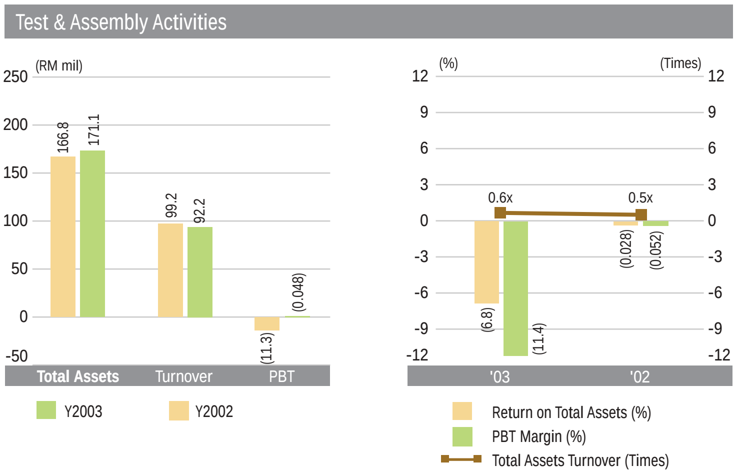
Review of Operations and Financial Performance

SEMICONDUCTOR DIVISION

Test and Assembly Activities

> "In August 2003 we have established our Global Sales and Marketing offices in USA and Taiwan, to take advantage of the fastest growing market in North Asia."



During the financial year, our test and assembly business recorded one of its worse performances by sliding into the red for the first time in its operational history. Our test and assembly business continues to operate in a difficult operating environment with low capacity utilization coupled by the adverse effect of price erosion. Our operating environment that has not improved since was mainly attributed to our heavy reliance on one customer. The overall business climate was further made worse by the increase of commodity prices of gold, copper and silver, soaring to record high during the year that inevitably led to the increase in cost of materials and manufacturing costs. Hence, our test and assembly business registered a net loss for the full year of 2003 totaling RM11.30 million versus net profit of RM0.05 million in 2002 despite revenue having improved to RM99.2 million representing a 7% increase. Nevertheless, the business still recorded a positive EBITDA of RM15.3 million for year 2003 (2002: RM25.3 million). Our quarterly results have also improved sequentially with new customers being secured and improved capacity utilization.

RM'000	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Revenue	19,058	24,036	27,459	28,658
Loss Before Tax	(4,560)	(2,557)	(2,676)	(1,513)

On recognising the unfavorable operating environment that we continue to operate in, the management has immediately taken measures to further broaden its customer and product base by exploring into newer markets. In the third quarter alone, our test and assembly business took a significant step forward by establishing our own global marketing and sales offices in the United States and Taiwan. In this short span of establishing our global marketing and sales offices, we have managed to enlist five new customers and commenced production for three of these customers in December. We foresee these new customers and our on going marketing effort to contribute positively to our business in year 2004 as the acceleration in the semiconductor industry growth is expected to be faster in the Asia Pacific Region and hence diversify the risk of over reliance on our current customers.

During the fourth quarter, there were further equipment transfers from National Semiconductor ("NS"), to increase the current assembly capacity. And subsequent to the year-end, NS has commenced the transfer of test equipment that will further increase our test revenue.

In order to achieve our key strategy of broadening customer and product base and to keep abreast with technology, AIC Semiconductor Sdn Bhd ("AICS"), had on 3 February 2004 entered into a joint marketing and technical support agreement with 1st Silicon (Malaysia) Sdn Bhd ("1Si") to develop and promote customer recognition for the benefits of the joint use of their products and services by providing one another with technical, marketing and sales support in supporting mutual customers and introducing its customers to the products and services of the other party, where appropriate AICS will provide test and assembly services to the customers of 1Si. This collaboration is expected to contribute positively towards the future earnings of our test and assembly business and will act as an impetus for us to stay ahead with technology.

Based on the industry forecast, the global semiconductor industry is expected to experience a double-digit growth in year 2004 with the communications, computer and consumer sectors driving the performance as consumers migrate to new mobile technologies, the wireless businesses and new upgrades for information and technology systems.

