

# ANNUAL REPORT 2010



AIC CORPORATION BERHAD  
(194514-M)

*MOVING WITH THE TIMES*

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22:30<sup>01:23</sup>  
06:10  
03:25<sup>15:23</sup>  
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16:46  
02:33





## **OUR VISION**

Leading Malaysia in technology

## **OUR MISSION**

To do an excellent job for our customers, employees and shareholders by becoming a world class technology company through continuously harnessing innovation and improvement in management, product and services

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# corporate information

## BOARD OF DIRECTORS

<b>Datuk Maj (H) Goh Tian Chuan</b>	(Executive Chairman)
<b>Ooi Boon Pin</b>	(Executive Director/Group Chief Executive Officer)
<b>Chen Heng Mun</b>	(Executive Director/Chief Financial Officer)
<b>Ng Kok Hok</b>	(Independent Non-Executive Director)
<b>Yahya Bin Razali</b>	(Independent Non-Executive Director)
<b>Liew Cheng York</b>	(Non-Independent Non-Executive Director)

## AUDIT COMMITTEE

Ng Kok Hok (Chairman)  
Yahya Bin Razali  
Liew Cheng York

## NOMINATION COMMITTEE

Yahya Bin Razali (Chairman)  
Ng Kok Hok

## REMUNERATION COMMITTEE

Ng Kok Hok (Chairman)  
Yahya Bin Razali  
Datuk Maj (H) Goh Tian Chuan

## COMPANY SECRETARIES

Kang Shew Meng (MAICSA 0778565)  
Seow Fei San (MAICSA 7009732)

## AUDITORS

KPMG

## SOLICITORS

Lee Choon Wan & Co

## REGISTERED OFFICE

Wisma AIC  
Lot 3, Persiaran Kemajuan  
Section 16, 40200 Shah Alam  
Selangor Darul Ehsan  
Tel : (603)-5543 1413  
Fax : (603)-5543 2045  
Website : [www.aic.com.my](http://www.aic.com.my)

## SHARE REGISTRAR

Tricor Investor Services Sdn Bhd  
Level 17, The Gardens North Tower, Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : (603)-2264 3883  
Fax : (603)-2282 1886

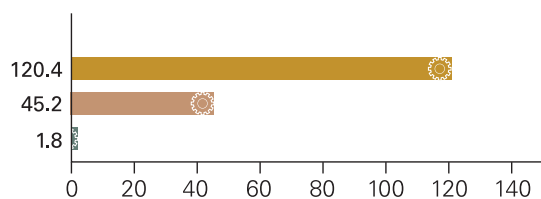
## PRINCIPAL BANKERS

Citibank Berhad  
CIMB Bank Berhad  
Malayan Banking Berhad  
Malaysian Industrial Development Finance Berhad  
United Overseas Bank (Malaysia) Bhd

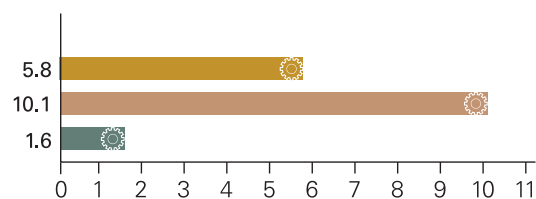
## 5 years financial review and financial summary by division

	FINANCIAL YEARS ENDED 31 DECEMBER				
	AUDITED (RM'000)				
	2006	2007	2008	2009	2010
Turnover	159,259	137,319	126,472	133,380	167,400
Profit/(Loss) before taxation	(66,985)	3,120	649	10,681	17,543
Profit/(Loss) after taxation	(68,767)	(3,083)	(7,360)	8,931	15,940
Net profit/(loss) attributable to owners of the Company	(60,752)	(4,231)	(7,541)	8,517	15,569
Net earnings/(loss) per share (sen) - basic	(58.43)	(4.03)	(5.00)	4.90	8.95
Property, plant and equipment	104,556	96,441	105,247	104,927	104,175
Total assets	235,352	190,870	192,388	197,765	209,872
Shareholders' funds	66,401	74,801	108,333	116,837	134,161
Net tangible assets	59,270	69,713	104,007	112,511	129,835
Total debt	96,887	62,733	45,367	37,082	28,321
Total debt/Shareholders' funds	1.46	0.84	0.42	0.32	0.21
Pre-tax result/Turnover (%)	(42.06)	2.27	0.51	8.01	10.48
Pre-tax result/Share capital (%)	(63.84)	2.65	0.37	6.14	10.09
Pre-tax result/Total assets (%)	(28.46)	1.63	0.34	5.40	8.36
Pre-tax result/Shareholders' funds (%)	(100.88)	4.17	0.60	9.14	13.08
Current ratio (times)	0.91	0.94	2.08	2.31	1.94

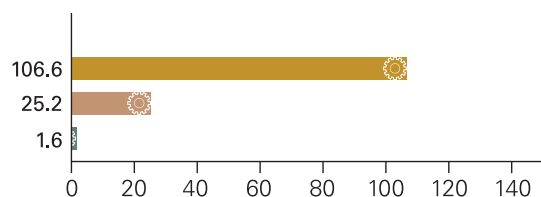
**TURNOVER 2010**  
(RM Million)



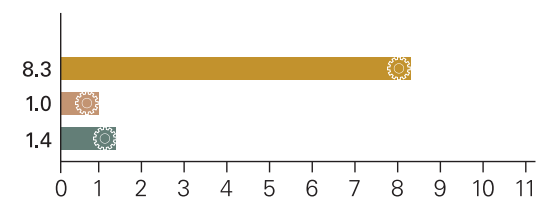
**PRE-TAX PROFIT 2010**  
(RM Million)



**TURNOVER 2009**  
(RM Million)



**PRE-TAX PROFIT 2009**  
(RM Million)



# group structure

as at 25 March 2011

## AIC CORPORATION BERHAD



### SEMICONDUCTOR



**100%** AIC Technology Sdn Bhd



**93.86%** AIC Semiconductor Sdn Bhd



### PRECISION TOOLING AND AUTOMATION



**100%** Prodelcon Sdn Bhd



**100%** Isotrax Engineering Sdn Bhd



### OTHERS



**100%** AIC Inspirasi Sdn Bhd



**100%** AIC Properties Sdn Bhd



**100%** AIC-Toptek Communications Sdn Bhd



**100%** Custom Tooling Engineering (Malaysia) Sdn Bhd



**100%** Custom Tooling (Malaysia) Sdn Bhd



**100%** Integral CAD Technologies Sdn Bhd



**100%** Alpha Mediatech Sdn Bhd

## directors' profile

### **DATUK GOH TIAN CHUAN** *PGDK, ASDK*

Executive Chairman  
Malaysian, aged 50

Datuk Goh Tian Chuan was appointed to the Board on 15 June 2006. He was also appointed as a member of the Remuneration Committee of the Company on 31 July 2006. He was redesignated as Executive Chairman on 2 July 2007.

He was a Senior Police Officer from 1982 to 1994. He started his own business in 1994 and joined Everise Ventures Sdn Bhd, a subsidiary of Repco Holdings Berhad in October 1995 as President. In September 2000, he was appointed by Danaharta Berhad as Non-Executive and Non-Independent Director of Repco Holdings Berhad and resigned on 27 August 2004.

On 8 November 2004, he was appointed as a Non-Independent and Non-Executive Director of Cepatawawasan Group Berhad. Subsequently, he was redesignated as Chief Executive Officer on 8 April 2005 and as Executive Chairman from 25 July 2005 to 31 October 2005.

He was also an Executive Director of Nucleus Electronics Ltd ("Nucleus"), which is listed on the Main Board of the Stock Exchange of Singapore from 1 June 2006 to 6 March 2007.

He is now the Executive Chairman of Jotech Holdings Berhad ("Jotech") and Nakamichi Corporation Berhad ("NCB"), both listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

### **OOI BOON PIN**

Executive Director/  
Group Chief Executive Officer  
Malaysian, aged 53

Ooi Boon Pin was appointed to the Board on 20 August 2008 as an Executive Director and Group Chief Executive Officer of AIC.

He graduated with an honours degree in Manufacturing Technology from the National Institute for Higher Education (University of Limerick), Ireland in 1981. In 1978, he joined Analog Devices B.V., Ireland, a company involved in design and wafer fabrication, assembly and test of semiconductors, as a Product Development Engineer and later as a Process Engineer in the assembly department. Upon his return to Malaysia in 1981, he joined Micro-Machining Sdn Bhd, as a Quality Assurance Engineer where he was in charge of quality assurance in tool room and lead frame stamping facility. He later assumed the position of Project Engineering Manager and was responsible for the development of new tool designs and end-of-line assembly equipment from design to manufacturing. He later set up Prodelcon Sdn Bhd in 1985 and is its Managing Director from 1996 till now. He was an Executive Director of Jotech since 30 April 1997 but was redesignated as a Non-Independent Non-Executive Director on 20 August 2008. He is also a member of the Audit and Nomination Committees of Jotech, Chairman of the Technical Advisory Committee for Applied Engineering and council member of the Penang Skills Development Centre.

### **CHEN HENG MUN**

Executive Director/  
Chief Financial Officer  
Malaysian, aged 41

Chen Heng Mun was appointed to the Board on 1 August 2007 as an Executive Director. He is also the Chief Financial Officer of AIC. Prior to joining AIC as the Group Accountant in February 1996, he worked for five years in KPMG, an international public accounting firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia. He is also an Executive Director of NCB and a Non-Independent and Non-Executive Director of AutoV Corporation Berhad (formerly known as AV Ventures Corporation Berhad), both listed on the Main Market of Bursa Malaysia. He was a Director of Jotech and Nucleus from 3 January 2007 to 2 July 2007 and 17 January 2005 to 1 June 2006 respectively.

## directors' profile (cont'd)

### YAHYA BIN RAZALI

Independent Non-Executive Director  
Malaysian, aged 55

Yahya Bin Razali was appointed to the Board on 15 June 2006 as an Independent Non-Executive Director. He was appointed as the Chairman of the Nomination Committee on even date and is a member of the Audit Committee and Remuneration Committee.

He obtained his Bachelor of Science (Finance) from Southern Illinois University and MBA from Berkeley, United States in 1982 and 1984 respectively. He worked with the Ministry of Culture, Youth and Sports of Malaysia from 1977 to 1979. In 1984, he joined the United State Leasing Corporation, San Francisco, United States as a Financial Analyst. In 1986, he worked as a Consultant with Alexander Proudfoot Productivity Consultant Pte Ltd in Singapore. He also held the position of Investment Manager and Executive Director for Selangor Foundation and Grand United Holdings Berhad respectively from 1988 to 1993. He was the Fund Manager cum Associate Director for Spectrum Asset Management Sdn Bhd, a licensed fund management company.

He was appointed an Independent Non-Executive Director of NCB on 12 December 2007. He is presently the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of NCB. He was also an Independent and Non-Executive Director of RNC Corporation Berhad for the period 1998 to 2004.

### NG KOK HOK

Independent Non-Executive Director  
Malaysian, aged 49

Ng Kok Hok was appointed to the Board on 1 September 2007 as an Independent Non-Executive Director. On the same date, he was appointed as Chairman of the Audit Committee and Remuneration Committee and is a member of the Nomination Committee of the Company.

He held the position of an Accountant in several private limited companies involved in telecommunications and manufacturing of industrial plastic containers and the trading of industrial chemicals. He has also served as an Accountant and was later promoted to the position of Financial Controller for Kuala Lumpur Mutual Fund Berhad (now known as Public Mutual Berhad). He then joined as General Manager and subsequently progressed to Chief Executive Officer of TA Unit Trust Management Berhad. Thereafter he was involved in several businesses which included international trade, e-commerce and travel agencies. He is the founder and is currently the Executive Director of Alpha Outlook Sdn Bhd, a company principally involved in power quality products and energy management systems. He is also an Independent and Non-Executive Director of Tejari Technologies Berhad and Ingenuity Solutions Berhad, both of which are listed on the ACE Market of Bursa Malaysia.

He is a Chartered Accountant with the Malaysian Institute of Accountants, an Associate Member of the Chartered Institute of Management Accountants and a Member of the Financial Planning Association of Malaysia.

### LIEW CHENG YORK

Non-Independent  
Non-Executive Director  
Malaysian, aged 48

Liew Cheng York was appointed to the Board on 20 August 2008 as a Non-Independent Non-Executive Director of AIC and was appointed to the Audit Committee on 23 November 2009.

In 1989, she founded Jotech Metal Fabrication Industries Sdn Bhd. She was appointed as a Non-Independent Non-Executive Director of Jotech Holdings Berhad since 7 August 1995 and was later redesignated as an Executive Director on 1 February 2008.

#### ADDITIONAL INFORMATION

##### **Conflict of interest/family relationships with any Director and/or Major Shareholder**

None

##### **Convictions for offences (within the past 10 years, other than traffic offences)**

None

##### **Particulars of material contracts of the Group, involving Directors and Major Shareholders' interest**

There are no material contracts of the Group involving Directors and Major Shareholders' interest.

# message from the executive chairman

## OVERVIEW

2010 witnessed a broad economic recovery from the unprecedented financial crisis which engulfed the world in 2008 and 2009. The global economic recovery continued to strengthen at varying paces across regions in 2010, largely attributed to sustained fiscal stimulus and accommodative monetary policies. In the first half of 2010, emerging and developing economies posted strong growth, supported by consumption and investment activities. In the remaining half of 2010, global growth however moderated amid weaker external demand. Rounding up for the year, the Malaysian economy expanded by 7.2% (2009: -1.7%).

REVENUE  
↑26%  
GROWTH

NET PROFIT  
↑84%

GEARING  
0.2X

## FINANCIAL AND OPERATIONS REVIEW

Capitalising on the improved economic conditions, the Group continued to deliver another profitable year after returning to a full year of profit in 2009 since 2002. The Group's revenue posted an increase of 26% or RM34.0 million to RM167.4 million whereas net profit of the Group almost doubled from RM8.5 million to RM15.6 million.

The higher revenue registered was a result of all the divisions registering an increase in their revenue contributions as compared to in 2009. In tandem with the overall increase in revenue, the Group's net profit increased by 84% to RM15.6 million. The higher net profits earned by the Group for the financial year ended 31 December 2010 were achieved mainly due to the higher net profit contribution from the Precision Tooling and Automation division. The Semiconductor Division however, despite the increase in its revenue for 2010, logged in a lower net profit owing mainly to the relentless weakening of the United States Dollar ("USD") against the RM and the escalating commodity prices.

The Group's balance sheet and liquidity positions in 2010 continued to improve vis-à-vis 2009 as net assets and net assets per share increased to RM134.2 million and RM0.77 per share from RM116.8 million and RM0.67 per share respectively. In addition, the gearing of the Group fell from 0.32 times in 2009 to 0.21 times in 2010 whereas net cash inflow from operating activities in 2010 have risen to RM28.7 million from RM21.6 million in 2009.

message from the executive chairman  
(cont'd)

### Semiconductor Division Review

The year on year global semiconductor sales grew by 32% in 2010 to a record USD298.3 billion. Following the global economic crisis in 2009, the world economies continue to gain significant momentum in 2010. The semiconductor industry was also part of this gain in the economic picture with strong customer demand in the end markets, particularly the computing and communication sectors, coupled with inventory restocking after heavy depletion since the economic crisis in 2009.

In line with the semiconductor industry growth, our Semiconductor Division posted a double digit revenue growth of 13% to RM120.4 million (2009: RM106.6 million) with the annual output growing by 18% to 895 million units (2009: 759 million units). With much positivity from the industry, we continue to invest and expand capacities into our favorable core product of Quad Flat Non Leaded ("QFN") packages and increase our copper wire products offering in 2010. This was evident as our QFN segment managed to achieve a roll out volume growth of 60% contributing to the Semiconductor Division's overall revenue growth.

However, despite the yearly revenue growth, we are still face with the daunting challenge of a weakening US Dollar and the ever increasing commodity prices, especially gold in 2010. Our margins took a hit under these conditions where our profit before tax contracted by 30% to RM5.8 million (2009: RM8.3 million).

In response to these challenges, we have instituted a comprehensive portfolio review and have identified a total of 50% of our production volume to be converted in phases to copper wire products by 2012. Our copper wire products composition has now increased to 20% of the total volume in 2010 as compared to 17% in 2009. By migrating to copper wire products, we are able to improve significantly on our margins and partly eliminate the risk of the ever increasing gold price. Our management will also continue to remain focused on operational efficiency and effective cost management to maintain the Semiconductor Division's competitive edge locally and globally.

Despite reports of a single digit growth or about 6% growth for the semiconductor industry in 2011, we continue to be cautiously optimistic and will stay vigilant of any global events taking place that may derail any growth achievement. Nevertheless, with our planned portfolio migration, we are expecting an exciting year for the semiconductor industry in 2011 with many more new entries into the tablet market, Android-based cellphones, and increased capabilities of wireless network with 4G deployment that will drive the demand for semiconductors.

message from the executive chairman  
(cont'd)

### Precision Tooling and Automation Division Review

In view of the improving economic conditions in 2010 and the resulting increase in demand, the revenue for the Precision Tooling and Automation Division chalked up an increase of 79% to register at RM45.2 million versus RM25.2 million for the prior year. In line with the rise in the revenue and partly aided by a gain on disposal of its investment properties of RM2.6 million, the Precision Tooling and Automation Division recorded a significant growth of 910% in its profit before tax to register at RM10.1 million for 2010 as compared to RM1.0 million for the preceding year.

