Teik and Rejoice Matrix Sdn Bhd for a total cash consideration of RM26,880,737 at RM0.97 per Mutiara Share ("Acquisition 2").

The Acquisition 1, the Subscription and the Acquisition 2 were completed on 30 September 2010 which resulted in AIV from a 100%-owned subsidiary of ATIS became a 55.01%-owned subsidiary of ATIS and Mutiara changed from ATIS's associate status became a 52.33%-owned subsidiary of AIV.

In October and November 2010, AIV further acquired 19,577,500 Mutiara Shares representing 8.48% equity interest in Mutiara through mandatory general offer acting in concert pursuant to the Malaysian Code on Take-Overs and Mergers, 1998. Following the acquisition of 8.48% equity interest, Mutiara became a 60.80%-owned subsidiary of AIV.

#### **11 Changes in the composition of the Group (cont'd)**

In December 2010, KVCI has entered into shareholders' agreement with Sonepar Asia Limited ("SA") to establish Elec Holdings Limited ("EHL") on 1 December 2010. The registered capital of EHL is HKD18,300,000 of which 49% is held by KVCI and the remaining of 51% of equity interest is held by SA.

In December 2010, ATIS subscribed an additional 1,300,000 new ordinary shares of RM1.00 each of United Power Holdings Sdn. Bhd. (formerly known as Kimpress Holdings Sdn. Bhd.), an associate of the Company, for a total cash consideration of RM1,300,000.

#### **12 Changes in contingent liabilities or contingent assets**

There were no material changes in contingent liabilities or contingent assets since the date of the last audited financial statements to 17.02.2011, being the date not earlier than 7 days from the date of issuance of this interim report.

#### **13 Review of performance**

For the current financial year to date, the Group recorded revenue of RM750.0 million. This represents an increase of RM298.6 million or 66.1% as compared to the preceding year corresponding period. The Group pre-tax profit recorded at RM82.3 million (inclusive of negative goodwill amounting to RM39.8 million that arises from the acquisition of Mutiara by AIV) against RM60.5 million in the preceding year corresponding period (inclusive of gain on dilution of interests in subsidiary amounting to RM14.4 million and negative goodwill arising from acquisition of an associate company amounting to RM23.5 million). Without the mentioned above, operating pre-tax profit increased 87.8% from RM22.6 million to RM42.5 million.

#### **14 Comparison with preceding quarter's results**

The Group's revenue increased by RM61.0 million or 32.6% to RM248.5 million as compared to RM187.5 million in the preceding quarter. The increase of revenue mainly due to the revenue contribution from Mutiara, 60.8% owned subsidiary.

However, due to current quarter adjustment made on computation of negative goodwill, amounting to a reduction of RM11.7 million, the group recorded a net loss after non- controlling interest for the current quarter of RM7.4 million (as compared to net profit after non- controlling interest of RM23.6 million in preceding quarter). Without adjustment made on the negative goodwill, the Group would have recorded a net profit after controlling interest of RM4.3 million (as compared with RM7.0 million in the preceding quarter). The decrease of net profit is mainly due to lower gross profit margin recorded in current quarter.

#### **15 Prospects**

Whilst the global economy continues to show signs of recovery, the Board of Directors is optimistic of the Group's prospects. Barring any unexpected changes to the business environment, the management anticipates its performance for the remaining period of the year to be satisfactory.

#### **16 Profit forecast/profit guarantee**

This note is not applicable.

**17 Tax expense**

|   | <u>Individual Quarter</u>       |   | <u>Cumulative Quarter</u>       |  |
|---|---------------------------------|---|---------------------------------|--|
|   | <u>Current Year<br/>Quarter</u> | <u>Preceding<br/>Year<br/>Corresponding<br/>Quarter</u> | <u>Current Year<br/>To-date</u> | <u>Preceding<br/>Year<br/>Corresponding<br/>Period</u> |
|   | <u>31.12.2010</u>               | <u>31.12.2009</u>                                       | <u>31.12.2010</u>               | <u>31.12.2009</u>                                      |
|   | <u>RM'000</u>                   | <u>RM'000</u>   | <u>RM'000</u>                   | <u>RM'000</u>  |
| In respect of current year:             |                                 |   |                                 |  |
| - income tax                            | 8,598                           | 2,140   | 17,330                          | 4,759  |
| - (Over)/under provision in prior years | (400)                           | (210)   | (400)                           | (382)  |
| - deferred tax                          | (3,757)                         | 819   | (3,538)                         | 181  |
| - associate company                     | (377)                           | (40)  | 61                              | 20   |
|   | <u>4,064</u>                    | <u>2,709</u>  | <u>13,453</u>                   | <u>4,578</u>   |

**18 Sale of unquoted investments and/or properties**

There was no sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

**19 Purchase /Disposal of quoted securities**

(a) There were no purchases or disposals of quoted securities during the current quarter and financial year to date under review.