Global Semiconductor Sales Forecast (Growth in %)			
	2003 (A)	2004 (F)	2005 (F)
SIA	15.8%	19.4%	5.8%
IDC	NA	16.0%	13.0%
WSTS	NA	19.4%	12.6%
Gartner Inc	13.6%	22.6%	13.3%

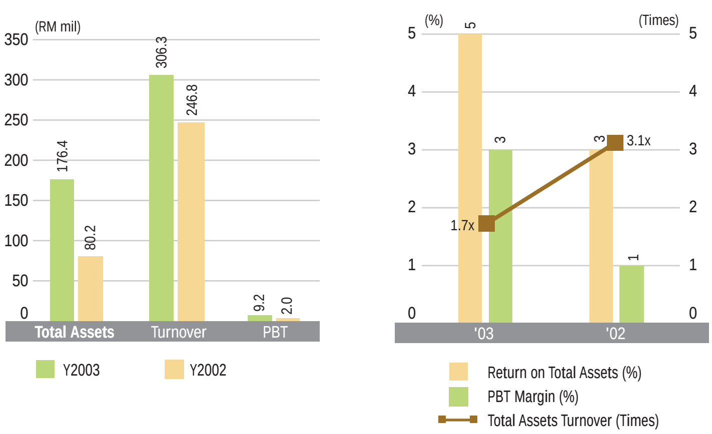
Sources: The websites of the respective research sources

All our major customers have also signaled a better 2004 and with our global marketing and sales offices already in place to intensify and spearhead our marketing objectives, our test and assembly business is well set to turnaround.

Distribution Activities

> "Through our 'merging into strengths' strategy, Nucleus Group is poised for stronger growth."

Distribution Segment



The year 2003 was yet another challenging and unpredictable year for our distribution business. During the year, expectations of a global economic rebound were dampened by threats of terrorist attacks worldwide, uncertainties and prevalent ambivalence concerning the outcome and impact of the war in Iraq. Despite these demanding conditions in 2003, the Nucleus Group has made significant achievements with its dichotomy strategies of acquisition and organic growth.

In 2003, our Nucleus Group generated total revenue of RM306.3 million, representing a sizeable 24% increase from the previous financial year of RM246.8 million. The revenue translated into a net profit of RM9.2 million in 2003 (2002: RM2.0 million). This represents a significant growth rate of 186% over the previous financial year's net profit. As we strive to achieve operational efficiencies, the distribution business' EBITDA has also improved tremendously from RM3.39 million in 2002 to RM10.71 million in 2003. Gross profits and gross profit margins improved significantly to RM25.5 million (2002: RM18.3 million) and 8.3% (2002: 7.4%) respectively.

The Nucleus Group was able to offset the demanding conditions of 2003 by its new acquisition in Hong Kong and its abilities to retain and service these accounts from its two Hong Kong offices when the economy, particularly in Asia, was hit by a sudden outbreak of Severe Acute Respiratory Syndrome ("SARS") in March 2003 and the slowdown in its traditional markets – due to the shifting of its customers' business operations to China, mostly to the Shenzhen-Dongguan-Guangzhou and the Shanghai-Nanjing economic belt. Through the Nucleus Group's "merging into strengths" strategy, the Group has also successfully secured new product lines, developed a range of reference designs, secured new customers as well as concluded various strategic alliances - to further expand its marketing network, increase its value added services to its customers, thereby enhancing its market position. As a leading electronic components distributor in the Asia Pacific region, we remain committed to growing our distribution business, both with existing customers and building new clientele in our focused markets.

Moving forward, we are convinced that the economy is now ready for a positive upturn. The chips industry looks promising as it is slated to rise over the next year. We believe the high utilisation for chips given the optimistic outlook of semiconductor industry driven by strong economy, would continue to support our distribution business's solid revenue growth. During the year, we have continued to take prudent steps to further strengthen our corporate financial resources, management and the quality of our customer base. We continuously enhance our capabilities to better serve our customers' needs and to be their preferred choice partner.

RM'000	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Revenue	44,100	57,201	61,626	143,421
Profit Before Tax	422	2,307	1,789	4,599

These initiatives include improving supply chain management, setting up of dedicated liaison offices close to our customers and offering prompt warehousing cum logistic support services to our customers. Furthermore, our continuous effort to focus the distribution business strategy to profitability, increasing market share and size and improving profitability as well as operational efficiency measures such as cost rationalisation plans shall place us in a better position to be the strongest and most competitive electronic components distributor in the Asia Pacific.