The improvement in its results vis-à-vis in 2009 were attributable to better demand enjoyed by the Precision Tooling and Automation Division's semiconductor tooling, medical and photonics and radio frequency ("RF") microwave businesses. The Precision Tooling and Automation Division had also in 2010 intensified its business development activities and managed to secure new customers from various industries, which inadvertently diverges the Precision Tooling and Automation's risk of over reliance on the cyclical prone semiconductor tooling business to more economic resilient industries such as the medical equipment industry.

Barring any unforeseen circumstances, the general outlook for the Precision Tooling and Automation Division in 2011 is expected to be better than in 2010. Orders continue to build up for the medical, photonics and RF microwave sectors. On that note, as it is operating near full capacity levels, the Precision Tooling and Automation is embarking on an expansion plan to increase its production capacity. The Precision Tooling and Automation Division will continue to source for new customers whilst at the same time fulfilling the increased demand from its current customers.

### CORPORATE GOVERNANCE AND INVESTOR RELATIONS

Our Group deems it our top priority in role-modeling ourselves in maintaining high standards in corporate governance practices in managing our businesses and affairs within the Group. To achieve these objectives, our Board and key management staff have been proactively educating ourselves and re-positioning our Group to comply fully with the principles and best practices set out in the Malaysian Code on Corporate Governance and developments of internationally recognised best governance practices. The Group remains committed to espouse and maintain its good corporate governance track record through timely and objective reporting and constant communication with all its stakeholders.

message from the executive chairman  
(cont'd)

### PROSPECTS

Although the impact of the global financial crisis has clearly abated with clear signs of economic recovery, the world economic outlook persists to be weighed down by lingering effects of the financial crisis on the advanced economies, structural issues such as the prevalent high unemployment and high fiscal deficits in developed nations, continued risk of commodity prices and foreign exchange volatility exacerbated by the recent Tsunami that struck Japan and the debt crisis in the European Union as well as the crisis in the Middle East and North Africa. As such, the Malaysian economy which has seen a healthy recovery in 2010, may still be susceptible to global developments to which the domestic economy cannot insulate itself.

Premised on the above and the expectation that the Malaysian economy will grow by 5% to 6% in 2011, your Board is cautiously optimistic that the year 2011 will be another good year for the Group.

Your Board is committed to ensure the sustained growth and to improve the profitability of the two core Divisions. Your Board is also continuously seeking further opportunities to grow the business of the Group through expansion or diversification. With this, we hope to further improve our bottom line of the Group for 2011.

### APPRECIATION

I wish to express my sincere thanks to all our loyal shareholders for your continued support and wish to reiterate that the Board is committed to improve the Group's performance and enhance shareholders' values.

I would like to express our sincere gratitude to our valued customers, business partners, bankers and the relevant government authorities for their invaluable support.

I also wish to express my gratitude to my fellow Board members, the management and staff for their professionalism and undying commitment to steer the Group towards excellence.

**Datuk Maj (H) Goh Tian Chuan**, PGDK, ASDK  
Executive Chairman

# corporate governance statement

THE BOARD OF DIRECTORS IS COMMITTED TO ENSURE THAT THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE PRACTICED THROUGHOUT THE GROUP AS A FUNDAMENTAL PART OF DISCHARGING ITS RESPONSIBILITIES TO PROTECT AND ENHANCE SHAREHOLDER VALUE AND THE FINANCIAL PERFORMANCE OF AIC GROUP.

SET OUT BELOW IS A STATEMENT OF HOW THE GROUP HAS APPLIED THE PRINCIPLES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE.

## SECTION 1: DIRECTORS

### THE BOARD OF DIRECTORS

An effective Board leads and controls the Group. The Board meets at least four times a year, with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Directors held five (5) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:-

Name	Meetings attended
Datuk Maj (H) Goh Tian Chuan	5/5
Ooi Boon Pin	5/5
Chen Heng Mun	5/5
Yahya Bin Razali	5/5
Ng Kok Hok	5/5
Liew Cheng York	5/5

The Board has delegated specific responsibilities to three subcommittees, namely Audit Committee, Nomination Committee and Remuneration Committee. All committees have written terms of reference and procedures, and the Board receives reports of their proceedings and deliberations. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibilities for the final decision on all matters, however, lie with the entire Board.

### BOARD BALANCE

The Board currently has six (6) members, comprising of three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, and two (2) Independent Non-Executive Directors. Together, the Directors bring a wide range of business and financial experience relevant to the Group. A brief description of the background of each Director is presented on pages 5 to 6.

Datuk Goh Tian Chuan is the Executive Chairman while Ooi Boon Pin is the Executive Director/Group Chief Executive Officer. There was a clear division of responsibility between these two roles to ensure balance of power and authority. Ng Kok Hok, the Audit Committee Chairman, is the Independent Non-Executive Director to whom concerns may be conveyed.

The Company considers that its complement of Non-Executive Directors provide an effective Board with a mix of knowledge and broad business and commercial experience. This balance is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account of the long term interests of the Company. The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

## corporate governance statement (cont'd)

### **SECTION 1: DIRECTORS (Cont'd)**

#### **SUPPLY OF INFORMATION**

All Directors review a Board report prior to the Board meeting. These papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The board paper includes, among others, the following details:-

- Quarterly performance report of the Group
- Major risk, operational and financial issues
- Business forecasts and outlook
- Material legal matters
- Information on related party transactions
- Circular resolutions passed

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans, acquisitions and disposals of assets that are material to the Group, major investments and changes to senior management and control structure of the Group, including key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretaries and take independent professional advice, if necessary, at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Board.

#### **AUDIT COMMITTEE**

The Audit Committee report is presented on pages 19 to 24 of this annual report.

#### **APPOINTMENTS TO THE BOARD**

The Malaysian Code on Corporate Governance endorses, as good practice, a formal procedure for appointments to the Board, with a Nomination Committee making recommendations to the Board. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that these responsibilities be delegated to a committee.

New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved by the Board. The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory requirements are met.

#### **NOMINATION COMMITTEE**

The Nomination Committee consists entirely of Non-Executive Directors, all of whom are independent, and the members are as follows:-

- Yahya Bin Razali (Chairman)
- Ng Kok Hok

The primary objectives of the Committee are to evaluate suitability of candidates and make recommendations to the Board on all new Board appointments. The Committee is also empowered to assess the performance of the Directors, effectiveness of the Board and Board Committee as a whole.

## corporate governance statement (cont'd)

### SECTION 1: DIRECTORS (Cont'd)

#### DIRECTORS' TRAINING

As an integral element of the process of appointing new directors, the Nomination Committee ensures that there is appropriate orientation and education program for new Board members. This is supplemented by visits to key locations and meetings with key senior executives.

All Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Directors will continue to evaluate the training needed and to attend other relevant training programmes to keep abreast with developments in the market place, particularly on relevant new laws and regulations and changing commercial risks.

Conferences, seminars and training programmes attended by Directors in 2010 and up to the date of this report are as follows:-

Director	Name of conferences, seminars and training programmes attended
Datuk Maj (H) Goh Tian Chuan	<ul style="list-style-type: none"> <li>Bursa Malaysia-RHB Invest Market Chat 2010</li> <li>Malaysian Capital Markets 2010</li> </ul>
Ooi Boon Pin	<ul style="list-style-type: none"> <li>Penang Skills Development Centre Off Site meeting</li> <li>Inside Innovation</li> <li>National Key Economic Areas: Lab For Electrical &amp; Electronics</li> <li>Khazanah Mega Trends Forum 2010</li> </ul>
Chen Heng Mun	<ul style="list-style-type: none"> <li>Economy Update for 2010 – Prospects for 2010 &amp; Beyond</li> <li>Invest Malaysia – 2010</li> <li>Tax Efficient Supply Chain Management and Intercompany Financing</li> <li>Corporate Governance Week 2010: Towards Corporate Governance Excellence</li> <li>Corporate Foreign Exchange Risk Management Seminar</li> <li>KPMG Malaysian Tax Summit 2010</li> <li>Economic Transformation Programme</li> <li>Sustainability Programme for Corporate Malaysia: Plantation, Construction, Property and Hotel Industries</li> </ul>
Yahya Bin Razali	<ul style="list-style-type: none"> <li>Sustainability Programme for Corporate Malaysia: Industrial Products</li> <li>Corporate Integrity Pledge</li> </ul>
Ng Kok Hok	<ul style="list-style-type: none"> <li>Stoking the Fire of Corporate Governance</li> <li>Boardroom Ethics</li> <li>Board Role, Directors Duties and Blind Spots, Biases and other Pathologies in the Board Room</li> <li>Statement on Risk Management and Internal Control</li> </ul>
Liew Cheng York	<ul style="list-style-type: none"> <li>Team Building and Leadership Training</li> <li>Palm Oil Economic Review and Outlook Seminar 2011</li> </ul>

## corporate governance statement (cont'd)

### SECTION 1: DIRECTORS (Cont'd)

#### RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting ("AGM"). The following Directors are subject to re-election in this forthcoming AGM pursuant to Article 101 of the Company's Articles of Association:-

- Yahya Bin Razali (Article 101)
- Chen Heng Mun (Article 101)

Directors over seventy years of age shall hold office until the next AGM but shall be eligible for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

### SECTION 2: DIRECTORS' REMUNERATION

#### REMUNERATION COMMITTEE

The Remuneration Committee comprises of two (2) Independent Non-Executive Directors and an Executive Director. The committee members are as follows:-

- Ng Kok Hok (Chairman)
- Yahya Bin Razali
- Datuk Maj (H) Goh Tian Chuan

The Committee is responsible to recommend to the Board a remuneration framework for Directors with the objective to ensure that the Company attracts and retains the Director needed to run the Group successfully. It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors with the respective Directors abstaining from decisions in respect of their remuneration.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole with individual Directors abstaining from decision in respect of their remuneration.

#### DIRECTORS' REMUNERATION

The number of Directors of the Company whose remuneration and fees received from the Group, including fees paid to companies in which Directors have interest, fall in the following bands:-

	Executive		Non-Executive	
	2010	2009	2010	2009
RM950,000 – RM999,000	-	1	-	-
RM850,000 – RM899,000	1	-	-	-
RM700,000 – RM749,000	1	-	-	-
RM650,000 – RM699,000	-	1	-	-
RM450,000 – RM499,000	1	-	-	-
RM400,000 – RM449,000	-	1	-	-
Below RM50,000	-	-	3	4

corporate governance statement  
(cont'd)

**SECTION 2: DIRECTORS' REMUNERATION (Cont'd)**

DIRECTORS' REMUNERATION (Cont'd)

The aggregate remuneration of Directors with categorisation into appropriate components is as follows:-

RM'000	Executive		Non-Executive	
	2010	2009	2010	2009
Remuneration	2,065	2,129	-	-
Fees	-	-	72	68
Meeting allowances	-	-	8	8

The Board has considered disclosure details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the "range disclosure" as required by the listing requirements.

**SECTION 3: SHAREHOLDERS**

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Board acknowledges the importance of communication with the shareholders and investors. Discussions were held between the senior management with the analysts, shareholders and investors throughout the year. Presentations based on permissible disclosures are given to explain the Group's performance, major developments and significant events of the Group. The Group has been making timely announcements to the public with regards to the Group's corporate proposals, financial results, other regulatory announcements as well as information which would be of interest to the investors and members of the public.

In addition, the Group has also established a website at [www.aic.com.my](http://www.aic.com.my) for shareholders and the public to access for information related to the Group.

AGM

The AGM represents the principal forum for dialogue and interaction with all shareholders of the Company. Shareholders are encouraged to participate in the question and answer session. All Directors, senior management and external auditors are available to respond to the shareholders' questions during the AGM.

## corporate governance statement (cont'd)

### **SECTION 4: ACCOUNTABILITY AND AUDIT**

#### **FINANCIAL REPORTING**

The Board has a responsibility and aims to provide/present a fair, balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly reports to Bursa Malaysia as well as the Message from the Executive Chairman in the annual report to the shareholders. The Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS**

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent other irregularities.

#### **INTERNAL CONTROL**

The Statement on Internal Control presented on page 18 provides an overview of the state of internal control within the Group.

#### **RELATIONSHIP WITH THE AUDITORS**

The role of the Audit Committee in relation to the external auditors is described on pages 19 to 24. The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The Audit Committee has a direct communication channel with the internal and external auditors. Since the last Annual Report, the Audit Committee had two (2) meetings with the external auditors without the presence of the Executive Directors and Management.

## corporate governance statement (cont'd)

### **SECTION 5: CORPORATE SOCIAL RESPONSIBILITY**

Our Group believes the improvement in the conditions surrounding our stakeholders, employees, society and the environment is vital to the growth of the Group. Our corporate social responsibilities cover the following key areas:-

#### **Occupational Health and Safety**

Clear and written policies, including any updates as well as any training on occupational health and safety matters are provided to employees. In line with this, a fulltime qualified safety officer, in our major subsidiary, is employed to ensure the policies are adhered and implemented effectively and safety audits are conducted regularly. Health and safety weeks are also carried out every year to create awareness and to educate employees on occupational health and safety related matters. In addition, health talks and medical checks were also conducted.

#### **Employee Welfare and Development**

Training is provided to the employees. The training comprises both technical, soft skills and includes grooming future leaders. Apart from training, employees are also provided with medical and healthcare insurance and adequate leave and compensation programs which commensurate with their rank and level of employments.

Further, the Group acknowledges the need to provide a healthy and balanced lifestyle to its employees. In this aspect, various initiatives, such as annual dinners, family day, social events and sports activities were organised by our major subsidiaries through out the year.

#### **Supply Chain**

The Group in its procurement policies strives wherever possible to source locally in the nation's interest and for materials which are environmentally friendly such as materials which are ISO 140001 certified and which are lead free or ROHS (Restriction of Hazardous Substances) compliant.

#### **Environmental Preservation**

It is our policy to comply with environmental laws governing plant operations, maintenance and improvement in areas relating to environmental standards, emission standards, energy conservation, housekeeping and storage methods, noise level management and treatment of plant effluents and waste water. In addition, our factories are certified to the international environmental management systems standard, ISO 14001. Continuous efforts are being made to reduce wastages, promote recycling, instill environmental conservation awareness among employees and to encourage suppliers in meeting our environmental policy.

#### **Education and Training**

Education continues to be a key beneficiary of the Group's corporate contribution, in line with its belief that education plays a key role in nation building. In this aspect, the Group participates as a facilitator in the Northern Corridor Industrial Technical Enhancement Scheme ("NCITES") initiated by the Northern Corridor Economic Region ("NCER") for the unemployed graduates. This NCITES was introduced to fast-track the development of skilled workers through a partnership with the industry, to create the right talent pool that is designed to meet industry's needs and support NCER's industrial growth. Under NCITES, graduates will undergo a 1-year attachment program with the participating companies to be trained in the latest technologies using the latest equipment as defined by the companies involved. The graduates will then be more industry ready and marketable, and will be absorbed by the industry.

The Group also offers industrial training attachments to undergraduates from the local universities and technical colleges as part of ongoing commitment towards providing the necessary exposure and training to students of today.

The above statement is made in accordance with the resolution of the Board of Directors dated 13 April 2011.

# statement on internal control

## INTRODUCTION

THIS STATEMENT ON INTERNAL CONTROL BY THE BOARD OF DIRECTORS ("BOARD") ON THE GROUP IS MADE PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") AND IN ACCORDANCE WITH THE PRINCIPLES AND BEST PRACTICES PROVISIONS RELATING TO INTERNAL CONTROL PROVIDED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("CODE"). THIS STATEMENT IS GUIDED BY THE STATEMENT ON INTERNAL CONTROL: GUIDANCE FOR DIRECTORS OF PUBLIC LISTED COMPANIES.

## BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the Group's systems of internal controls as well as reviewing the adequacy, integrity and effectiveness of these systems. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying and managing the significant risks faced by the Group. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.

The key features of the internal control systems are described below.

## RISK MANAGEMENT AND INTERNAL CONTROL

### RISK MANAGEMENT

The Group has in place a database of risks and controls information captured in the format of risk registers. Key risks to each business unit are identified, scored and categorised to highlight the source of risk, their impacts and the likelihood of occurrence. Risk profiles for the major operating business units are presented to the Audit Committee and Board for deliberation and approval for adoption. Action plans to address key risks were developed and their status of implementation was reported to the Audit Committee and the Board.

The risk profile of the major operating business units of the Group are being monitored by the senior management of the major operating business units. The risks identified for the Group were considered in formulating the strategies and plans that were approved and adopted by the Board. The strategies and plans are monitored and revised as the need arises.

### INTERNAL CONTROL

Issues relating to the business operations are highlighted to the Board's attention during Board meetings. Further independent assurance is provided by the Group Internal Audit Function and the Audit Committee. The Audit Committee reviews internal control matters and update the Board on significant issues for the Board's

attention and action.

The Group's internal audit function which is outsourced to an independent external consultant, has a primary function to assure the Board, through the Audit Committee, that the systems of internal controls are functioning as intended. Further details of the Internal Audit Function are set out on page 23 in the Audit Committee Report.

## OTHERS

The other salient features of the Group's systems of internal controls are as follows:-

- Quarterly review of the financial performance of the Group by the Board and the Audit Committee;
- Defined organisation structure and delegation of responsibilities;
- Operations review meetings are held by the respective divisions to monitor the progress of business operations, deliberate significant issues and formulate corrective measures;
- Adoption of whistle blowing policies;
- Code of conduct provided to all employees of the Group; and
- Annual budget is prepared by the respective division.

The above statement is made in accordance with the resolution of the Board dated 13 April 2011.