(b) The Group's investment in quoted securities as at the end of the reporting year are as follows:

|                               | <b>RM'000</b> |
|-------------------------------|---------------|
| At Cost                       | <u>29</u>     |
| At Book Value/Carrying amount | <u>22</u>     |
| At Fair Value                 | <u>22</u>     |

**20 Status of corporate proposals**

| <b>Date of Announcement</b> | <b>Subject</b>  | <b>Status</b> |
|-----------------------------|---|---------------|
| 27 January 2010             | ATIS has subscribed 6,000 ordinary shares of HK\$1/- each for cash, representing 60% of the total issued and paid-up share capital of ATIS Porcelain (HK) Limited, a newly incorporated company in Hong Kong. | Completed     |

**20 Status of corporate proposals (cont'd)**

|   |  |                                   |
|---|--|-----------------------------------|
| <p>8 April 2010</p>   | <p>TSA Industries Sdn Bhd, a wholly-owned subsidiary of ATIS has incorporated and subscribed 2 ordinary shares of SGD1/- each for cash, representing 100% of the total issued and paid-up share capital of TSA Industries (SEA) Pte Ltd ("TSA SEA"), a newly incorporated private company limited by shares in Singapore.</p> <p>The current issued and paid up share capital of TSA SEA is 2 ordinary shares of SGD1/- each. Upon opening of bank account, TSA SEA would further increase its paid-up share capital to 100,000 ordinary shares of SGD1/- each by the issuance of additional 99,998 ordinary shares of SGD1/- each, all of which to be subscribed by TSA.</p>  | <p>Completed</p> <p>Completed</p> |
| <p>21 April 2010</p>  | <p>ATIS has acquired 4,900 ordinary shares of RM1.00 each, representing 49% of the total issued and paid-up share capital of ATIS IDR Ventures Sdn Bhd (fka: Elkom Transformer Components Marketing Sdn Bhd) ("AIV") at a total cash consideration of RM4,900 from Elkom Transformer Components Sdn Bhd. Upon completion, AIV will become a wholly-owned subsidiary of ATIS.</p>   | <p>Completed</p>                  |
| <p>23 April 2010,<br/>2 July 2010,<br/>15 July 2010,<br/>24 September 2010,<br/>27 September 2010,<br/>30 September 2010,<br/>12 October 2010,<br/>15 October 2010,<br/>8 November 2010</p> | <p>(i) Acquisition of 69,915,600 ordinary shares of RM1.00 each in Mutiara Goodyear Development Berhad ("Mutiara Shares") representing 30.28% equity interest in Mutiara Goodyear Development Berhad ("Mutiara") by AIV from ATIS for a total consideration of RM67,818,132 satisfied by the issuance of 27,500,000 new ordinary shares of RM1.00 each in AIV ("AIV Shares") and the remaining through the issuance of 40,318,132 five (5)-year 6% redeemable convertible preference shares ("AIV RCPS") at an issue price of RM1.00 per AIV RCPS;</p> <p>(ii) Subscription of 22,500,000 AIV Shares by Ideal Region Sdn Bhd ("IRSB") for a total consideration of RM22,500,000 satisfied by 23,200,000 Mutiara Shares at RM0.97 per Mutiara Share and the balance RM4,000 shall be amount due from AIV to IRSB;</p> | <p>Completed</p> <p>Completed</p> |

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**20 Status of corporate proposals (cont'd)**

|   |   |                            |
|---|---|----------------------------|
| 23 April 2010,<br>2 July 2010,<br>15 July 2010,<br>24 September 2010,<br>27 September 2010,<br>30 September 2010,<br>12 October 2010,<br>15 October 2010,<br>8 November 2010. | (iii) Acquisition of 27,712,100 Mutiara Shares representing 12% equity interest in Mutiara by AIV from Kee Cheng Teik and Rejoice Matrix Sdn Bhd for a total cash consideration of RM26,880,737 at RM0.97 per Mutiara Share;<br><br>(iv) Mandatory general offer for all the Mutiara Shares not already owned by AIV and its parties acting in concert pursuant to the Malaysian Code on Take-Overs and Mergers,1998. The offer has closed at 5.00 p.m. on 8 November 2010 (“Closing Date”). As at the Closing Date, AIV acquired 19,577,500 Mutiara Shares representing 8.48% of the voting shares in Mutiara. | Completed<br><br>Completed |
| 4 May 2010  | KVC Industrial Supplies Sdn Bhd (“KVIC”), a 64%-owned subsidiary of ATIS has entered into a share sale agreement with Lim Chek Moi and Lim Choon Seng for the purpose of acquiring 765,000 ordinary shares of RM1/- each, representing 51% equity interest in the share capital of Skyline Technology (M) Sdn Bhd (“Skyline”) for cash consideration of RM3,060,000.  | Completed                  |
| 11 October 2010   | ATIS subscribed an additional 1,300,000 new ordinary shares of RM1.00 each of United Power Holdings Sdn. Bhd. (formerly known as Kimpress Holdings Sdn. Bhd.), an associate of the Company, for a total cash consideration of RM1,300,000.  | Completed                  |
| 3 November 2010   | Skyline has on 3 November 2010 entered into a Sale and Purchase Agreement with Lim Chek Moi (“the Purchaser”) to dispose of all that piece of leasehold land held under individual Title PN 17193 Lot 40262 Mukim Sungai Buloh, Daerah Petaling Negeri Selangor measuring approximately 2,023 square meters in area (“Land”) together with a double (2) storey factory erected thereon bearing postal address No. 8 Jalan Utarid U5/14, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan (“Building”) for a total consideration of RM2,900,000.  | On- going                  |
| 1 December 2010   | KVIC has entered into shareholders’ agreement with Sonepar Asia Limited (“SA”) to establish Elec Holdings Limited (“EHL”) on 1 December 2010. The registered capital of EHL is HKD18,300,000 of which 49% is held by KVIC and the remaining of 51% of equity interest is held by SA.  | Completed                  |