Review of Operations and Financial Performance

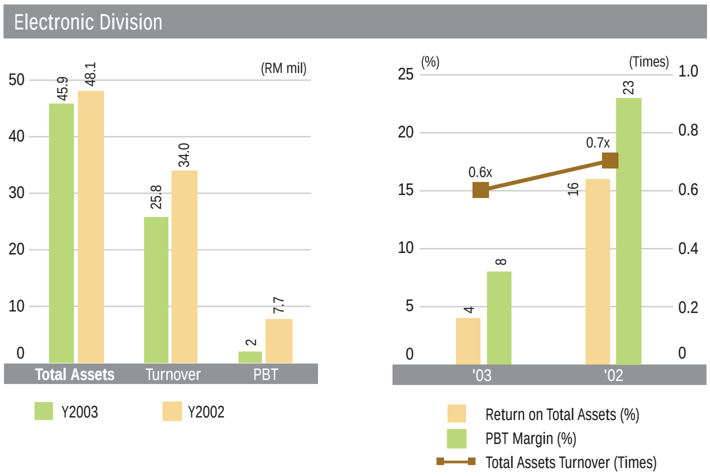
(Continued)

ELECTRONICS DIVISION

> "Notwithstanding the challenges faced by the automotive industry, the Division is committed to continuous improvement in product quality, operational excellence and delivery performance."

2003 was also a challenging year in many aspects for our automotive business; from the geopolitical concerns and the outbreak of SARS which inevitably impacted the global economy and the consumer sentiments to the uncertainties and the "wait and see" attitude of the consumers brought by the pending post AFTA effect home-front.

The total number of motor vehicles sales in Y2003 in the Malaysian market registered a decline of 7% to 405,000 units as compared to Y2002 when the passenger car sales in the country registered a record year of sales. In addition, our major customers, the national car makers have also suffered a loss in market share amidst intensified competition in pricing and introduction of new models by the non national car makers.



RM'000	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Revenue	7,245	6,768	6,993	4,759
Profit/(Loss) Before Tax	1,178	328	1,004	(520)

Against this backdrop, this Division has posted a lacklustre financial performance in Y2003. The companies reported a profit before taxation of RM1.99 million (Y2002: RM7.71 million) at the back of RM25.77 million of sales revenue (Y2002: RM33.99 million).

In spite of these challenges, the companies are committed to continuous improvement in product quality, operational excellence and delivery performance. Accordingly, Brimal Holdings Sdn Bhd ("Brimal") was presented with Certificates of Recognition 2002 – 2003 for Best Overall Performance and Best Delivery Performance by Perusahaan Otomobil Nasional Berhad ("Proton") in appreciation for invaluable contributions, efforts and achievements in realizing Proton's vision towards mutual growth and prosperity.

Although consumer sentiments should improve given the optimistic forecast of the national GDP's growth in Y2004 and the government's announcement on the tax structure on motor vehicles early this year which to a certain extent, mitigated the "wait and see" attitude, we believe the automotive market will remain very competitive and challenging given the intensified competition for market share among the car makers.

To ensure our competitive edge, we are committed to strengthen our market share by excelling in our product development/innovation and by continuing to enforce tight cost management and operational efficiency strategies.

DISPLAY DIVISION

> "Riding on the exponential growth of the LCD display industry."

RM'000	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Revenue	NA	NA	0	0
Loss Before Tax	NA	NA	(81)	(485)

On 26 July 2003, AIC Corporation Berhad ("AIC") entered into joint venture, technical assistance and supply agreements with MTN Inc. ("MTN") Korea and AIC-MTN Corporation Sdn Bhd ("AIC-MTN") (formerly known as Matrix Meridian Sdn Bhd), being the joint venture company of AIC and MTN, to carry out the design, research, development, manufacturing, branding, marketing and sale of multimedia displays, multimedia products and all related peripherals including thin-filmed transistor liquid crystal display ("TFT-LCD") monitors and LCD televisions ("LCD TVs").

For the financial year ended 31 December 2003, AIC-MTN incurred a loss of RM0.566 million being start-up costs. The plant was set up in February 2004 and the commissioning of the lines and the pilot runs for both LCD monitors and LCD TVs have been successfully carried out in the first quarter of 2004. Commercial production has commenced in the early part of the second quarter of 2004.