# audit committee report

## 1. ROLE OF AUDIT COMMITTEE (“COMMITTEE”)

The Committee shall:-

- Provide assistance to the Board of Directors (“Board”) in fulfilling its fiduciary responsibilities relating to the corporate governance, risk management, accounting and reporting practices of the Company and the Group together with the status of internal controls.
- Improve the Group’s business efficiency and the quality of the accounting function, the system of internal controls and audit function, thereby strengthening the confidence of the public in the Group’s reported results.
- Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
- Enhance the independence of both the external and internal auditors’ functions through active participation in the audit process.
- Strengthen the role of the independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.
- Act upon the Board’s request to investigate and report on any issues or concerns with regard to the Management of the Group.

## 2. TERMS OF REFERENCE

### COMPOSITION

The Committee shall be appointed by the Board from amongst its Directors and consist of no fewer than three members, all of whom shall be Non-Executive Directors, with the majority being Independent Directors, unencumbered by any relationships with senior management and the operating executive, or any other relationship which might, in the opinion of the Board, be considered to be a conflict of interest. At least one member of the Committee:-

- (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (ii) if he is not a member of the MIA, he must have at least three (3) years’ working experience and:
  - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The members of the Committee shall elect a Chairman from among their number who shall be an Independent Director. An alternate Director must not be appointed as a member of the Committee. In the event of any vacancy in the Committee, the Board, through the Nomination Committee if necessary, shall fill the vacancy within three months.

The Board shall review the performance of the Committee and the terms of office of each of its members at least once in every three years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

## audit committee report (cont'd)

### 2. TERMS OF REFERENCE (Cont'd)

#### AUTHORITY

The Committee is authorised by the Board:-

- a) to investigate any matter within its terms of reference;
- b) to request the resources required to perform its duties;
- c) to request and be granted full and unrestricted access to any information it determines as relevant to its activities from any employees of the Company or the Group and all employees are directed to co-operate with any request made by the Committee;
- d) to have direct communication channels with the external auditors and the internal auditors;
- e) to obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary; and
- f) to convene meetings with the external and internal auditors, excluding the attendance of the other Directors and employees of the Group, whenever deemed necessary.

#### ATTENDANCE AND FREQUENCY OF MEETINGS

The quorum for a meeting is two members of the Committee, both of whom must be independent Directors.

The Executive Chairman, Group Chief Executive Officer ("CEO") and Chief Financial Officer are normally invited to attend meetings only for discussion of those matters on the agenda for the meeting which fall within their specific scope of responsibility. Representatives from the Group's internal audit function are normally invited for attendance at each meeting. Representatives of the external auditors are also invited from time to time to brief the Committee on related audit matters.

A minimum of four meetings per year is planned, although additional meetings may be called at any time at the Committee Chairman's discretion.

At least twice a year, the Committee shall meet with the external auditors, the internal auditors or both, without the presence of any executives of the Group.

#### PROCEDURES OF MEETINGS

- a) The Committee Chairman shall preside at all meetings. In his absence, Committee members present shall elect among themselves an independent Director to be the chairman of the meeting;
- b) The Committee Chairman may call for a meeting upon the request of the internal or external auditors or any Committee Member, or the Company's Chairman or CEO, in order to consider any matter that should be brought to the attention of the Directors or shareholders;
- c) The Secretary of the Committee shall, with the agreement of the Committee Chairman, draw up the agenda for the meeting and the agenda shall be sent to all members of the Committee and any other persons who may be required to attend;
- d) A minimum seven days' notice shall be given for all meetings. Nevertheless, a shorter notice is permitted subject to agreement by all Committee members;
- e) All decisions are determined by a majority of votes. In case of equality of votes, the Committee Chairman shall have a casting vote; and
- f) A resolution in writing signed by a majority of the Committee members and constituting a quorum shall be effective as a resolution passed at a meeting of the Committee.

## audit committee report (cont'd)

### 2. TERMS OF REFERENCE (Cont'd)

#### MINUTES OF MEETINGS

The Company Secretary shall attend the meetings of the Committee and keep written minutes of all proceedings. Minutes of meetings must be signed by the Chairman of the meeting and are kept at the registered office of the Company.

#### FUNCTIONS

The Committee shall review, appraise and report to the Board on:-

- a) The discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and ensures co-ordination of audit where more than one audit firm is involved;
- b) The review with the external auditors, their evaluation of the system of internal controls and the Statement on Internal Control, together with their management letters and Management's response;
- c) The discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss (in the absence of Management, where necessary);
- d) The assistance given by the employees of the Group to the external and internal auditors;
- e) The review of the following in respect of internal audit:-
  - Adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - The internal audit programme;
  - The major findings of internal audit investigations and Management's responses, ensuring that appropriate actions are taken on the recommendations of the internal auditors;
  - Co-ordination of external audit with internal audit;
  - Approval of any appointment or termination of the internal auditors, and appraisal of the performance of the Group Internal Audit function; and
  - Resignations of Internal Auditors, together with providing the resigning Internal Auditors an opportunity to submit the reasons for resignation.
- f) The review of quarterly reporting to Bursa Malaysia and year end financial statements of the Group before the submission to the Board, focusing particularly on:-
  - Changes in or implementation of major accounting policies;
  - Significant and unusual events;
  - Compliance with accounting and financial reporting standards and other legal requirements; and
  - Any commentary on the future outlook for the Company and the Group.
- g) The review of any related party transaction and conflict of interest situation that may arise within the Group or the Company, including any transaction, procedure or course of conduct that raises questions of Management integrity;
- h) The review of any letter of resignation from the external auditors together with the reasons for such resignation;
- i) The review of the re-appointment of the Group's external auditors, including the examination of the independence of the external auditors and, where appropriate, the reasons (supported by grounds) why it is not suitable to re-appoint the external auditors;
- j) The recommendation for the nomination and appointment of external auditors, as well as for approval of the audit fee;
- k) Prompt reporting to Bursa Malaysia on any matter reported by the Committee to the Board which has not been satisfactorily resolved, resulting in a breach by the Company of the Listing Requirements of Bursa Malaysia; and
- l) Any other function that may be mutually agreed upon by the Committee and the Board from time to time, which would be beneficial to the Company and the Group and ensure the effective discharge of the Committee's duties and responsibilities.

audit committee report  
(cont'd)

**3. MEMBERS OF THE COMMITTEE**

The Committee comprises of two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director as follows:-

Ng Kok Hok, Committee Chairman <i>(The Committee Chairman is a member of the MIA)</i>	Independent Non-Executive Director
Yahya Bin Razali	Independent Non-Executive Director
Liew Cheng York	Non-Independent Non-Executive Director

**4. MEETINGS OF THE COMMITTEE**

The details of attendance at the Committee meetings in 2010:-

<b>Date of Meeting</b>	<b>Total Committee Members</b>	<b>Attendance by Committee Members (Percentage of Attendance)</b>
1. 23 February 2010 *	3	3 (100%)
2. 12 April 2010	3	3 (100%)
3. 24 May 2010	3	3 (100%)
4. 16 August 2010	3	3 (100%)
5. 22 November 2010 #	3	3 (100%)

\* *Prior to the commencement of this meeting, a private discussion was held between the Committee and external auditors without the presence of Management and executives of the Group.*

# *Prior to the commencement of this meeting, a private discussion was held between the Committee and external auditors and internal auditors without the presence of Management and executives of the Group.*

The details of attendance by individual Committee Member in 2010:-

<b>Name of Member</b>	<b>Total Meetings Attended</b>	<b>Percentage of Attendance</b>
1. Ng Kok Hok	5/5	100%
2. Yahya Bin Razali	5/5	100%
3. Liew Cheng York	5/5	100%

## audit committee report (cont'd)

### 5. INTERNAL AUDIT FUNCTION

In discharging its duties, the Audit Committee is supported by an internal audit function which is outsourced to an independent external consultant who undertakes the necessary activities to enable the Committee to discharge its functions effectively. The Committee regards the internal audit function as essential to assist in obtaining the assurance it requires regarding the effectiveness of the systems of internal controls within the Company and the Group.

During the financial year under review, the internal auditor conducted internal audits to assess the effectiveness and integrity of the system of internal controls of the Company and certain operating units in the Group in accordance with the approved audit plan by the Committee. The findings and recommendations for improvements were presented to the Audit Committee for deliberation. The costs incurred by the Group for the internal audit function during the year amounted to RM48,396.

### 6. ACTIVITIES DURING THE YEAR

During the financial year, the Committee carried out its duties in accordance with its term of reference. The main activities undertaken by the Committee were as follows:-

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters.
- Held two private meetings with the external auditors without the presence of the Management.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors.
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services (if any).
- Reviewed the internal auditors' scope of work, function, competency and resources in carrying out the internal audit work.
- Held a private meeting with the internal auditors without the presence of Management.
- Reviewed the internal audit reports, which highlighted the internal audit findings, recommendations and management's response. Discussed with Management, actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Reviewed the effectiveness of enterprise risk management framework and risk assessment reports. Significant risks issues were summarised and communicated to the Board for consideration and resolution.
- Reviewed the Annual Report and the Audited Financial Statements of the Group and the Company, prior to the submission to the Board for their consideration and approval, to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards as determined and set out by The Malaysian Accounting Standard Board ("MASB"). Any significant issues arising from the audit of the financial statements by the external auditors were deliberated upon.

audit committee report  
(cont'd)

**6. ACTIVITIES DURING THE YEAR (Cont'd)**

- Reviewed the quarterly unaudited financial results announcements of the Group before recommending them to the Board for its approval. The review and discussion of these announcements was conducted with the presence of the Executive Directors.
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Listing Requirements of Bursa Malaysia, applicable approved accounting standards set by MASB and other relevant legal and regulatory requirements.
- Reviewed related party transactions entered into by the Company and the Group to ensure that such transactions were undertaken in line with the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient.

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# directors' report

for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of its subsidiaries are as stated in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit attributable to:		
Owners of the Company	15,569	3,552
Minority interests	371	-
Profit for the year	<u>15,940</u>	<u>3,552</u>

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

## DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

## DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Datuk Goh Tian Chuan  
Ooi Boon Pin  
Chen Heng Mun  
Ng Kok Hok  
Yahya bin Razali  
Liew Cheng York

## directors' report for the year ended 31 December 2010 (cont'd)

### DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			Balance at 31.12.2010
	Balance at 1.1.2010	Bought	Sold	
<b>Shares in the Company</b>				
Datuk Goh Tian Chuan				
- direct interest	35,510,365	-	-	35,510,365
- indirect interest *	8,287,500	-	-	8,287,500
Chen Heng Mun	105,187	-	-	105,187
Ooi Boon Pin	10,000	-	-	10,000
Liew Cheng York	1,614,750	-	-	1,614,750

	Number of warrants			Balance at 31.12.2010
	Balance at 1.1.2010	Bought	Sold	
<b>Warrants in the Company</b>				
Datuk Goh Tian Chuan				
- direct interest	13,002,023	-	-	13,002,023
- indirect interest *	1,625,000	-	-	1,625,000
Chen Heng Mun	20,625	-	-	20,625
Liew Cheng York	22,500	-	-	22,500

\* Deemed interest by virtue of his interest in Cara Kaya Sdn. Bhd.

By virtue of his interest in the shares of the Company, Datuk Goh Tian Chuan is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2010 had any interest in the shares, warrants or options of the Company and of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and fees paid or payable to Directors as shown in the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Company's outstanding warrants.

## directors' report for the year ended 31 December 2010 (cont'd)

### ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

No debentures were issued during the financial year.

### TREASURY SHARES

There were no repurchases or resale of shares during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES OR WARRANTS

#### *i) Options*

There were no share options granted during the year.

#### *ii) Warrants*

There were no warrants issued during the year.

In 2008, 26,230,129 Warrants C were issued and allotted pursuant to the Company's Rights Issue. Warrants C have an exercise period of 10 years commencing 12 March 2008 and ending on 9 March 2018, and an exercise price of RM1.00 each for each new ordinary share in the Company.

As at 31 December 2010, 26,230,129 Warrants C remained unexercised.

### OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

## directors' report for the year ended 31 December 2010 (cont'd)

### **OTHER STATUTORY INFORMATION (Cont'd)**

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the increase in fair value of other investment of RM3,298,000, for the Group and the Company and gain on disposal of investment properties of RM2,596,000 for the Group as disclosed in Note 19 to the financial statements, the results of the operations of the Group and the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction and event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 31 to the financial statements.

### **SUBSEQUENT EVENTS**

Events subsequent to the end of the reporting period are disclosed in Note 32 to the financial statements.

### **AUDITORS**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
**Datuk Goh Tian Chuan**

.....  
**Ooi Boon Pin**

Shah Alam,  
Date: 13 April 2011

# statements of financial positions

as at 31 December 2010

Note	Group			Company		
	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated	31.12.2010 RM'000	31.12.2009 RM'000	
<b>Assets</b>						
Property, plant and equipment	3	<b>104,175</b>	104,927	112,907	<b>41</b>	48
Goodwill on consolidation	4	<b>4,326</b>	4,326	4,326	-	-
Investment properties	5	<b>11,033</b>	2,011	2,056	-	-
Investments in subsidiaries	6	-	-	-	<b>105,957</b>	105,957
Other investment	7	<b>13,456</b>	6,990	4,917	<b>13,456</b>	6,990
<b>Total non-current assets</b>		<b>132,990</b>	118,254	124,206	<b>119,454</b>	112,995
Trade and other receivables	8	<b>39,497</b>	39,250	31,752	<b>15,019</b>	16,203
Prepayments		<b>642</b>	1,006	495	<b>40</b>	19
Inventories	9	<b>19,901</b>	16,668	17,258	-	-
Current tax assets		<b>145</b>	1,511	1,348	<b>102</b>	1,324
Cash and cash equivalents	10	<b>16,697</b>	21,076	17,329	<b>1,885</b>	880
<b>Total current assets</b>		<b>76,882</b>	79,511	68,182	<b>17,046</b>	18,426
<b>Total assets</b>		<b>209,872</b>	197,765	192,388	<b>136,500</b>	131,421
<b>Equity</b>						
Share capital	11	<b>173,873</b>	173,873	173,873	<b>173,873</b>	173,873
Reserves	12	<b>11,780</b>	11,780	12,193	<b>4,437</b>	4,437
Accumulated losses		<b>(51,492)</b>	(68,816)	(77,733)	<b>(70,998)</b>	(76,213)
<b>Total equity attributable to owners of the Company</b>		<b>134,161</b>	116,837	108,333	<b>107,312</b>	102,097
<b>Minority interest</b>	14	<b>10,108</b>	9,731	9,317	-	-
<b>Total equity</b>		<b>144,269</b>	126,568	117,650	<b>107,312</b>	102,097

statements of financial positions as at 31 December 2010  
(cont'd)

Note	Group			Company		
	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated	31.12.2010 RM'000	31.12.2009 RM'000	
<b>Liabilities</b>						
Borrowings	15	17,283	26,853	32,882	11,003	17,048
Government grant	17	-	-	552	-	-
Deferred tax liabilities	16	8,791	9,859	8,466	-	-
<b>Total non-current liabilities</b>		<b>26,074</b>	36,712	41,900	<b>11,003</b>	17,048
Government grant	17	-	552	859	-	-
Trade and other payables	18	27,751	23,687	18,484	12,040	6,724
Tax liabilities		740	17	1,010	-	-
Borrowings	15	11,038	10,229	12,485	6,145	5,552
<b>Total current liabilities</b>		<b>39,529</b>	34,485	32,838	<b>18,185</b>	12,276
<b>Total liabilities</b>		<b>65,603</b>	71,197	74,738	<b>29,188</b>	29,324
<b>Total equity and liabilities</b>		<b>209,872</b>	197,765	192,388	<b>136,500</b>	131,421

The notes on pages 38 to 95 are an integral part of these financial statements.

# statements of comprehensive income

for the year ended 31 December 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Revenue</b>					
- sale of goods		143,369	110,709	-	-
- dividend (gross)		259	147	2,259	8,351
- services		23,772	22,524	2,404	2,088
		<b>167,400</b>	133,380	<b>4,663</b>	10,439
Cost of sales		(118,346)	(92,624)	-	-
Other costs		(19,715)	(18,225)	-	-
		<b>(138,061)</b>	(110,849)	-	-
<b>Gross profit</b>		<b>29,339</b>	22,531	<b>4,663</b>	10,439
Administrative expenses		(14,442)	(11,251)	(2,498)	(2,455)
Distribution costs		(1,772)	(2,009)	-	-
Other operating expenses		(1,700)	(1,852)	(740)	(3,279)
Other operating income		8,255	5,924	3,506	2,156
<b>Results from operating activities</b>	19	<b>19,680</b>	13,343	<b>4,931</b>	6,861
Interest income	20	262	446	154	464
Finance costs	21	(2,399)	(3,108)	(1,532)	(2,062)
<b>Profit before tax</b>		<b>17,543</b>	10,681	<b>3,553</b>	5,263
Tax expense	23	(1,603)	(1,750)	(1)	(14)
<b>Profit/Total comprehensive income for the year</b>		<b>15,940</b>	8,931	<b>3,552</b>	5,249
<b>Profit/Total comprehensive income attributable to:</b>					
Owners of the Company		15,569	8,517	3,552	5,249
Minority interests		371	414	-	-
<b>Profit/Total comprehensive income for the year</b>		<b>15,940</b>	8,931	<b>3,552</b>	5,249
<b>Earnings per ordinary share (sen):</b>	24				
Basic		8.95	4.90		
Diluted		7.78	N/A		

The notes on pages 38 to 95 are an integral part of these financial statements.