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**20 Status of corporate proposals (cont'd)**

|                  |   |           |
|------------------|---|-----------|
| 17 February 2011 | Skyline has incorporated and subscribed 100,000 ordinary shares of RM1/- each fully paid-up, representing 100% of the total issued and paid-up share capital of Skyline Technology Engineering Sdn Bhd, a newly incorporated private company limited by shares in Malaysia. | Completed |
|------------------|---|-----------|

**21 Group's borrowings and debt securities**

Particulars of the Group's loans and borrowings as at 31 December 2010 are as follows:-

|   | <b>RM'000</b>  |
|---|----------------|
| <u>Current portion</u>                  |                |
| Banker's acceptances and trust receipts | 106,989        |
| Hire purchase liabilities               | 3,102          |
| Bank overdrafts                         | 2,655          |
| Revolving credits                       | 27,124         |
| Foreign loan against import             | 2,189          |
| Term loans                              | 63,438         |
|   | <u>205,497</u> |
| <br><u>Non-current portion</u>          |                |
| Term loans                              | 224,826        |
| Hire purchase liabilities               | 158            |
|   | <u>224,984</u> |
|   | <u>430,481</u> |

The above Group's borrowings are denominated in the following currencies:

|                          | <b>Currency<br/>'000</b> | <b>RM'000</b>  |
|--------------------------|--------------------------|----------------|
| Malaysian Ringgit        |                          | 380,502        |
| US Dollar                |                          | 43,945         |
| Singapore Dollars        |                          | 5,965          |
| Indonesia Rupiah Dollars |                          | 69             |
|                          |                          | <u>430,481</u> |

**22 Off balance sheet risk financial instruments**

There were no financial instruments with off balance sheet risk as at 17.02.2011 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim report.

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**23 Changes in material litigations**

There were no impending material litigations as at 17.02.2011 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim report).

**24 Dividend**

No dividend has been recommended by the Board for the current quarter and financial year-to-date.

**25 Earnings per share (EPS)**

|  | Individual Quarter                            |   | Cumulative Quarter                            |  |
|--|---|---|---|--|
|  | Current Year<br>Quarter<br>31.12.10<br>RM'000 | Preceding<br>Year<br>Corresponding<br>Quarter<br>31.12.09<br>RM'000 | Current Year<br>To-date<br>31.12.10<br>RM'000 | Preceding<br>Year<br>Corresponding<br>Period<br>31.12.09<br>RM'000 |
| <b>Basic EPS</b>   |   |   |   |  |
| Net profit attributable to owner of the parents              | (7,351)                                       | 27,943  | 27,066  | 53,399   |
| Adjusted Weighted average number of ordinary shares in issue | 146,812                                       | 145,918   | 146,764                                       | 147,261  |
| Basic EPS (sen)  | (5.01)  | 19.15   | 18.44   | 36.26  |

The diluted earnings per share are not applicable during the current year quarter and current year to-year as the ESOS scheme has expired on 19 February 2009.

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**26 Realised and unrealised profits/ losses**

|   | As at<br>31.12.10<br>RM'000 |
|---|-----------------------------|
| Total retained profits of the Company and its subsidiaries: |                             |
| - Realised  | 313,978                     |
| - Unrealised  | <u>4,694</u>                |
|   | 318,672                     |
| <br>  |                             |
| Total share of retained profits from associated companies:  |                             |
| - Realised  | 3,730                       |
| - Unrealised  | 197                         |
| <br>  |                             |
| Less: Consolidation adjustments                             | <u>(99,632)</u>             |
| Total group retained profits as per consolidated accounts   | <u>222,968</u>              |

By Order of the Board  
ATIS Corporation Berhad

Teoh Phaik Ai  
Senior Finance Manager

Selangor Darul Ehsan  
24 February 2011