According to Market Intelligence Center ("MIC") of the Institute for Information Industry in Taiwan, global LCD shipment is projected to increase at 35.2% year-on-year to 68.7 million units in 2004. It will also surpass cathode-ray tube ("CRT") monitors for the first time. In 2004-2006, global monitor shipment is projected to increase at an average rate of 6.3% p.a. led by the average 25.9% annual increase in the demand for LCD monitors. Meanwhile, global LCD TVs demand is projected to show strong growth from 7.8 million units in 2004 to 26.5 million units in 2006, translating into an average growth of 90.3% p.a. The robust growth in demand for LCD monitors and LCD TVs is underpinned by increased price affordability, demand push by PC vendors and growing consumer adoption.

Given the forecast, we are optimistic that AIC-MTN will contribute positively, on a gradual basis to the Group's revenue growth and profitability.

Robust Growth in Demand for LCD Monitors and TVs (Shipment Forecast)

Monitor (million units)	2001	2002	2003F	2004F	2005F	2006F
TFT-LCD	15.4	31.4	50.8	68.7	85.7	101.0
CRT	90.6	84.3	70.0	61.0	51.9	43.9
	106.0	115.7	120.8	129.7	137.6	144.9
YoY Growth (%)						
TFT-LCD	+140.3	+104.0	+61.9	+35.2	+24.7	+17.9
CRT	(17.8)	(6.9)	(17.0)	(12.9)	(14.9)	(15.4)
TOTAL	(9.1)	+9.2	+4.4	+7.4	+6.1	+5.3
LCD TV (million units)	0.7	2.8	3.9	7.8	14.8	26.5
YoY Growth (%)		+282.80	+40.1	+103.0	+88.3	+79.5

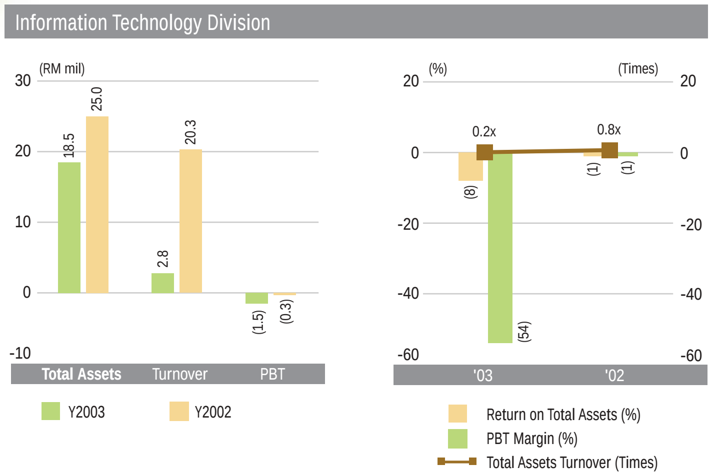
Source: Market Intelligence Center ("MIC") of the Institute for Information Technology, Nov 2003

Review of Operations and Financial Performance

(Continued)

INFORMATION TECHNOLOGY DIVISION

"Another phase of consolidation... "