# consolidated statement of changes in equity

for the year ended 31 December 2010

Note	Share capital RM'000	Share premium RM'000	Non-distributable				Equity		Total equity RM'000
			Capital reserve RM'000	Revaluation reserve RM'000	compensation reserve RM'000	Accumulated losses RM'000	Minority interest RM'000	Total RM'000	
<b>At 1 January 2009</b>	173,873	4,437	6,041	1,302	413	(77,733)	108,333	9,317	117,650
Reversal of equity compensation reserve due to expiration of the Company's employees' share option scheme	-	-	-	-	(400)	400	-	-	-
Net losses recognised directly in equity	-	-	-	-	(400)	400	-	-	-
Total comprehensive income for the year	-	-	-	-	-	8,517	8,517	414	8,931
Total recognised income and expenses for the year	-	-	-	-	(400)	8,917	8,517	414	8,931
Share-based payments	-	-	-	-	(13)	-	(13)	-	(13)
<b>At 31 December 2009</b>	173,873	4,437	6,041	1,302	-	(68,816)	116,837	9,731	126,568
<b>At 1 January 2010</b>	173,873	4,437	6,041	1,302	-	(68,816)	116,837	9,731	126,568
- as previously stated	-	-	-	-	-	1,755	1,755	6	1,761
- effect of adopting FRS 139	-	-	-	-	-	-	-	-	-
<b>At 1 January 2010, restated</b>	173,873	4,437	6,041	1,302	-	(67,061)	118,592	9,737	128,329
Total comprehensive income for the year	-	-	-	-	-	15,569	15,569	371	15,940
<b>At 31 December 2010</b>	<b>173,873</b>	<b>4,437</b>	<b>6,041</b>	<b>1,302</b>	<b>-</b>	<b>(51,492)</b>	<b>134,161</b>	<b>10,108</b>	<b>144,269</b>

The notes on pages 38 to 95 are an integral part of these financial statements.

# company statement of changes in equity

for the year ended 31 December 2010

Note	← Non-distributable →				Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share compensation reserve RM'000	Accumulated losses RM'000	
	173,873	4,437	413	(81,862)	96,861
13	-	-	(400)	400	-
	-	-	(13)	-	(13)
	-	-	-	5,249	5,249
	173,873	4,437	-	(76,213)	102,097
33	173,873	4,437	-	(76,213)	102,097
	-	-	-	1,663	1,663
	173,873	4,437	-	(74,550)	103,760
	-	-	-	3,552	3,552
	<b>173,873</b>	<b>4,437</b>	<b>-</b>	<b>(70,998)</b>	<b>107,312</b>

## At 1 January 2009

Reversal of equity compensation reserve due to the expiration of the Company's employees' share option scheme  
Share-based payment  
Total comprehensive income for the year

## At 31 December 2009

At 1 January 2010  
- as previously stated  
- effect of adopting FRS 139

## At 1 January 2010, restated

Total comprehensive income for the year

## At 31 December 2010

The notes on pages 38 to 95 are an integral part of these financial statements.

# statements of cash flows

for the year ended 31 December 2010

Note	Group		Company	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	<b>17,543</b>	10,681	<b>3,553</b>	5,263
Adjustments for:				
Amortisation of government grant	<b>(552)</b>	(859)	-	-
Amount owing by/to subsidiaries (waived)/written off (net)	-	-	<b>(1)</b>	2,569
Bad debts written off	<b>20</b>	146	-	146
Changes in fair value of other investment	<b>(3,298)</b>	-	<b>(3,298)</b>	-
Changes in fair value of derivatives	<b>(27)</b>	-	-	-
Depreciation of property, plant and equipment	<b>14,078</b>	15,072	<b>18</b>	25
Depreciation of investment properties	<b>7</b>	45	-	-
Dividend income	<b>(259)</b>	(148)	<b>(2,259)</b>	(8,351)
Gain on disposal of investment properties	<b>(2,596)</b>	-	-	-
(Gain)/Loss on disposal of property, plant and equipment (net)	<b>(40)</b>	-	<b>1</b>	-
Impairment loss on property, plant and equipment	<b>685</b>	-	-	-
Impairment loss on trade and other receivables (net)	<b>131</b>	405	<b>341</b>	-
Interest expense	<b>2,298</b>	3,003	<b>1,531</b>	2,060
Interest income	<b>(262)</b>	(446)	<b>(154)</b>	(464)
Inventories written off	<b>551</b>	483	-	-
Property, plant and equipment written off	<b>1</b>	1	<b>1</b>	1
Reversal of impairment loss on other investment	-	(2,073)	-	(2,073)
Share-based payments	-	(13)	-	-
Unrealised foreign exchange loss/(gain)	<b>721</b>	(341)	-	-
Operating profit/(loss) before changes in working capital	<b>29,001</b>	25,956	<b>(267)</b>	(824)
Changes in working capital:				
Trade and other receivables and prepayments	<b>(417)</b>	(8,560)	<b>822</b>	(5,633)
Trade and other payables	<b>4,379</b>	5,544	<b>5,317</b>	4,944
Inventories	<b>(3,784)</b>	107	-	-
Cash generated from/(used in) operations	<b>29,179</b>	23,047	<b>5,872</b>	(1,513)
Income taxes paid	<b>(1,803)</b>	(1,527)	-	(14)
Income taxes refunded	<b>1,286</b>	51	<b>1,286</b>	-
<b>Net cash generated from/(used in) operating activities</b>	<b>28,662</b>	21,571	<b>7,158</b>	(1,527)

statements of cash flows for the year ended 31 December 2010  
(cont'd)

	Note	Group		Company	
		2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of other investment		(1,535)	-	(1,535)	-
Acquisition of investment property		(11,033)	-	-	-
Dividend received		194	111	2,194	8,314
Interest received		262	446	154	464
Proceeds from disposal of property, plant and equipment		128	-	1	-
Proceeds from disposal of other investment		30	-	30	-
Proceeds from disposal of investment property		4,600	-	-	-
Purchase of property, plant and equipment	(ii)	(12,680)	(7,093)	(14)	(3)
Placement of pledged deposits with a licensed bank		(28)	(40)	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(20,062)</b>	<b>(6,576)</b>	<b>830</b>	<b>8,775</b>
<b>Cash flows from financing activities</b>					
Repayment of bank borrowings		(9,407)	(7,601)	(5,452)	(4,900)
Interest paid		(2,298)	(3,003)	(1,531)	(2,060)
Repayment of finance lease arrangements		(774)	(684)	-	-
<b>Net cash used in financing activities</b>		<b>(12,479)</b>	<b>(11,288)</b>	<b>(6,983)</b>	<b>(6,960)</b>
Net (decrease)/increase in cash and cash equivalents		(3,879)	3,707	1,005	288
Effect of exchange rate fluctuations on cash and cash equivalents		(528)	-	-	-
Cash and cash equivalents at beginning of year		20,129	16,422	880	592
<b>Cash and cash equivalents at end of year</b>	(i)	<b>15,722</b>	<b>20,129</b>	<b>1,885</b>	<b>880</b>

statements of cash flows for the year ended 31 December 2010  
(cont'd)

**(i) Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances	10	<b>3,482</b>	7,361	<b>633</b>	537
Short term placement funds with approved financial institutions	10	<b>4,975</b>	9,961	<b>1,147</b>	241
Deposits placed with licensed banks	10	<b>8,240</b>	3,754	<b>105</b>	102
		<b>16,697</b>	21,076	<b>1,885</b>	880
Less: Deposits pledged		<b>(975)</b>	(947)	-	-
		<b>15,722</b>	20,129	<b>1,885</b>	880

**(ii) Purchase of property, plant and equipment**

During the year, the Group purchased property, plant and equipment with the following aggregate cost, of which RM1,420,000 (2009 – RM Nil) were acquired by means of finance lease arrangements.

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
By means of:					
- Finance lease		<b>1,420</b>	-	-	-
- Cash and cash equivalents		<b>12,680</b>	7,093	<b>14</b>	3
	3	<b>14,100</b>	7,093	<b>14</b>	3

# notes to the financial statements

AIC Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The address of its registered office and principal place of business is as follows:

## **Registered office/Principal place of business**

Wisma AIC  
Lot 3, Persiaran Kemajuan  
Seksyen 16  
40200 Shah Alam  
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as stated in Note 6.

The financial statements were authorised for issue by the Board of Directors on 13 April 2011.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010***

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010***

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

notes to the financial statements  
(cont'd)

**BASIS OF PREPARATION (Cont'd)**

**(a) Statement of compliance (Cont'd)**

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011***

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 2, *Group cash-settled Share-based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfer of Assets from Customers*
- Improvements to FRS (2010)

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011***

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012***

- FRS 124, *Related Party Disclosures (revised)*
- IC Interpretation 15, *Arrangements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for FRS 1, Amendments to FRS 5, IC Interpretation 12, IC Interpretation 16, IC Interpretation 17 and IC Interpretation 18 which are not applicable to the Group or the Company.
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012 except for IC Interpretation 19, Amendments to IC Interpretation 14 and IC Interpretation 15 which are not applicable to the Group or the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impact to the current and prior periods' financial statements upon their first adoption.

## notes to the financial statements (cont'd)

### 1. BASIS OF PREPARATION (Cont'd)

#### (a) Statement of compliance (Cont'd)

The expected changes in accounting policies are as follows:

##### **FRS 3 (revised), *Business Combinations***

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

##### **FRS 127 (2010), *Consolidated and Separate Financial Statements***

- The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders. Currently, changes in group composition are accounted for in accordance with the accounting policies as described in note 2(a)(ii).
- The amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in note 2(a)(iii).

The above changes in accounting policies are not expected to have material impacts on the Group.

Following the announcement by the MASB on 1 August 2008, the Group's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning on 1 January 2012.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

## notes to the financial statements (cont'd)

### 1. BASIS OF PREPARATION (Cont'd)

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- *Note 4 - measurement of the recoverable amounts of cash-generating units*
- *Note 16 - deferred tax assets/(liabilities)*
- *Note 28 - fair value of financial instruments*

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, other than those disclosed in the following notes:

- Note 2(c) – Financial instruments
- Note 2(e) – Leased assets
- Note 2(i) – Receivables
- Note 2(q) – Borrowing costs
- Note 2(s) – Operating segments

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

##### (ii) Changes in Group composition

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(a) Basis of consolidation (Cont'd)**

**(iii) Minority interest**

Minority interest at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interest in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interest and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

**(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency**

***Foreign currency transactions***

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

**(c) Financial instruments**

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 33.

**(i) Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(c) Financial instruments (Cont'd)**

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

***(b) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specially designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gain or loss recognised in profit or loss.

**(iii) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(c) Financial instruments (Cont'd)**

**(iii) Derecognition (Cont'd)**

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

**(d) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses.

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(d) Property, plant and equipment (Cont'd)**

**(iii) Depreciation**

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated whereas leasehold land is depreciated over the period of the lease.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold lands	37 to 55 years
Leasehold buildings	50 to 60 years
Plant and machinery	3 to 10 years
Furniture, fittings and office equipment	4 to 20 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at the date of the statement of financial position.

**(e) Leased assets**

**(i) Finance lease**

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**(ii) Operating lease**

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating lease and leased assets are not recognised on the Group's statement of financial position.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively. The reclassification does not affect the basic and diluted earnings per ordinary share for the year.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(e) Leased assets (Cont'd)**

**(ii) Operating lease (Cont'd)**

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**(f) Investment properties**

***Investments properties carried at cost***

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful life of 50 to 60 years for buildings. Long term leasehold land is not depreciated due to the nature of the long term lease.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

***Determination of fair value***

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**(g) Goodwill**

Goodwill arises on business combinations is measured at cost less accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition (negative goodwill) is recognised immediately in the profit or loss.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**(i) Receivables**

Prior to 1 January 2010, receivables were initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. Subsequent to initial recognition, receivables were stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

Receivables are not held for the purpose of trading.

**(j) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

**(k) Impairment of assets**

**(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in the profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(k) Impairment of assets (Cont'd)**

**(ii) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(l) Equity instruments**

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

**(i) Shares issue expenses**

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

**(ii) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

notes to the financial statements  
(cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Employee benefits

#### (i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees' Provident Fund are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. Prior to 2006, share options granted to employees was not recognised as an employee cost. Following the adoption of FRS 2, *Share-based Payment* in 2006, on the grant date, fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied only for those share options granted after 31 December 2004 and have not vested as of 1 January 2007 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a Trinomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour) adjusted for effects of non-transferability and non-tradeability of the options, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(o) Revenue and other income**

**(i) Goods sold**

Revenue from sale of goods is measured at the fair value of the consideration receivable net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

**(ii) Services rendered**

Revenue from services is recognised in the profit or loss when the services have been rendered. Revenue from management services is accrued, by reference to the agreements entered.

**(iii) Dividend income**

Dividend income is recognised when the right to receive payment is established which in the case of quoted securities is the ex-dividend date.

**(iv) Rental income**

Rental income is accrued, by reference to the agreements entered.

**(v) Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

**(vi) Government grants**

Government grants are recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in the profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss on a systematic basis over the useful life of the asset.

**(p) Tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(p) Tax expense (Cont'd)**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

**(q) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(r) Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants in issue.

notes to the financial statements  
(cont'd)

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(s) Operating segments**

In the previous years, a segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision makers, which in this case are Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**3. PROPERTY, PLANT AND EQUIPMENT**

Group	Short term leasehold lands RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost/Valuation</b>						
At 1 January 2009, restated	8,935	41,557	278,431	20,516	1,200	350,639
Additions	-	2	6,972	119	-	7,093
Reclassifications	-	(780)	-	780	-	-
Write offs	-	-	-	(11)	-	(11)
At 31 December 2009/ 1 January 2010, restated	8,935	40,779	285,403	21,404	1,200	357,721
Additions	-	17	12,960	445	678	14,100
Disposals	-	-	(113)	(234)	(51)	(398)
Write offs	-	-	-	(223)	-	(223)
At 31 December 2010	<b>8,935</b>	<b>40,796</b>	<b>298,250</b>	<b>21,392</b>	<b>1,827</b>	<b>371,200</b>
<b>Representing items at:</b>						
Cost	<b>935</b>	<b>6,655</b>	<b>298,250</b>	<b>21,392</b>	<b>1,827</b>	<b>329,059</b>
Directors' valuation	<b>8,000</b>	<b>34,141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,141</b>
	<b>8,935</b>	<b>40,796</b>	<b>298,250</b>	<b>21,392</b>	<b>1,827</b>	<b>371,200</b>

notes to the financial statements  
(cont'd)

**3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

Group	Short term leasehold lands RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Depreciation and impairment losses</b>						
At 1 January 2009, restated						
Accumulated depreciation	1,275	5,756	211,034	18,290	692	237,047
Accumulated impairment losses	-	-	685	-	-	685
Depreciation for the year	1,275	5,756	211,719	18,290	692	237,732
Reclassification	160	756	13,090	866	200	15,072
Write offs	-	(442)	-	442	-	-
	-	-	-	(10)	-	(10)
At 31 December 2009/ 1 January 2010, restated						
Accumulated depreciation	1,435	6,070	224,124	19,588	892	252,109
Accumulated impairment losses	-	-	685	-	-	685
Depreciation for the year	1,435	6,070	224,809	19,588	892	252,794
Impairment losses for the year	161	756	12,323	666	172	14,078
Disposal	-	-	636	49	-	685
Write offs	-	-	(29)	(231)	(50)	(310)
	-	-	-	(222)	-	(222)
At 31 December 2010						
Accumulated depreciation	<b>1,596</b>	<b>6,826</b>	<b>236,418</b>	<b>19,801</b>	<b>1,014</b>	<b>265,655</b>
Accumulated impairment losses	-	-	<b>1,321</b>	<b>49</b>	-	<b>1,370</b>
	<b>1,596</b>	<b>6,826</b>	<b>237,739</b>	<b>19,850</b>	<b>1,014</b>	<b>267,025</b>
<b>Carrying amounts</b>						
At 1 January 2009, restated	7,660	35,801	66,712	2,226	508	112,907
At 31 December 2009/ 1 January 2010, restated	7,500	34,709	60,594	1,816	308	104,927
At 31 December 2010	<b>7,339</b>	<b>33,970</b>	<b>60,511</b>	<b>1,542</b>	<b>813</b>	<b>104,175</b>

The carrying amounts of short term leasehold lands at 1 January 2009 and 31 December 2009 have been restated following the adoption of the amendments to FRS 117, *Leases*, where leasehold lands, which in substance is a finance lease and is used for the production or supply of goods and services and for administrative purposes, have been reclassified from prepaid lease payments to property, plant and equipment.

notes to the financial statements  
(cont'd)

**3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

<b>Company</b>	<b>Furniture, fittings and office equipment RM'000</b>
<b>Cost</b>	
At 1 January 2009	626
Additions	3
Write offs	(11)
	<hr/>
At 31 December 2009/1 January 2010	618
Additions	14
Disposals	(6)
Write offs	(196)
	<hr/>
At 31 December 2010	<b>430</b>
	<hr/>
<b>Depreciation</b>	
At 1 January 2009	555
Depreciation for the year	25
Write offs	(10)
	<hr/>
At 31 December 2009/1 January 2010	570
Depreciation for the year	18
Disposals	(4)
Write offs	(195)
	<hr/>
At 31 December 2010	<b>389</b>
	<hr/>
<b>Carrying amounts</b>	
At 1 January 2009	71
	<hr/>
At 31 December 2009/1 January 2010	48
	<hr/>
At 31 December 2010	<b>41</b>
	<hr/>

notes to the financial statements  
(cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

#### Revaluation

The Group's leasehold land and buildings were revalued in 2001 by the Directors based on valuations by independent qualified valuers on an open market value basis using the comparison method. Surpluses arising from the revaluation made in 2001 were credited to the revaluation reserve.