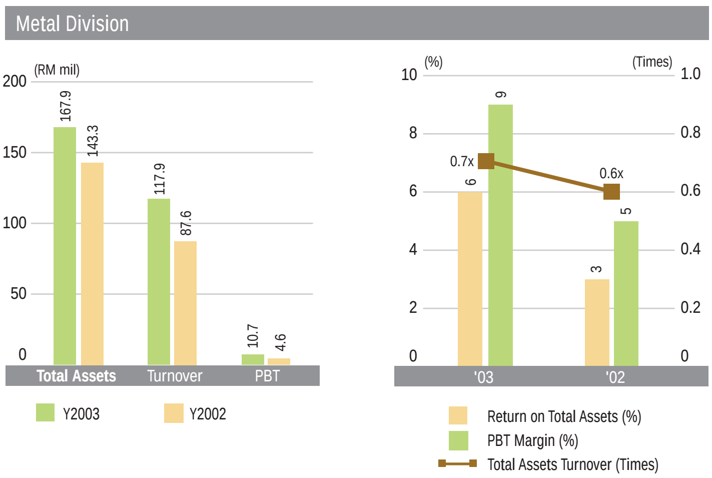


Since our last Operation Review Report, our Information Technology Division ("IT") has gone through another phase of consolidation in 2003. After the careful reevaluation by the Board of AIC on the strategic plans and direction of the Group and the IT Division in July 2003, actions have been expediently taken to enforce tight cost management including reduction of staff force, and to improve the balance sheet. Consequentially, gearing level has been reduced to zero as at 31 December 2003 (Y2002: 0.56 times) and debtors turnover has also improved significantly. For the year under review, the Division has recorded a revenue of RM2.76 million (Y2002: RM20.33 million) and posted a loss before tax of RM1.527 million (Y2002: RM0.273 million).

RM'000	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Revenue	410	212	501	1,635
Loss Before Tax	(373)	(490)	(595)	(70)

METAL DIVISION

"Focusing on regional expansion – to be where the growth economies are."



Jotech Holdings Berhad ("Jotech") recorded another year of impressive growth for the financial year ended 31 December 2003 with its profit before tax jumped 137% to RM10.7 million from RM4.6 million a year earlier while revenue rose 34.6% to RM118 million from RM87.6 million.

The improved Year 2003 results were mainly due to contributions from new investments in their electronics division via Palladine Technology Pte Ltd which develops and markets its own trademarked LCD for personal computers, televisions, multipurpose monitors and portable MP3-cum-VCD players and Cabletron Electronics (M) Sdn Bhd which manufactures its own TVs, VCD / DVD players and electronics household products.

An improving outlook for the electronics sector coupled with Jotech's existing presence in China and Indonesia and the plan to venture into different emerging markets should propel Jotech to another level of growth in Year 2004.

RM'000	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Revenue	17,380	24,567	37,873	38,133
Profit Before Tax	1,049	3,253	3,076	3,394

Date: 20 April 2004

Financial Statements

Directors' Report
for the year ended 31 December 2003

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of its subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Net loss for the year	(11,207)	(4,221)

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 1% per ordinary share less treasury shares amounting to RM679,163 in respect of the financial year ended 31 December 2002 on 21 July 2003.

The Directors now recommend a first and final tax exempt dividend of 1% per ordinary share less treasury shares amounting to RM689,123 in respect of the financial year ended 31 December 2003.

Directors of the Company

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

Datuk Haji Sarip bin Hamid
Tuan Haji Mohd Ali bin Bawal
Mohamad Ariff bin Puteh
Md Yusof bin Hussin
Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii
Mamat @ Mohamed bin Hussain

The holdings and deemed holdings in the ordinary 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 Director's Shareholdings are as follows:

	Number of Ordinary Shares of RM1 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Shares in the Company				
Datuk Haji Sarip bin Hamid				
– direct interest	177,000	–	–	177,000
– indirect interest	15,732,166	–	–	15,732,166
Tuan Haji Mohd Ali bin Bawal				
– direct interest	350,000	86,000	–	436,000
Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii				
– direct interest	18,000	–	–	18,000
Mohamad Ariff bin Puteh				
– direct interest	12,000	50,000	62,000	–
– indirect interest	16,112,832	62,000	–	16,174,832

According to the Register of Directors' Shareholdings, direct interest in shares in related corporations held by Directors at the end of the financial year were as follows:

	Number of Ordinary Shares of SGD0.05 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Shares in Nucleus Electronics Ltd.				
Datuk Haji Sarip bin Hamid	140,000	–	–	140,000
Tuan Haji Mohd Ali bin Bawal	140,000	–	–	140,000
Mohamad Ariff bin Puteh	260,000	200,000	–	460,000

Directors' Report

for the year ended 31 December 2003
(Continued)

By virtue of Datuk Haji Sarip bin Hamid and Mohamad Ariff bin Puteh having interest of more than 15% in the shares of the Company, they are deemed to have interest in the shares of the subsidiaries of the Company. Details of their deemed shareholdings in non-wholly owned subsidiaries are as follows:

	Number of Ordinary Shares of RM1 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Shares in:				
AIC Microelectronics Sdn. Bhd.	3,750,000	–	–	3,750,000
AIC Properties Sdn. Bhd.	1,229,917	–	–	1,229,917
AIC Semiconductor Sdn. Bhd.	28,120,250	–	–	28,120,250
AIC Technology Sdn. Bhd.	6,000,000	–	–	6,000,000
AIC Wafer Services Sdn. Bhd.	225,000	–	–	225,000
Alpha Mediatech Sdn. Bhd.	63,000	–	–	63,000
Custom Tooling (Kota Bahru) Sdn. Bhd.	1	–	–	1
CADXCEL Sdn. Bhd. *(Formerly known as Integral CAD Distribution Sdn. Bhd.)*	2	90,000	–	90,002
Integral CAD Technologies Sdn. Bhd.	1,800,000	–	–	1,800,000
Nucleus Components Sdn. Bhd.	1	–	–	1
Nucleus Electronics Sdn. Bhd.	1	–	–	1

	Number of Ordinary Shares of SGD0.05 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Nucleus Electronics Ltd.	67,184,700	–	–	67,184,700

	Number of Ordinary Shares of SGD1.00 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Nucleus India Pte. Ltd.	1	20,782	–	20,783

	Number of Ordinary Shares of HKD1 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Nucleus Electronics (Hong Kong) Limited	2,062,500	–	–	2,062,500
TLG Electronics Ltd.	–	1,405,875	–	1,405,875
CN Electronics Ltd.	–	183,375	–	183,375
Fuqiang Precision Limited	–	11,818	–	11,818

	Number of Ordinary Shares of NTD10 each			
	Balance at 1.1.2003	**Bought**	**Sold**	**Balance at 31.12.2003**
Neolec International Inc.	2,057,143	–	–	2,057,143

	Number of Ordinary Shares of USD1 each			
	Balance at 1.1.2003	Bought	Sold	Balance at 31.12.2003
Nucleus Capital Limited	–	2,974,750	–	2,974,750

	Number of Cumulative Preference Shares of RM1 each			
	Balance at 1.1.2003	Bought	Sold	Balance at 31.12.2003
AIC Technology Sdn. Bhd.	4,838,035	–	–	4,838,035

	Number of Convertible Preference Shares of RM1 each			
	Balance at 1.1.2003	Bought	Sold	Balance at 31.12.2003
AIC Semiconductor Sdn. Bhd.	18,578,000	–	–	18,578,000

None of the other Directors holding office at the end of the financial year had any interest in the shares of the Company and of its related corporations during the financial year.

	Number of Warrants			
Warrants in the Company	Balance at 1.1.2003	Bought	Sold	Balance at 31.12.2003
Datuk Haji Sarip bin Hamid – indirect interest	4,619,248	–	1,000,000	3,619,248
Mohamad Ariff bin Puteh – indirect interest	4,624,248	–	1,000,000	3,624,248

The options granted to the Directors in respect of the acquisition of shares pursuant to the Employees' Share Option Scheme ("ESOS") of the Company and its related corporation, Nucleus Electronics Ltd., are set out below:

	Number of Options over Ordinary Shares of RM1 each				
	Balance at 1.1.2003	Granted	Exercised	Lapsed due to expiry of ESOS	Balance at 31.12.2003
Options over shares in the Company					
Tuan Haji Mohd Ali bin Bawal	86,000	–	86,000	–	–
Mohamad Ariff bin Puteh	30,000	50,000	80,000	–	–

	Number of Options over Ordinary Shares of SGD0.05 each			
	Balance at 1.1.2003	Granted	Exercised	Balance at 31.12.2003
Options over shares in Nucleus Electronics Ltd.				
Datuk Haji Sarip bin Hamid	200,000	–	–	200,000
Tuan Haji Mohd Ali bin Bawal	200,000	–	–	200,000
Mohamad Ariff bin Puteh	200,000	–	200,000	–

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/payable to Directors as shown in the financial statements) 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 certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and consultancy and management fees payable to and rental payable to and receivable from companies in which certain Directors have significant financial interest, as disclosed in Note 32, 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 (other than benefits given to Directors of the Company pursuant to the ESOS of the Company and its subsidiary, Nucleus Electronics Ltd.) by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company issued the following shares:

Class of Shares	Number of Shares	Terms of Issue	Purpose of Issue
Ordinary shares of RM1.00 each	225,000	RM2.805 per ordinary share	Employees' Share Option Scheme
Ordinary shares of RM1.00 each	2,000	RM4.08 per ordinary share	Employees' Share Option Scheme
Ordinary shares of RM1.00 each	793,000	RM3.59 per ordinary share	Employees' Share Option Scheme