The Group's leasehold land and buildings were again revalued by the Directors in 2006 based on valuations by an independent registered valuer on an open market value basis. The Directors deemed the valuation gain as immaterial and as such the carrying value was not adjusted to the revalued amount.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses (if any), the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
Leasehold land and buildings		
Cost	<b>24,127</b>	24,127
Accumulated depreciation	<b>(5,085)</b>	(4,676)
Net book value at the end of the financial year	<b>19,042</b>	19,451

#### Security

At 31 December 2010, the property, plant and equipment of the Group with the following carrying amounts are charged to financial institutions as securities for borrowings of the Group (see Note 15).

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Carrying amounts</b>		
Short term leasehold land	<b>6,623</b>	6,768
Leasehold buildings	<b>28,653</b>	29,259
Plant and machinery	<b>52,203</b>	51,972
Furniture, fittings and office equipment	<b>1,095</b>	1,221
Motor vehicles	<b>88</b>	122
	<b>88,662</b>	89,342

notes to the financial statements  
(cont'd)

**3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

**Assets under finance lease arrangements**

At 31 December 2010, the net carrying amounts of property, plant and equipment of the Group under finance lease arrangements are as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Carrying amounts</b>		
Plant and machinery	<b>3,370</b>	2,933
Motor vehicles	<b>762</b>	242
	<hr/>	<hr/>
Total	<b>4,132</b>	3,175
	<hr/>	<hr/>

**4. GOODWILL ON CONSOLIDATION**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January/31 December	<b>4,326</b>	4,326
	<hr/>	<hr/>

**Impairment testing for cash-generating units containing goodwill**

Goodwill arose from the acquisition of the semiconductor division. The goodwill impairment test was based on value in use and was determined by the management. Value in use was determined by assessing the semiconductor division's projected results and cash flows.

The values assigned to the key assumptions used in preparing the projections represent management's assessment of future trends in the semiconductor division and are based on internal sources (historical data).

notes to the financial statements  
(cont'd)

**5. INVESTMENT PROPERTIES**

Group	Long term leasehold land RM'000	Short term leasehold lands RM'000	Leasehold buildings RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2009/31 December 2009/ 1 January 2010, restated	-	522	1,748	2,270
Acquisitions	11,033	-	-	11,033
Disposals	-	(522)	(1,748)	(2,270)
At 31 December 2010	<b>11,033</b>	-	-	<b>11,033</b>
<b>Accumulated depreciation</b>				
At 1 January 2009, restated	-	44	170	214
Depreciation for the year	-	10	35	45
At 31 December 2009/1 January 2010, restated	-	54	205	259
Depreciation for the year	-	2	5	7
Disposals	-	(56)	(210)	(266)
At 31 December 2010	-	-	-	-
<b>Carrying amounts</b>				
At 31 December 2010	<b>11,033</b>	-	-	<b>11,033</b>
At 31 December 2009/1 January 2010, restated	-	468	1,543	2,011
At 1 January 2009, restated	-	478	1,578	2,056

The carrying amounts of short term leasehold lands at 1 January 2009 and 31 December 2009 have been restated following the adoption of the amendments to FRS 117, *Leases*, when leasehold land which in substance is a finance lease and is held solely to earn rental income and/or for capital appreciation, have been reclassified from prepaid lease payments to investment properties.

Included in investment properties were factory land and buildings leased to third parties for rental income of RM116,000 (2009 - RM204,000). These leasehold properties were disposed off in 2010 for RM4,600,000.

As mentioned in Note 31, the Group acquired a parcel of long term leasehold land during the year. The long term leasehold land has an unexpired lease term of 914 years.

The Directors estimate the fair values of the investment properties to approximate their carrying amounts at year end.

**Security**

In 2009, an investment property of the Group with a carrying value totaling RM2,011,000 was charged to a financial institution as security for borrowings (see Note 15).

notes to the financial statements  
(cont'd)

**6. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares in Malaysia - at cost	<b>119,130</b>	119,130
Less: Impairment losses	<b>(13,173)</b>	(13,173)
	<b>105,957</b>	105,957

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2010 %	2009 %
AIC Technology Sdn. Bhd. <i>and its subsidiary</i>	Investment holding	Malaysia	<b>100</b>	100
AIC Semiconductor Sdn. Bhd.	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	Malaysia	<b>94</b>	94
Prodelcon Sdn. Bhd. ("Prodelcon")	Manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures and the design and manufacture of turnkey automation systems	Malaysia	<b>100</b>	100
AIC Inspirasi Sdn. Bhd.	Investment holding	Malaysia	<b>100</b>	100
AIC Properties Sdn. Bhd. <sup>(1)</sup>	Dormant	Malaysia	<b>100</b>	100
Custom Tooling (Malaysia) Sdn. Bhd.	Dormant	Malaysia	<b>100</b>	100
Custom Tooling Engineering (Malaysia) Sdn. Bhd.	Dormant	Malaysia	<b>100</b>	100
Integral CAD Technologies Sdn. Bhd. <i>and its subsidiary</i>	Dormant	Malaysia	<b>100</b>	100
Alpha Mediatech Sdn. Bhd.	Dormant	Malaysia	<b>100</b>	100

notes to the financial statements  
(cont'd)

**6. INVESTMENTS IN SUBSIDIARIES (Cont'd)**

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2010 %	2009 %
AIC-Topstek Communications Sdn. Bhd. <sup>(2)</sup>	Dormant	Malaysia	100	100

<sup>(1)</sup> The auditors' reports on the financial statements of this subsidiary contains an emphasis of matter on going concern. The ability of this subsidiary to continue as a going concern is dependent on the continuing financial support from the holding company.

<sup>(2)</sup> Subsidiary audited by other firm of accountants.

**7. OTHER INVESTMENT**

	Group and Company Quoted shares in Malaysia RM'000
<b>2010</b>	
<b>Non-current</b>	
Financial assets at fair value through profit or loss	
- Designated upon initial recognition	13,456
Market value	13,456
<b>2009</b>	
<b>Non-current</b>	
At cost	12,292
Less: Impairment loss	(5,302)
Carrying amount	6,990
Market value	8,653

The quoted shares represent ordinary shares in AutoV Corporation Berhad (formerly known as AV Ventures Corporation Berhad) ("AutoV"), a company listed on the Main Market of Bursa Malaysia. The quoted shares represent an effective equity interest of 19.9% (2009 - 17%) in AutoV as at 31 December 2010. An impairment loss of RM5,302,000 was made at 31 December 2009 to reflect the investment at its weighted average market value for the month of December 2010.

notes to the financial statements  
(cont'd)

**7. OTHER INVESTMENT (Cont'd)**

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

At 1 January 2010, the increase in fair value of other investment amounting to RM1,663,000 upon adoption of FRS 139, was recognised to the opening accumulated losses of the Group and the Company. At 31 December 2010, the increase in fair value of other investment during the year amounting to RM3,298,000 was recognised in the profit and loss of the Group and the Company.

**8. TRADE AND OTHER RECEIVABLES**

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	8.1	<b>35,189</b>	33,467	-	-
Less: Impairment losses	8.2	<b>(180)</b>	(639)	-	-
		<b>35,009</b>	32,828	-	-
Other receivables and deposits	8.3	<b>4,363</b>	6,422	<b>3,929</b>	4,604
Amount due from subsidiaries					
- non-trade	8.4	-	-	<b>11,035</b>	11,599
- trade	8.4	-	-	<b>55</b>	-
Forward contracts at fair value through profit or loss:					
- Designated upon initial recognition		<b>125</b>	-	-	-
		<b>39,497</b>	39,250	<b>15,019</b>	16,203

**8.1 Trade receivables**

Included in trade receivables of the Group is an amount of RM2,299,000 (2009 - RM6,146,000) due from the minority shareholder of a subsidiary. The trade receivable is subject to normal trade terms.

**8.2 Impairment loss on trade receivables**

During the year, the Group has written off RM249,000 (2009: RM2,526,000) of trade receivables and their corresponding impairment losses of equivalent amount.

notes to the financial statements  
(cont'd)

## 8. TRADE AND OTHER RECEIVABLES (Cont'd)

### 8.3 Other receivables and deposits

Other receivables and deposits of the Group and the Company comprise of the following:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other receivables	1,182	2,802	964	1,391
Less: Impairment losses	(341)	(93)	(341)	(93)
	<b>841</b>	2,709	<b>623</b>	1,298
Deposits	<b>3,522</b>	3,713	<b>3,306</b>	3,306
	<b>4,363</b>	6,422	<b>3,929</b>	4,604

During the year, the Group and the Company has written off RM93,000 (2009: RM187,000) and RM93,000 (2009: RM Nil) respectively, of other receivables and their corresponding impairment losses of equivalent amount.

### 8.4 Amount due from subsidiaries

The amount due from subsidiaries are unsecured, interest free and are repayable on demand except for an amount in the previous year of RM8,974,000 due from a subsidiary which was subject to interest at 5% per annum.

## 9. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
<b>At cost</b>		
Raw materials	10,059	8,074
Work-in-progress	4,633	4,247
Manufactured inventories	1,689	1,060
Consumable goods	3,520	3,287
	<b>19,901</b>	16,668
<b>(Credited)/Expensed in profit or loss:</b>		
Inventories recognised as net (decrease)/increase in cost of sales	(3,784)	107
Inventories written off	551	483
	<b>(3,233)</b>	590
Total		

notes to the financial statements  
(cont'd)

**10. CASH AND CASH EQUIVALENTS**

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits placed with licensed banks	10.1	<b>8,240</b>	3,754	<b>105</b>	102
Short term placement funds with approved financial institutions		<b>4,975</b>	9,961	<b>1,147</b>	241
Cash and bank balances		<b>3,482</b>	7,361	<b>633</b>	537
		<b>16,697</b>	21,076	<b>1,885</b>	880

**10.1** Included in deposits placed with licensed banks of the Group is a deposit of RM975,000 (2009 - RM947,000) pledged for a bank facility granted to a subsidiary.

**11. SHARE CAPITAL**

	Group and Company			
	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Ordinary shares of RM1.00 each Authorised	<b>500,000</b>	<b>500,000</b>	500,000	500,000
Issued and fully paid	<b>173,873</b>	<b>173,873</b>	173,873	173,873

**11.1 Employee's Share Option Scheme ("ESOS")**

The Company's ESOS which became effective on 3 September 2004 had expired on 2 September 2009. Further details of the ESOS are disclosed in Note 13.

**11.2 Warrants**

There were no warrants issued during the year.

In 2008, 26,230,129 warrants ("Warrants C") were issued and allotted pursuant to the Company's rights issue. Warrants C have an exercise period of 10 years commencing 12 March 2009 and ending on 9 March 2018, and an exercise price of RM1.00 each for each new AIC Share.

As at 31 December 2010, all 26,230,129 Warrants C remained unexercised.

## notes to the financial statements (cont'd)

### 12. RESERVES

#### 12.1 Capital reserve

The capital reserve arose from bonus issues and as a result of redemption of preference shares made by a subsidiary in prior years.

#### 12.2 Revaluation reserve

The revaluation reserve relates to the revaluation of the leasehold land and buildings of the Group in prior years.

#### 12.3 Equity compensation reserve

The equity compensation reserve is the Group's share option reserve, which comprises of the cumulative value of employee services received for the issue of share options. When the options of the Group are exercised, the amount from the share option reserve is transferred to share premium. When the share options of the Group expire, the amount from the share option reserve is transferred to retained earnings.

The Company's ESOS expired on 2 September 2009 and hence the share option reserve was realised and transferred to the accumulated losses in 2009.

### 13. EMPLOYEE BENEFITS

#### Share-based payments

Under the Company's ESOS which became effective on 3 September 2004 and which expired on 2 September 2009, options to subscribe for unissued new AIC Shares were made available to eligible Directors and employees (who are confirmed with more than 6 months of service) of the Group.

The salient terms and conditions of the Company's ESOS were as follows:

- i) Eligible employees are employees who are confirmed, on the payroll and assuming an executive position in the Group (excluding dormant and foreign subsidiaries) ("AIC ESOS Group"), and have been in the employment of the Group for at least six (6) months prior or up to the date of offer.
- ii) Eligible Directors are Directors who have been appointed as Directors within the AIC ESOS Group for at least 6 months.

Where the eligible Director is a non-executive Director of the AIC ESOS Group, his/her participation shall be further subjected to the approval of the shareholders of the relevant subsidiary within the AIC ESOS Group of any amendments to the Articles of Association of that company to allow for such participation.

- iii) The maximum number of new AIC Shares in the Company which may be made available under the ESOS shall not be more than 15% (or such other higher percentage as may be permitted by the relevant regulatory authorities from time to time) of the total issued and paid-up share capital of the Company at the point of time when an offer is made. The ESOS shall be in force for a period of 5 years from 3 September 2004.
- iv) The number of AIC Shares allocated, in aggregate, to eligible Directors and senior management shall not exceed fifty percent (50%) of the total AIC Shares available under the ESOS.

notes to the financial statements  
(cont'd)

**13. EMPLOYEE BENEFITS (Cont'd)**

**Share-based payments (Cont'd)**

- v) The number of AIC Shares allocated to any individual eligible employee who, either singly or collectively through persons connected with the eligible employee, holds twenty percent (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total AIC Shares available under the ESOS.
- vi) The options cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- vii) The exercise price shall be based on the 5 day weighted average market price of the Company's ordinary shares as shown in the daily official list issued by Bursa Malaysia at the time the option is offered with a discount of not more than 10%, if deemed appropriate, provided that the exercise price shall not be less than the par value of the ordinary shares of the Company.
- viii) The options granted may be exercised at any time within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- ix) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company within the Group.

Movements in the number of share options held by employees are as follows:

	<b>Group 2009 '000</b>	<b>Company 2009 '000</b>
Outstanding at 1 January	2,247	374
Lapsed due to resignation	(84)	-
Expiry of the ESOS	(2,163)	(374)
Outstanding at 31 December	-	-
Exercisable at 31 December	-	-

No share options of the Company were granted nor exercised in 2009. The ESOS expired on 2 September 2009.

For share options granted before 1 January 2005, as allowed by the transitional provisions in FRS 2, *Share-based Payment*, the recognition and measurement principles in FRS 2 are not applied.

The fair value of services received for share options granted on 1 April 2005 is measured using the Trinomial model.

**Fair value of share options and assumptions**

Fair value at grant date	RM0.22
Share price at grant date	RM1.38
Exercise price	RM1.42
Expected volatility	18.78%
Option life	3.5 years
Dividend yield	0.23%
Risk-free interest rate	2.55%

notes to the financial statements  
(cont'd)

**13. EMPLOYEE BENEFITS (Cont'd)**

**Value of employee services received for issue of share options of the Company:**

	<b>Group 2009 RM'000</b>	<b>Company 2009 RM'000</b>
Share options granted in 2005	(13)	-

**14. MINORITY SHAREHOLDERS' INTERESTS**

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries that they have interest in.

**15. BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
<b>Current</b>				
Term loans - secured	<b>10,082</b>	9,585	<b>6,145</b>	5,552
Finance lease liabilities - secured	<b>956</b>	644	-	-
	<b>11,038</b>	10,229	<b>6,145</b>	5,552
<b>Non-current</b>				
Term loans - secured	<b>15,176</b>	25,080	<b>11,003</b>	17,048
Finance lease liabilities - secured	<b>2,107</b>	1,773	-	-
	<b>17,283</b>	26,853	<b>11,003</b>	17,048
<b>Total borrowings</b>	<b>28,321</b>	37,082	<b>17,148</b>	22,600

**Term loans – secured**

The first secured term loan of the Group and the Company with an initial principal drawdown of RM17,500,000 is subject to an interest rate of 1.5% (2009: 1.5%) above the lending bank's base lending rate and is repayable monthly over a period of 60 months commencing February 2009.

The second secured term loan of the Group and the Company with an initial principal drawdown of RM10,000,000 is subject to an interest rate of 1.5% (2009: 1.5%) above the lending bank's base lending rate and is repayable monthly over a period of 48 months commencing February 2009.

## notes to the financial statements (cont'd)

### 15. BORROWINGS (Cont'd)

#### Term loans – secured (Cont'd)

The first and second secured term loans of the Group and the Company are secured by the following:

- i) a third party legal charge over a piece of leasehold land;
- ii) a memorandum of charge over the shares in AutoV held by the Company;
- iii) a third party memorandum of charge over shares in the Company held by a substantial shareholder; and
- iv) corporate guarantee from a subsidiary.

The third secured term loan of the Group with an initial principal drawdown of RM14,755,000 is subject to an interest rate of 1.5% (2009 - 1.5%) per annum above the lending bank's base lending rate and is repayable monthly over a period of 60 months commencing 1 August 2007.

The third secured term loan is secured by the following:

- i) legal charge over the lease of the landed properties of a subsidiary;
- ii) debenture incorporating fixed and floating charges over the present and future assets of the subsidiary; and
- iii) corporate guarantee by the Company.

The fourth secured term loan of the Group with an initial principal drawdown of RM5,000,000 is subject to an interest rate of 4% (2009: 4.0%) per annum and is repayable over a period of 60 months commencing 1 May 2009.

The fourth secured term loan is secured by the following:

- i) fixed charge over the machinery/equipment of a subsidiary being financed by this fourth secured term loan;
- ii) debenture incorporating fixed and floating charges over the present and future assets of the subsidiary, ranking parri passu with the debenture of the third secured term loan of the Group; and
- iii) corporate guarantee by the Company.

#### Trade financing facilities - secured

The first secured trade financing facility of RM500,000 of the Group is:

- i) secured by a first legal charge over a parcel of leasehold land and building of the subsidiary; and
- ii) supported by a corporate guarantee by the Company.

The second secured trade financing facility of RM2,500,000 of the Group is supported by the corporate guarantee by the Company.

notes to the financial statements  
(cont'd)

## 15. BORROWINGS (Cont'd)

### Finance lease liabilities

At 31 December 2010, the Group has finance lease liabilities that are repayable as follows:

	Minimum lease payments 2010 RM'000	Interest 2010 RM'000	Principal 2010 RM'000	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000
Less than one year	1,139	(183)	956	759	(115)	644
1 - 2 years	1,139	(162)	977	759	(115)	644
2 - 3 years	1,022	(141)	881	759	(115)	644
3 - 4 years	251	(2)	249	582	(97)	485
	<b>3,551</b>	<b>(488)</b>	<b>3,063</b>	2,859	(442)	2,417

The finance lease liabilities of the subsidiaries are subject to interest at flat rates varying from 2.34% to 3.75% (2009 - 2.34% to 3.75%) per annum.

## 16. DEFERRED TAX ASSETS AND LIABILITIES

### Recognised deferred tax assets and liabilities

The recognised deferred tax assets and liabilities of the Group are as follows:

	Group			
	Assets		Liabilities	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment				
- capital allowances in excess of depreciation	-	-	(11,343)	(13,194)
- revaluation	-	-	(416)	(428)
Unabsorbed re-investment allowances	2,835	3,464	-	-
Tax loss carry-forwards	-	384	-	-
Others	133	-	-	(85)
Tax assets/(liabilities)	<b>2,968</b>	3,848	<b>(11,759)</b>	(13,707)
Set off	<b>(2,968)</b>	(3,848)	<b>2,968</b>	3,848
Net deferred tax liabilities	-	-	<b>(8,791)</b>	(9,859)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same taxation authority.

notes to the financial statements  
(cont'd)

**16. DEFERRED TAX ASSETS AND LIABILITIES (Cont'd)**

**Unrecognised deferred tax assets and liabilities**

No deferred tax has been recognised for the following items:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tax loss carry-forwards	<b>16,728</b>	16,728	<b>12,566</b>	12,566
Unabsorbed capital allowances	<b>3,835</b>	4,464	<b>1,636</b>	2,265
Temporary differences				
- property, plant and equipment	<b>(23)</b>	(29)	<b>(23)</b>	(29)
	<b>20,540</b>	21,163	<b>14,179</b>	14,802

The temporary differences above do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit of the Group and of the Company will be available against which the Group and the Company can utilise the benefits.

**Movement in recognised temporary differences during the year**

Group	At	Recognised	At	Recognised	At
	1.1.2009 RM'000	in profit or loss RM'000 Note 23	31.12.2009 RM'000	in profit or loss RM'000 Note 23	31.12.2010 RM'000
Property, plant and equipment					
- capital allowances in					
excess of depreciation	(12,700)	(494)	(13,194)	1,851	<b>(11,343)</b>
- revaluation	(441)	13	(428)	12	<b>(416)</b>
Unabsorbed capital allowances	1,078	(1,078)	-	-	-
Tax loss carry-forwards	552	(168)	384	(384)	-
Unabsorbed re-investment allowances	3,097	367	3,464	(629)	<b>2,835</b>
Other items	(52)	(33)	(85)	218	<b>133</b>
	(8,466)	(1,393)	(9,859)	1,068	<b>(8,791)</b>

notes to the financial statements  
(cont'd)**17. GOVERNMENT GRANT**

	Group	
	2010 RM'000	2009 RM'000
At 1 January	552	1,411
Amortised during the year	(552)	(859)
At 31 December	-	552
Current portion	-	(552)
Non-current portion	-	-

In 2005, a government grant was received by a subsidiary for the development of the prototype integrated circuit chips to serve as a platform for industrial training for a period of 5 years. The government grant is amortised over the tenure of 5 years. There are no other unfulfilled conditions or contingencies attached to the grant.

**18. TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	18.1	17,365	12,727	-	-
Other payables and accruals	18.2	10,386	10,960	477	2,251
Amount due to subsidiaries - non-trade	18.3	-	-	11,563	4,473
		<b>27,751</b>	23,687	<b>12,040</b>	6,724

**18.1 Trade payables**

Included in trade payables of the Group is an amount of RM93,000 (2009 – RM35,000) due from a company in which a person related to a Director of the Company has interest. The trade payable is subject to normal trade terms.

**18.2 Other payables and accruals**

Other payables and accruals of the Group and the Company comprise of the following:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other payables	6,432	6,439	342	1,615
Accruals	3,954	4,521	135	636
	<b>10,386</b>	10,960	<b>477</b>	2,251

notes to the financial statements  
(cont'd)

**18. TRADE AND OTHER PAYABLES (Cont'd)**

**18.3 Amount due to subsidiaries**

The amount due to subsidiaries is unsecured, interest free and is repayable on demand.

**19. RESULTS FROM OPERATING ACTIVITIES**

	Group		Company	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000
<b>Results from operating activities are arrived at after charging:</b>				
Amount owing by subsidiaries written off (net)	-	-	-	2,569
Auditors' remuneration				
- Audit services by the holding company's auditors				
- current year	102	105	38	38
- under provision in prior years	-	5	-	3
- Other services by the holding company's auditors	10	10	-	-
- Audit services by other auditors	1	1	-	-
Bad debts written off	20	146	-	146
Depreciation on investment properties	7	45	-	-
Depreciation on property, plant and equipment	14,078	15,072	18	25
Loss on disposal of property, plant and equipment (net)	-	-	1	-
Impairment loss on property, plant and equipment	685	-	-	-
Impairment loss on trade and other receivables	131	405	341	-
Inventories written off	551	483	-	-
Personnel expenses (including key management personnel):				
- Contribution to Employees Provident fund	2,328	2,114	57	48
- Share-based payments	-	(13)	-	-
- Wages, salaries and others	28,999	25,860	454	518
Property, plant and equipment written off	1	1	1	1
Realised foreign exchange loss (net)	1,601	641	-	-
Rental of equipment	164	125	7	7
Rental of premises	1,542	1,375	1,425	1,359
Unrealised foreign exchange loss (net)	721	-	-	-

notes to the financial statements  
(cont'd)**19. RESULTS FROM OPERATING ACTIVITIES (Cont'd)**

	Group		Company	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000
<b>and after crediting:</b>				
Amortisation of government grant	552	859	-	-
Amount owing to subsidiaries waived (net)	-	-	1	-
Change in fair value of other investment	3,298	-	3,298	-
Change in fair value of derivatives	27	-	-	-
Dividend income	259	148	2,259	8,351
Gain on disposal of investment properties	2,596	-	-	-
Gain on disposal of property, plant and equipment (net)	40	-	-	-
Management fees received/receivable	-	-	833	663
Refund of interest overcharged on bank borrowings	-	1,389	-	-
Rental of premises	1,687	1,631	1,571	1,427
Reversal of impairment loss on other investment	-	2,073	-	2,073
Unrealised foreign exchange gain (net)	-	341	-	-

**20. INTEREST INCOME**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from:				
Subsidiaries	-	-	-	290
Deposits and short term placement funds with licensed banks and approved financial institutions	262	446	154	174
	262	446	154	464

**21. FINANCE COSTS**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on:				
Term loans	2,163	2,885	1,531	2,060
Finance lease liabilities	130	118	-	-
Trade financing facilities	5	-	-	-
	2,298	3,003	1,531	2,060
Others	101	105	1	2
	2,399	3,108	1,532	2,062

notes to the financial statements  
(cont'd)

**22. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel compensations are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors				
- Fees	72	68	72	68
- Remuneration	2,073	2,137	257	326
	<b>2,145</b>	2,205	<b>329</b>	394
Other key management personnel:				
- Short-term employee benefits	1,579	1,525	137	140
- Estimated monetary value of benefits-in-kind	14	13	-	-
	<b>1,593</b>	1,538	<b>137</b>	140
	<b>3,738</b>	3,743	<b>466</b>	534

Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

**23. TAX EXPENSE**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tax expense:				
Malaysian - current	2,552	350	-	-
- under provision in prior years	119	7	1	14
	<b>2,671</b>	357	1	14
Deferred tax expense:				
(Reversal)/Origination of temporary differences	(961)	915	-	-
Crystallisation of deferred tax	(12)	(12)	-	-
(Over)/Under provision in prior years	(95)	490	-	-
	<b>(1,068)</b>	1,393	-	-
Total tax	<b>1,603</b>	1,750	<b>1</b>	14

notes to the financial statements  
(cont'd)

**23. TAX EXPENSE (Cont'd)**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Reconciliation of tax expense</b>				
Profit for the year	<b>15,940</b>	8,931	<b>3,552</b>	5,249
Total tax	<b>1,603</b>	1,750	<b>1</b>	14
Profit excluding tax	<b>17,543</b>	10,681	<b>3,553</b>	5,263
Income tax at 25%	<b>4,386</b>	2,670	<b>888</b>	1,316
Non-deductible expenses	<b>476</b>	307	<b>278</b>	837
Non-taxable income	<b>(1,683)</b>	(1,096)	<b>(1,455)</b>	(2,595)
Tax incentives	<b>(1,877)</b>	(1,058)	-	-
Effect of deferred tax not recognised	<b>445</b>	662	<b>445</b>	662
Recognition of previously unrecognised deferred tax assets	<b>(156)</b>	(220)	<b>(156)</b>	(220)
	<b>1,591</b>	1,265	-	-
Under/(Over) provision in prior years of:				
- Tax expense	<b>119</b>	7	<b>1</b>	14
- Deferred tax expense	<b>(95)</b>	490	-	-
Crystallisation of deferred tax liability on revaluation surplus of property	<b>(12)</b>	(12)	-	-
Total tax	<b>1,603</b>	1,750	<b>1</b>	14

**24. EARNINGS PER ORDINARY SHARE - GROUP**

**i) Basic earnings per ordinary share**

	Group	
	2010	2009
<b>Basic earnings per ordinary share (sen)</b>	<b>8.95</b>	4.90

The calculation of basic earnings per ordinary share is based on the Group's profit attributable to owners of the Company and the weighted average number of ordinary shares of the Company outstanding during the year as below:

	Group	
	2010 RM'000	2009 RM'000
<b>Profit attributable to owners of the Company</b>	<b>15,569</b>	8,517

notes to the financial statements  
(cont'd)

**24. EARNINGS PER ORDINARY SHARE - GROUP (Cont'd)**

**i) Basic earnings per ordinary share (Cont'd)**

	Group	
	2010 '000	2009 '000
<i>Weighted average number of ordinary shares</i>	<b>173,873</b>	173,873

**ii) Diluted earnings per ordinary share**

	Group	
	2010	2009
<i>Diluted earnings per ordinary share (sen)</i>	<b>7.78</b>	N/A

The calculation of diluted earnings per ordinary share is based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2010 RM'000	2009 RM'000
<i>Profit attributable to owners of the Company</i>	<b>15,569</b>	8,517

	Group	
	2010 '000	2009 '000
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares (basic)	<b>173,873</b>	173,873
Effect of conversion of warrants outstanding	<b>26,230</b>	-
Weighted average number of ordinary shares (diluted)	<b>200,103</b>	173,873

As the assumed conversion of the employees share options granted and any warrants outstanding in 2009 would be antidilutive in 2009, diluted earnings per share for 2009 was not computed.

## notes to the financial statements (cont'd)

### 25. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's business units. The business units offer different products and services, and are managed separately because they require different technology, marketing strategies and operating processes. For each of the business units, the Group's Executive Directors (the chief operating decision makers) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's segments:

- Segment 1: Test and assembly and other semiconductor related activities
- Segment 2: Precision tooling and automation
- Segment 3: Investment holding

There are varying levels of integration between segments. This integration includes transfers of finished goods/plant and machineries. Inter-segment pricing is determined on negotiated basis. The accounting policies of the segments are the same as described in note 2(s).

Performance of each segment is measured primarily on each segment's profit before tax ("Segment Profit"), which is included in the internal management reports that are reviewed by the Group's Executive Directors. Segment Profit is used to measure performance as management believes that such information is more relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### **Segment assets**

The total of segment assets are measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment total assets are used to measure the return on assets of each segment.

#### **Segment liabilities**

Segment liabilities information is included in the internal management reports provided regularly to the Group's Executive Directors.

#### **Segment capital expenditure**

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

**25. OPERATING SEGMENTS (Cont'd)**

	Test and assembly and other semiconductor related activities		Precision tooling and automation		Investment holding		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Segment Profit</b>	<b>5,804</b>	8,337	<b>10,219</b>	986	<b>3,550</b>	9,225	<b>19,573</b>	18,548

*Income/(Expenses) included in the measure  
of Segment Profit are:*

Revenue from external customers	<b>120,357</b>	106,642	<b>45,214</b>	25,163	<b>1,829</b>	1,575	<b>167,400</b>	133,380
Inter-segment revenue	-	-	<b>1,034</b>	809	<b>2,833</b>	8,866	<b>3,867</b>	9,675
Inventories written off	<b>(414)</b>	(194)	<b>(137)</b>	(289)	-	-	<b>(551)</b>	(483)
Impairment loss on property, plant and equipment	-	-	<b>(685)</b>	-	-	-	<b>(685)</b>	-
Reversal of impairment loss on other investment	-	-	-	-	-	2,073	-	2,073
Change in fair value of other investment	-	-	-	-	<b>3,298</b>	-	<b>3,298</b>	-
Depreciation	<b>(11,691)</b>	(12,275)	<b>(2,380)</b>	(2,823)	<b>(18)</b>	(25)	<b>(14,089)</b>	(15,123)
Finance costs	<b>(839)</b>	(1,318)	<b>(28)</b>	(23)	<b>(1,532)</b>	(2,062)	<b>(2,399)</b>	(3,403)
Interest income	<b>50</b>	107	<b>57</b>	167	<b>155</b>	467	<b>262</b>	741
<b>Segment assets</b>	<b>137,424</b>	145,935	<b>37,637</b>	31,041	<b>30,488</b>	16,433	<b>205,549</b>	193,409

*Included in the measure of segment assets are:*

Additions to non-current assets other than financial instruments and deferred tax assets	<b>11,095</b>	6,316	<b>3,027</b>	809	<b>11,047</b>	3	<b>25,169</b>	7,128
<b>Segment liabilities</b>	<b>37,713</b>	40,601	<b>10,269</b>	5,745	<b>17,621</b>	24,851	<b>65,603</b>	71,197

notes to the financial statements  
(cont'd)**25. OPERATING SEGMENTS (Cont'd)****Reconciliation of segment profit and assets*****Reconciliation to consolidated profit before tax***

	Group	
	2010	2009
	RM'000	RM'000
Total Segment Profit	19,573	18,548
Elimination of inter-segment profits	(2,030)	(7,867)
Consolidated profit before tax	<b>17,543</b>	10,681

***Reconciliation to consolidated total assets***

	Group	
	2010	2009
	RM'000	RM'000
Total segment assets	205,549	193,409
Goodwill on consolidation	4,326	4,326
Consolidation adjustments	(3)	(30)
Consolidated total assets	<b>209,872</b>	197,765

**Geographical information**

In presenting segmental information on geographical basis, segment revenue is based on geographical location of customers, whereas segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

The geographical information in regards to revenue, non-current assets (excluding financial instruments) and trade receivables of the Group can be shown as follows:

	Revenue	Non-current assets	Trade receivables
	RM'000	RM'000	RM'000
<b>2010</b>			
Malaysia	55,378	119,534	8,526
United Kingdom	11,975	-	99
Singapore	5,587	-	1,998
Taiwan	59,420	-	19,892
United States of America	21,326	-	2,760
Others	13,714	-	1,734
	<b>167,400</b>	<b>119,534</b>	<b>35,009</b>

notes to the financial statements  
(cont'd)

**25. OPERATING SEGMENTS (Cont'd)**

**Geographical information (Cont'd)**

<b>2009</b>	<b>Revenue RM'000</b>	<b>Non-current assets RM'000</b>	<b>Trade receivables RM'000</b>
Malaysia	28,290	111,264	6,294
United Kingdom	6,408	-	787
Singapore	343	-	6
Taiwan	57,734	-	17,027
United States of America	27,787	-	6,750
Others	12,818	-	1,964
	<b>133,380</b>	<b>111,264</b>	<b>32,828</b>

**Major customers**

Major customer is defined as a single external customer where sales to such customer amounts to ten percent or more of the Group's total revenue. A group of entities known to the Group to be under common control shall be considered a single customer, and government and entities known to the Group to be under the control of the government shall be considered a single customer. Total revenue from major customers of the Group, according to segment are as follows:

<b>Segment</b>	<b>2010</b>		<b>2009</b>	
	<b>Number of customers</b>	<b>RM'000</b>	<b>Number of customers</b>	<b>RM'000</b>
Test and assembly and other semiconductor related activities	<b>3</b>	<b>36,090</b>	3	53,658
Precision tooling and automation	<b>1</b>	<b>20,111</b>	-	-
	<b>4</b>	<b>56,201</b>	3	53,658

**26. CAPITAL COMMITMENTS**

Capital expenditure for property, plant and equipment not provided for in the financial statements are as follows:

	<b>Group</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>
Approved and contracted for	<b>486</b>	501
Approved but not contracted for	<b>21,637</b>	3,733
	<b>22,123</b>	4,234

There are no capital commitments in the Company.

notes to the financial statements  
(cont'd)

## 27. RELATED PARTIES

### 27.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

### 27.2 Transactions with key management personnel

#### Key management personnel compensation

Key management personnel compensation is disclosed in Note 22. There are no other direct transactions, other than compensation with key management personnel.

### 27.3 Other related party transactions

The significant related party transactions of the Group and the Company, other than key management personnel compensation are as follows:

	2010 RM'000	2009 RM'000
<b>Company</b>		
<b>Transactions with subsidiaries:</b>		
Management fees charged by the Company	833	663
Interest charged by the Company	-	290
Dividend income received from a subsidiary	2,000	8,203
<b>Transaction with a company (and its subsidiary) in which the Company is a substantial shareholder and a Director of the Company is also a director:</b>		
- Rental charged by the Company	957	957
- Dividend received by the Company	258	148
<b>Transaction with a company which has common shareholders and Directors with the Company:</b>		
- Rental charged by the Company	7	6
<b>Group</b>		
Sales to the minority shareholder of a subsidiary	17,570	25,329
Sales to a company in which a person related to a Director of the Company has interest	171	52
Sales commission paid/payable to a company in which a person related to a Director of the Company has interest	60	-

notes to the financial statements  
(cont'd)

**27. RELATED PARTIES (Cont'd)**

**27.3 Other related party transactions (Cont'd)**

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

The trade and non-trade balances with subsidiaries and trade balance with the minority shareholder of a subsidiary are as disclosed in Note 8 and Note 18.

There are no impairment losses in respect of the amounts owed by the related parties at year end.

**28. FINANCIAL INSTRUMENTS**

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

**28.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R")
- (b) Fair value through profit or loss ("FVTPL")
  - Designated upon initial recognition ("DUIR")
- (c) Other liabilities ("OL")

	<b>Carrying amount RM'000</b>	<b>L&amp;R/OL RM'000</b>	<b>FVTPL- DUIR RM'000</b>
<b>2010</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investment	13,456	-	13,456
Trade and other receivables, including derivatives	39,497	39,372	125
Cash and cash equivalents	16,697	16,697	-
	<u>69,650</u>	<u>56,069</u>	<u>13,581</u>
<b>Company</b>			
Other investment	13,456	-	13,456
Trade and other receivables	15,019	15,019	-
Cash and cash equivalents	1,885	1,885	-
	<u>30,360</u>	<u>16,904</u>	<u>13,456</u>

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.1 Categories of financial instruments (Cont'd)**

	<b>Carrying amount RM'000</b>	<b>L&amp;R/OL RM'000</b>	<b>FVTPL- DUIR RM'000</b>
<b>2010</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Borrowings	28,321	28,321	-
Trade and other payables	27,751	27,751	-
	<hr/> 56,072	<hr/> 56,072	<hr/> -
<b>Company</b>			
Borrowings	17,148	17,148	-
Trade and other payables	12,040	12,040	-
	<hr/> 29,188	<hr/> 29,188	<hr/> -

**28.2 Net gains and losses arising from financial instruments**

	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>2010</b>		
Net gains arising on:		
Fair value through profit or loss: DUIR	3,325	3,298
	<hr/> 3,325	<hr/> 3,298

**28.3 Financial risk management objectives and policies**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

**28.4 Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, other investment and deposits with licensed banks and approved financial institutions. The Company's exposure to credit risk arises principally from the other investment and corporate guarantees given.

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.4 Credit risk (Cont'd)**

**(a) Trade receivables**

*Risk management objectives, policies and processes for managing the risk*

Credit risk is managed via limiting business relationships to business partners with high creditworthiness application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position and the Group has no significant concentration of credit risk other than 83% (2009 - 89%) of its trade receivables due from companies in the semiconductor industry.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable value. A significant portion of these receivables are regular customers that have been transacting on a regular basis with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographical region is as disclosed in Note 25.

*Impairment losses*

The ageing of trade receivables of the Group as at the end of the reporting period was:

<b>Group</b>	<b>Gross RM'000</b>	<b>Individual impairment RM'000</b>	<b>Net RM'000</b>
<b>2010</b>			
Not past due	19,992	-	19,992
Past due 0-30 days	9,066	-	9,066
Past due 31-120 days	5,632	-	5,632
Past due more than 120 days	499	(180)	319
	<b>35,189</b>	<b>(180)</b>	<b>35,009</b>
<b>2009</b>			
Not past due	20,606	-	20,606
Past due 0-30 days	8,407	-	8,407
Past due 31-120 days	3,739	-	3,739
Past due more than 120 days	715	(639)	76
	<b>33,467</b>	<b>(639)</b>	<b>32,828</b>

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.4 Credit risk (Cont'd)**

**(a) Trade receivables (Cont'd)**

The movements in the impairment losses of trade receivables during the year were:

	Group	
	2010 RM'000	2009 RM'000
At 1 January	639	2,760
Impairment loss recognised	-	405
Impairment loss reversed	(210)	-
Impairment loss written off	(249)	(2,526)
At 31 December	<b>180</b>	639

**(b) Other investment**

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group and the Company has only invested in domestic listed securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

Upon adoption of FRS 139, the other investment is designated as financial assets at fair value through profit or loss.

*Impairment losses*

In 2009, a reversal of impairment losses of RM2,073,000 was recognised in respect of other investment to reflect the other investment at its weighted average market value for the month of December 2010.

In 2010, the other investment is designated as fair value through profit or loss in accordance with FRS 139 and changes in fair value is taken to profit or loss.

At 1 January 2010, the increase in fair value of other investment amounting to RM1,663,000 upon adoption of FRS 139 was recognised to the opening accumulated losses of the Group and the Company. At 31 December 2010, the increase in fair value of other investment amounting to RM3,298,000 during the year was recognised in the profit and loss of the Group and the Company.

**(c) Corporate guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.4 Credit risk (Cont'd)**

**(c) Corporate guarantees (Cont'd)**

*Exposure to credit risk, credit quality and collateral*

The Company has executed corporate guarantees in favour of licensed banks for credit facilities of up to a limit of RM28.9 million (2009 - RM26.9 million) and USD0.4 million (2009 - USD0.2 million) granted to its subsidiaries.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment of its outstanding credit facilities. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**(d) Inter company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position of the Company.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

**(e) Other financial assets**

*Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's cash and cash equivalents are deposited with licensed banks and approved financial institutions.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The other financial assets are unsecured.

**28.5 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by maintaining committed credit lines available. In addition, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and/or refinance.

## 28. FINANCIAL INSTRUMENTS (Cont'd)

### 28.5 Liquidity risk (Cont'd)

#### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities and derivatives as at the end of the reporting period based on undiscounted contractual payments:

Financial liabilities/(assets)	Carrying amounts RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
<b>Group</b>							
<b>2010</b>							
<i>Non-derivative financial liabilities</i>							
Term loans - secured							
- fixed rate	3,437	4.00	3,744	1,123	1,123	1,498	-
- floating rate	21,821	7.80	24,243	10,473	9,338	4,432	-
Finance lease liabilities	3,063	2.34 - 3.75	3,551	1,139	1,139	1,273	-
	28,321		31,538	12,735	11,600	7,203	-
<i>Derivative financial assets</i>							
Forward exchange contracts (gross settled):							
Outflow	-		5,558	5,558	-	-	-
Inflow	(125)		(5,683)	(5,683)	-	-	-
	(125)		(125)	(125)	-	-	-
<b>Company</b>							
<b>2010</b>							
<i>Non-derivative financial liabilities</i>							
Term loans - secured							
- floating rate	17,148	7.80	19,298	7,283	7,583	4,432	-

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.6 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices which will affect the Group's financial position or cash flows.

**(a) Currency risk**

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily the United States Dollar ("USD"). The Company does not have any material currency risk.

*Risk management objectives, policies and processes for managing the risk*

The Group maintains a natural hedge, whenever possible, by buying material and selling its products and services in currencies other than its functional currency. In addition to the management of foreign currency risk, the Group enters into foreign currency forward contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

*Exposure to foreign currency risk*

The Group's exposure to USD, based on carrying amounts as at the end of the reporting period was:

	<b>2010</b> <b>Debit/(Credit)</b> <b>balance</b> <b>RM'000</b>	<b>2009</b> <b>Debit/(Credit)</b> <b>balance</b> <b>RM'000</b>
Trade and other receivables and derivatives	<b>26,401</b>	28,319
Trade and other payables	<b>(14,004)</b>	(9,658)
Cash and cash equivalents	<b>6,372</b>	3,589
<b>Net exposure in the statement of financial position</b>	<b>18,769</b>	22,250

*Currency risk sensitivity analysis*

The Group's exposure to currencies other than USD is not material and hence, sensitivity analysis is not presented.

A 10 percent strengthening of the USD against the RM at the end of the reporting period would have increased equity and net profit of the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Group</b> <b>Equity</b> <b>RM'000</b>	<b>Net profit</b> <b>RM'000</b>
<b>2010</b>		
10% strengthening of the USD	1,233	1,233

notes to the financial statements  
(cont'd)**28. FINANCIAL INSTRUMENTS (Cont'd)****28.6 Market risk (Cont'd)****(a) Currency risk (Cont'd)***Currency risk sensitivity analysis (Cont'd)*

A 10 percent weakening of USD against the RM at the end of the reporting period would have had equal but opposite effect shown above, on the basis that all other variables remain constant.

**(b) Interest rate risk**

The Group's fixed rate borrowings are exposed to a risk of changes in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of changes in cash flows due to changes in interest rates.

Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate borrowings and deposits. The Group does not use derivative financial instruments to hedge its interest rate obligations.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

Financial assets/(liabilities)	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Fixed rate instruments</b>				
Financial asset	-	-	-	8,974
Financial liabilities	(6,500)	(6,802)	-	-
<b>Floating rate instruments</b>				
Financial assets	13,215	13,715	1,252	343
Financial liabilities	(21,821)	(30,280)	(17,148)	(22,600)
Net	(15,106)	(23,367)	(15,896)	(13,283)

*Interest rate risk sensitivity analysis***Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.6 Market risk (Cont'd)**

**(b) Interest rate risk (Cont'd)**

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points ("bp") in interest rates on floating rate instruments held at the end of the reporting period would have increase/(decrease) equity and net profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity		Net profit	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
<b>2010</b>				
<b>Group</b>				
Floating rate instruments	(126)	126	(126)	126
<b>Company</b>				
Floating rate instruments	(191)	191	(191)	191

**(c) Other price risk**

Equity price risk arises from the Group's investment in equity securities.

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investment regularly.

*Equity price risk sensitivity analysis*

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10 percent strengthening in FBMKLCI at the end of the reporting period would have increased equity by RM1,346,000 and net profit by RM1,346,000. A 10 percent weakening in FBMKLCI would have had an equal but opposite effect on equity and net profit respectively.

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.7 Fair values**

The carrying amounts of cash and cash equivalents, forward contracts, short term receivables and payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2010</b>				
<b>Financial asset</b>				
Investment in quoted shares	13,456	13,456	13,456	13,456
<b>Financial liabilities</b>				
Term loans - secured				
- fixed rate	3,437	3,287	-	-
- floating rate	21,821	21,821	17,148	17,148
Finance lease liabilities	3,063	3,306	-	-
<b>2009</b>				
<b>Financial asset</b>				
Investment in quoted shares	6,990	8,653	6,990	8,653
<b>Financial liabilities</b>				
Term loans - secured				
- fixed rate	4,385	4,165	-	-
- floating rate	30,280	30,280	22,600	22,600
Finance lease liabilities	2,417	2,624	-	-

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

*Investment in equity securities*

The fair value of investment in equity securities that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

notes to the financial statements  
(cont'd)

**28. FINANCIAL INSTRUMENTS (Cont'd)**

**28.7 Fair values (Cont'd)**

*Interest rates used to determine fair value*

The interest rate used to discount estimated cash flows are as follows:

	<b>2010</b>	<b>2009</b>
Term loan - secured, fixed rate	<b>7.80%</b>	7.26%
Finance lease liabilities	<b>3.42%</b>	3.71%

**29. OPERATING LEASES**

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	<b>Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	<b>1,425</b>	1,425
Between one and five years	<b>5,922</b>	5,827
More than five years	<b>1,013</b>	2,533
	<b>8,360</b>	9,785

The Company leases two factory facilities under operating leases. The leases typically run for a period of 10 years, with a remaining period of 6 years as at end of year and an option to renew the lease after that date. Lease payments are increased every 3 to 4 years to reflect market rentals. None of the leases includes contingent rentals.

**Leases as lessor**

A subsidiary ceased to lease out its investment properties under operating leases during the year as the investment properties were disposed during the year. The future minimum lease payments under non-cancellable leases were as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	-	68

## notes to the financial statements (cont'd)

### 30. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal debt-to-equity arrangement that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2010 were as follows:

	2010 RM'000	2009 RM'000
Total borrowings (Note 15)	<b>28,321</b>	37,082
Less: Cash and cash equivalents (Note 10)	<b>(16,697)</b>	(21,076)
Net debt	<b>11,624</b>	16,006
Total equity attributable to owners of the Company	<b>134,161</b>	116,837
Debt-to-equity ratio (times)	<b>0.09</b>	0.14

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia's Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.

### 31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- i) On 21 December 2009, AIC Properties Sdn. Bhd., a wholly owned subsidiary of the Company, had entered into a sale and purchase agreement for the acquisition of a parcel of leasehold land at a total cost of RM11.03 million (including incidental costs). The acquisition was completed during the year.
- ii) The Company had on 18 January 2010, purchased a further 1.8 million ordinary shares in AutoV for a total cash consideration of RM1.5 million but disposed of 33,347 ordinary shares in AutoV on 15 April 2010 for a total cash consideration of RM30,000. Consequently, the Company now has an equity interest of 19.9% in AutoV.
- iii) Prodelcon had on 30 March 2010 entered into a sale and purchase agreement to dispose off its investment properties for a total cash consideration of RM4.6 million. The disposal was completed during the year.

### 32. SUBSEQUENT EVENTS

- i) A fire occurred on 16 January 2011, at the plating department of the factory premises of Prodelcon. From the initial investigation, the cause of the fire was the result of an electrical short circuit occurring in one of the equipment located in the plating department of Prodelcon. The management of Prodelcon is in the midst of compiling the documents and information in order to submit an insurance claim for losses related to the fire. Prodelcon has sub-contracted out the plating work to third party vendors since 18 January 2011. The fire has resulted in damages in certain plant and equipment and inventories of Prodelcon. The carrying value at 31 December 2010 of the said damaged plant and equipment amounted to RM685,000 whereas the carrying value of the damaged inventories totalled RM92,000. The impairment loss on plant and equipment and write off of inventories for these damaged assets have since been provided for in these consolidated financial statements for the financial year ended 31 December 2010.

notes to the financial statements  
(cont'd)

**32. SUBSEQUENT EVENTS (Cont'd)**

- ii) Prodelcon had on 21 March 2011 acquired the entire equity interest in Isotrax Engineering Sdn. Bhd. for a total cash consideration of RM2.

**33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

	← Group →	Minority interest	Company
	Accumulated losses RM'000	RM'000	Accumulated losses RM'000
At 1 January 2010, as previously stated	(68,816)	9,731	(76,213)
Fair value of other investment classified as fair value through profit or loss	1,663	-	1,663
Recognition of derivatives previously not recognised, net of tax	92	6	-
At 1 January 2010, as restated	(67,061)	9,737	(74,550)

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

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

***Investments in equity securities***

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries are now categorised and measured as fair value through profit or loss, or as available-for-sale as detailed in note 2(c).

Prior to the adoption of FRS 139, current investments were carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. With the adoption of FRS 139, current investments are now categorised and measured as fair value through profit or loss as detailed in note 2(c).

***Derivatives***

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the profit or loss.

***Financial guarantee contracts***

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently stated at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

notes to the financial statements  
(cont'd)

### 33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (Cont'd)

#### 33.1 FRS 139, *Financial Instruments: Recognition and Measurement (Cont'd)*

##### *Inter-company loans*

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Interest income and finance costs are recognised in profit or loss using the effective interest method.

##### *Impairment of trade and other receivables*

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods.

#### 33.2 FRS 123, *Borrowing Costs*

Before 1 January 2010, borrowing costs were all expensed to profit or loss as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 123. Hence, the adoption of FRS 123 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

#### 33.3 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that is provided internally to the Executive Directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114<sub>2004</sub>, *Segment Reporting*.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

notes to the financial statements  
(cont'd)

**33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (Cont'd)**

**33.5 FRS 117, Leases**

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold lands of the Group which are in substance are finance leases and has reclassified the leasehold land to property, plant and equipment or investment properties. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

**34. COMPARATIVE FIGURES**

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

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

**34.2 FRS 117, Leases**

Following the adoption of IC 10 and adoption of the amendment to FRS 117, certain comparatives of the Group have been re-presented as follows:

	<b>Group</b>	
	<b>As at 31 December 2009</b>	
	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
Property, plant and equipment	104,927	97,427
Investment properties	2,011	1,543
Prepaid lease payments	-	7,968

	<b>Group</b>	
	<b>For the financial year ended 31 December 2009</b>	
	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
Amortisation of prepaid lease payments	-	170
Depreciation of property, plant and equipment	15,072	14,912
Depreciation of investment properties	45	35

notes to the financial statements  
(cont'd)

**35. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia’s Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2010, into realised and unrealised profits/(losses), pursuant to the directive, is as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
The accumulated losses of the Company and its subsidiaries:		
- Realised	(42,586)	(70,998)
- Unrealised	(8,830)	-
	(51,416)	(70,998)
Less: Consolidation adjustments	(76)	-
Total accumulated losses	(51,492)	(70,998)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia’s Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

Comparative figures are not presented here by virtue of the exemption given by Bursa Malaysia for the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure.

## statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 94 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 35 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....  
**Datuk Goh Tian Chuan**

.....  
**Ooi Boon Pin**

Shah Alam,  
Date: 13 April 2011

## statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Chen Heng Mun**, the Director primarily responsible for the financial management of AIC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 13 April 2011

.....  
**Chen Heng Mun**

Before me:

Charanjit Kaur  
Commissioner for Oaths (W 606)

# independent auditors' report to the members of AIC Corporation Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIC Corporation Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 94.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

## independent auditors' report to the members of AIC Corporation Berhad (cont'd)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Cont'd)

- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 35 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### KPMG

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya, Malaysia

Date: 13 April 2011

#### Chew Beng Hong

Approval Number: 2920/02/12(J)  
Chartered Accountant

## information required under para 9.25 of the listing requirements of bursa malaysia

### **Share buyback**

There were no share buyback transactions entered into by the Company during the financial year.

### **Options or warrants**

The details of the options or warrants are disclosed in the Financial Statements, on page 28 of the Annual Report.

### **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

### **Imposition of sanctions and penalties**

There were no material sanctions or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

### **Non-audit fees**

Non-audit fees paid/payable to the external auditors by the Group and by the Company for the financial year amounted to RM10,000.

### **Variation in results from profit estimates, forecasts or projections, or unaudited results announced**

There were no variances of 10% or more between the results for the financial year and the unaudited results previously announced.

There were no profit forecasts or projections issued by the Group during the financial year.

### **Profit guarantee**

During the financial year, there were no profit guarantees given or received by the Company.

### **Revaluation policy**

The revaluation policy on landed properties are as disclosed in the Financial Statements, on page 44 of the Annual Report.

### **Utilisation of proceeds from proposals**

There were no proposals for the raising of funds during the financial year.

### **Material contracts**

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year ended 31 December 2010 or entered into since the end of the previous financial year.

## other disclosures

The following information is provided in accordance with Paragraph 10.09(2)(b) and Paragraph 3.15 of Practice Note 12 of the listing requirements of Bursa Malaysia Securities Berhad.

### Recurrent Related Party Transactions

#### Nature of recurrent related party transactions contemplated

On 24 May 2010, AIC obtained the approvals from the shareholders for a mandate for its subsidiary to enter into recurrent transactions in its ordinary course of business with a related party in order to comply with paragraph 10.09 of the Bursa Malaysia Securities Berhad's Listing Requirements.

The relationship of the related party with AIC and its subsidiaries ("AIC Group") and details of the recurrent related party transactions pursuant to the aforesaid shareholders mandate are as follows:-

Related Party	Relationship with AIC Group
Atmel Corporation ("Atmel")	Holds 6.14% equity interest in AIC Semiconductor Sdn Bhd ("AICS") and 19.9% of the convertible redeemable preference shares in AICS.

Details of the recurrent related party transactions of a revenue or trading nature and in the normal course of business of the AIC Group, pursuant to the aforesaid shareholders' mandate, for the year ended 31 December 2010 are as follows:-

Transaction	Provider	Purchaser	Aggregated value from 1 January 2010 to 31 December 2010 RM'000
Assembly and testing of integrated circuit chips	AICS	Atmel	17,570

# statistics on shareholdings

as at 25 March 2011

Authorised share capital	:	RM500,000,000
Issued and fully paid-up shares	:	RM173,873,659
Class of shares	:	Ordinary shares of RM1.00 each
Voting right	:	One vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	92	7.193	3,042	0.001
100 - 1,000	109	8.522	83,716	0.048
1,001 - 10,000	829	64.816	3,114,091	1.791
10,001 - 100,000	179	13.995	5,074,449	2.918
100,001 - 8,693,681 (*)	64	5.003	81,604,912	46.933
8,693,682 AND ABOVE (**)	6	0.471	83,993,449	48.309
<b>TOTAL</b>	<b>1,279</b>	<b>100.000</b>	<b>173,873,659</b>	<b>100.000</b>

REMARK: \* - LESS THAN 5% OF ISSUED SHARES

\*\* - 5% AND ABOVE OF ISSUED SHARES

## LIST OF TOP 30 SHAREHOLDERS

No.	Name	Shares Held	% of Issued Capital
1	JOTECH HOLDINGS BERHAD	27,500,000	15.816
2	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	13,892,070	7.989
3	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DARULNAS (M) SDN BHD</i>	12,600,000	7.246
4	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BSI SA</i>	11,536,159	6.634
5	GOH TIAN CHUAN	9,755,695	5.610
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	8,709,525	5.009
7	INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CARA KAYA SDN BHD</i>	8,287,500	4.766
8	OSK NOMINEES (ASING) SDN BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR WENCASTLE HOLDINGS LIMITED</i>	7,289,000	4.192
9	TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GEORGE CHEE TAT MIN</i>	5,773,200	3.320
10.	INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ANTARA REKA SDN BHD</i>	5,165,950	2.971
11	LOKE MEI LING	4,717,372	2.713

statistics on shareholdings as at 25 March 2011  
(cont'd)

**LIST OF TOP 30 SHAREHOLDERS (Cont'd)**

<b>No.</b>	<b>Name</b>	<b>Shares Held</b>	<b>% of Issued Capital</b>
12	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN</i>	4,525,500	2.602
13	LO MAN HENG	3,300,000	1.897
14	KONG KOK KEONG	3,154,100	1.814
15	AIBB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	3,153,075	1.813
16	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOKE MEI PING</i>	3,118,200	1.793
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR LIAW KIT SIONG</i>	2,959,300	1.701
18	KONG KOK KEONG	2,500,000	1.437
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR JASEN VUN VUI FEN</i>	2,401,703	1.381
20	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KONG KOK KEONG</i>	2,348,100	1.350
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR JUDDY CHU YEN TIEN</i>	1,901,000	1.093
22	KUMPULAN WANG SIMPANAN GURU-GURU	1,779,800	1.023
23	INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIRI ANJUNG SDN BHD</i>	1,575,900	0.906
24	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIEW CHENG YORK</i>	1,500,000	0.862
25	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PT AMCAPITAL INDONESIA FOR CHEONG YEN YOON</i>	1,203,700	0.692
26	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUEK YONG WAH</i>	1,027,500	0.590
27	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PT AMCAPITAL INDONESIA FOR CHAN CHUAN PIN</i>	1,006,750	0.579
28	CIMSEC NOMINEES (ASING) SDN BHD <i>BANK OF SINGAPORE LIMITED FOR TJIN TJU SUSANTO</i>	892,000	0.513
29	ANTARA REKA SDN BHD	820,000	0.471
30	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR APEX DANA AL-FAIZ-I</i>	734,900	0.422
	<b>TOTAL</b>	<b>155,127,999</b>	<b>89.205</b>

statistics on shareholdings as at 25 March 2011  
(cont'd)

#### SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 25 MARCH 2011

	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
Datuk Goh Tian Chuan	35,510,365	20.42	8,287,500	4.77 <sup>(1)</sup>
Jotech Holdings Berhad	28,023,900	16.12	-	-
Jasen Vun Vui Fen	2,441,703	1.40	12,600,000	7.25 <sup>(2)</sup>
George Chee Tat Min	5,773,200	3.32	12,600,000	7.25 <sup>(2)</sup>
Darulnas (M) Sdn Bhd	12,600,000	7.25	-	-

Notes:

<sup>(1)</sup> Deemed interest by virtue of his interest in Cara Kaya Sdn Bhd

<sup>(2)</sup> Deemed interest by virtue of his interest in Darulnas (M) Sdn Bhd

#### DIRECTORS' SHAREHOLDINGS AS AT 25 MARCH 2011

	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
Datuk Goh Tian Chuan	35,510,365	20.42	8,287,500	4.77 <sup>(1)</sup>
Ooi Boon Pin	10,000	0.01	-	-
Chen Heng Mun	105,187	0.06	-	-
Yahya Bin Razali	-	-	-	-
Ng Kok Hok	-	-	-	-
Liew Cheng York	1,614,750	0.93	-	-

Note:

<sup>(1)</sup> Deemed interest by virtue of his interest in Cara Kaya Sdn Bhd

## statistics on warrantholdings

as at 25 March 2011

### ANALYSIS BY SIZE OF WARRANTHOLDINGS - WARRANTS C

Size of Holdings	No. of Warrantholders	%	No. of Warrants	%
1 - 99	13	6.565	533	0.002
100 - 1,000	122	61.616	35,472	0.135
1,001 - 10,000	32	16.161	162,293	0.618
10,001 - 100,000	21	10.606	573,216	2.185
100,001 - 1,311,505 (*)	4	2.020	2,892,148	11.026
1,311,506 AND ABOVE (**)	6	3.032	22,566,467	86.034
<b>TOTAL :</b>	<b>198</b>	<b>100.000</b>	<b>26,230,129</b>	<b>100.000</b>

REMARK: \* - LESS THAN 5% OF ISSUED WARRANTS  
\*\* - 5% AND ABOVE OF ISSUED WARRANTS

### LIST OF TOP 30 WARRANTHOLDERS - WARRANTS C

No.	Name	Warrants Held	% of Issued Warrants
1	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BSI SA</i>	7,732,417	29.479
2	LOKE MEI PING	5,172,600	19.720
3	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	4,723,700	18.008
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	1,707,750	6.510
5	INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CARA KAYA SDN BHD</i>	1,625,000	6.195
6	KONG KOK KEONG	1,605,000	6.118
7	LOKE MEI LING	924,975	3.526
8	GOH TIAN CHUAN	779,723	2.972
9	AIBB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	618,250	2.357
10	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PT AMCAPITAL INDONESIA FOR CHAN CHUAN PIN</i>	569,200	2.170
11	WONG JIN FAH	87,000	0.331
12	CHUA AH NYA	62,000	0.236

statistics on warrant holdings as at 25 March 2011  
(cont'd)

**LIST OF TOP 30 WARRANTHOLDERS - WARRANTS C (Cont'd)**

No. Name	Warrants Held	% of Issued Warrants
13 ANG KIAN TIAM	40,000	0.152
14 ECML NOMINEES (TEMPATAN) SDN. BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG JOO BENG</i>	40,000	0.152
15 INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIRI ANJUNG SDN BHD</i>	35,100	0.133
16 WU SONG SEE @ GOH SONG SEE	32,500	0.123
17 AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PT AMCAPITAL INDONESIA FOR CHEONG YEN YOON</i>	30,000	0.114
18 RAMASAMY A/L MALIANDY	30,000	0.114
19 SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>AMARA INVESTMENT MANAGEMENT SDN BHD FOR LIEW CHENG YORK</i>	22,500	0.085
20 JF APEX NOMINEES (TEMPATAN) SDN BHD <i>AISB FOR LEONG LUP YAN</i>	21,582	0.082
21 CHEN HENG MUN	20,625	0.078
22 MARY CHEW	20,500	0.078
23 LIM LIK YUN	20,000	0.076
24 LIM KEAN AUN	17,000	0.064
25 HO LEE PING	15,000	0.057
26 KOH KIM HOON	15,000	0.057
27 OOI BA @ OOI KENG CHONG	15,000	0.057
28 HDM NOMINEES (ASING) SDN BHD <i>PHILLIP SECURITIES PTE LTD FOR LAM KAH KHEE</i>	13,000	0.049
29 ONG SU WAN	12,800	0.048
30 YEO SWEE HWA	12,700	0.048
<b>TOTAL</b>	<b>26,020,922</b>	<b>99.189</b>

statistics on warrant holdings as at 25 March 2011  
(cont'd)

**DIRECTORS' WARRANT HOLDINGS AS AT 25 MARCH 2011**

	Direct Interest		Indirect Interest	
	No. of Warrants Held	%	No. of Warrants Held	%
Datuk Goh Tian Chuan	7,829,423	29.85	1,625,000	6.20 <sup>(1)</sup>
Ooi Boon Pin	-	-	-	-
Chen Heng Mun	20,625	0.08	-	-
Yahya Bin Razali	-	-	-	-
Ng Kok Hok	-	-	-	-
Liew Cheng York	22,500	0.09	-	-

Note:

<sup>(1)</sup> Deemed interest by virtue of his interest in Cara Kaya Sdn Bhd

## properties of the group

as at 31 December 2010

Location/Address	Description and existing use	Approximate age of building (years)	Land area	Built up area (sq. ft.)	Tenure of land	Net book value as at 31 December 2010 (RM)	Latest date of revaluation/date of purchase *
Lot 26 & 27, Zone Perindustrian Phase 1 Kulim Hi-tech Industrial Park 09000, Kedah	Office and factory building:- assembly and test of integrated circuit chips	Plant 1 : 13.5 Plant 2 : 9.5	513,140 sq. ft.	95,000 89,000	Lease over 60 years expiring in year 2056	35,275,680	December 2006
Plot 78, Lintang Bayan Lepas 7 Phase IV Kawasan Perindustrian Bayan Lepas 11900 Pulau Pinang	Office and factory building:- Manufacture of semiconductor tooling products, automation systems and precision machining	15	66,000 sq. ft.	51,000	60 years leasehold land expiring in year 2056	6,036,839	June 1996 *
CL015028234 Kg Gudon Jalan UMS (KK-Sulaman Highway) Kota Kinabalu Sabah	Vacant land	N/A	7.808 acres	N/A	999 years leasehold land expiring in year 2924	11,033,201	February 2010 *

# notice of the twenty first annual general meeting

**NOTICE IS HEREBY GIVEN THAT** the Twenty First Annual General Meeting of the Company will be held at Orchid Room, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 18 May 2011 at 2.30 p.m. for the following businesses:-

## AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2010 together with the Directors' and Auditors' Reports thereon.
2. To re-elect the following Directors retiring in accordance with Article 101 of the Company's Articles of Association:-
  - (i) Encik Yahya Bin Razali
  - (ii) Mr. Chen Heng Mun
3. To appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
4. As Special Business to consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

### AS ORDINARY RESOLUTION 1 - AUTHORITY TO ISSUE SHARES

"THAT subject always to the Companies Act, 1965 ("Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

## Resolution No.

1

2

3

4

5

notice of the twenty first annual general meeting  
(cont'd)

**AS ORDINARY RESOLUTION 2  
- PROPOSED RENEWAL OF SHAREHOLDERS'  
MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING  
NATURE WITH ATMEL CORPORATION**

"THAT approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders dated 22 April 2011 with Atmel Corporation ("Atmel"), provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders; AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this ordinary resolution;

AND THAT such approval shall continue to be in force until the earlier of:-

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Atmel is approved, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) is revoked or varied by resolution passed by the shareholders of the Company in general meeting."

5. To transact any other business for which due notice shall have been given.

**BY ORDER OF THE BOARD**

**KANG SHEW MENG  
SEOW FEI SAN**

Secretaries

Selangor  
22 April 2011

**Resolution No.**

**6**

notice of the twenty first annual general meeting  
(cont'd)

**NOTES:-**

**(i) PROXY**

1. A member of the Company entitled to present and to vote at the Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy shall be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

**(ii) EXPLANATORY NOTE ON SPECIAL BUSINESS**

**RESOLUTION 5**

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Twentieth Annual General Meeting held on 24 May 2010 and which will lapse at the conclusion of the Twenty First Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

**RESOLUTION 6**

The proposed Ordinary Resolution 6, if passed, will allow the Group to enter into Recurrent Transactions pursuant to paragraph 10.09 of the Listing Requirements. Further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Transactions is set out in the Circular to Shareholders dated 22 April 2011, which is despatched together with the Company's Annual Report 2010.

# form of proxy



**AIC CORPORATION BERHAD**  
(194514-M)

No. of Shares Held :

I/We \_\_\_\_\_ (BLOCK LETTERS)

NRIC No./Company No. \_\_\_\_\_ of

being (a) Member(s) of AIC CORPORATION BERHAD (194514-M) hereby appoint the following person(s):-

	<b>Name of proxy &amp; NRIC No.</b>	<b>No. of shares to be represented by proxy</b>
1.	<input type="text"/>	<input type="text"/>
2.	<input type="text"/>	<input type="text"/>

or failing him/her,

1.	<input type="text"/>	<input type="text"/>
2.	<input type="text"/>	<input type="text"/>

or failing him/her, **THE CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Twenty First Annual General Meeting of the Company to be held at Orchid Room, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 18 May 2011 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

<b>Resolution No.</b>	<b>FOR</b>	<b>AGAINST</b>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_  
Signature/Seal of Member

Notes:-

1. A member of the Company entitled to present and to vote at the Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy shall be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX STAMP

**AIC CORPORATION BERHAD (194514-M)**

c/o TRICOR INVESTOR SERVICES SDN BHD  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

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Registered Office

**WISMA AIC**

Lot 3, Persiaran Kemajuan  
Section 16, 40200 Shah Alam  
Selangor Darul Ehsan  
Tel : 603 - 5543 1413  
Fax : 603 - 5543 2045  
[www.aic.com.my](http://www.aic.com.my)