Subsequent to the financial year end, 368,000 new ordinary shares were issued pursuant to the exercise of 368,000 share options before the expiry of the ESOS on 22 December 2003 as follows:

Class of Shares	Number of Shares	Terms of Issue	Purpose of Issue
Ordinary shares of RM1.00 each	49,000	RM2.805 per ordinary share	Employees' Share Option Scheme
Ordinary shares of RM1.00 each	10,000	RM4.08 per ordinary share	Employees' Share Option Scheme
Ordinary shares of RM1.00 each	309,000	RM3.59 per ordinary share	Employees' Share Option Scheme

There were no debentures issued during the year.

Options granted over unissued shares or warrants

i) *Employees' Share Option Scheme*

Under the Company's ESOS which became effective on 22 December 1998, options to subscribe for unissued new ordinary shares of RM1 each in the Company were made available to eligible Directors and employees of the Group as follows:-

Date of Offer	Option price (RM)	Balance 1.1.2003	Offered and accepted	Options exercised	Lapsed due to resignation	Lapsed due to expiry of ESOS	Balance 31.12.2003
31.12.1998	2.805	172,000	–	172,000	–	–	–
2.1.1999	2.805	371,000	–	102,000	1,000	268,000	–
1.3.2000	10.25	230,000	–	–	36,000	194,000	–
3.5.2001	4.08	287,000	–	12,000	123,000	152,000	–
23.5.2002	5.03	300,000	–	–	86,000	214,000	–
1.8.2003	3.59	–	1,259,000	1,102,000	100,000	57,000	–

i) Employees' Share Option Scheme (Continued)

The salient features of the scheme are as follows:

a) Eligible employees are Malaysian citizens employed by and on the payroll of the Group, whom are confirmed and have been in the employment of the Group for at least one (1) year prior or up to the date of offer and any non-Malaysian employee and technical staff who have served the Company on a full time basis and for a period of at least one year up to the date of offer.

b) The maximum amount of the ordinary shares of the Company which may be subscribed shall not be more than ten percent (10%) of the issued share capital of the Company at any point of time during the existence of the ESOS which shall be in force for a period of 5 years from 23 December 1998.

c) The options cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.

d) The options price shall be determined based on the average of the mean market quotation of the Company's ordinary shares as shown in the Daily Official List issued by the Malaysia Securities Exchange Berhad ("MSEB") for the five (5) trading days preceding the respective date of offer in writing to the grantees or at the par value of the ordinary shares of the Company, whichever is higher.

e) 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.

f) the options granted may be exercised according to the following scale in respect of a maximum of the following:

Number of shares in respect of Options granted	**Percentage of Options exercisable (%)**				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Below 20,000	100				
20,000 to less than 40,000	40	30	30		
40,000 to less than 100,000	25	25	25	25	
100,000 and above	20	20	20	20	20

Notes:

(i) The percentage of the options exercisable but not exercised in a particular year can be carried forward to the subsequent years within the options period.

(ii) For non-Malaysian grantees, the options can only be exercised up to a maximum of 20% in each year. Any remaining unexercised percentage of the options can be exercised upon expiry of the employment contract should such expiry fall before the end of the options period.

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.

The Company's ESOS has expired on 22 December 2003.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.

ii) Warrants

On 23 December 2002, the shareholders of the Company and the holders of Warrants B approved the extension of the exercise period of the outstanding Warrants B of 17,262,064. The extension is in compliance with the announcement by the Securities Commission on 30 October 1998 pertaining to extension of the exercise period of Warrants and the gazette on 1 November 1998 of amendments to Section 68(1) of the Companies Act, 1965 which enables options on shares to have an exercise period of up to ten (10) years. The salient terms of the extension as per the Supplemental Deed Poll dated 23 December 2002 are as follows:

a) The original exercise period of the Warrants B shall be extended for three (3) years from 16 January 2003 up to and including 15 January 2006 ("First Extension") and thereafter with an option to extend the exercise period for a further period of one (1) year expiring on 15 January 2007 with a final option to extend the exercise period by one (1) year expiring on 15 January 2008.

ii) Warrants (Continued)

b) The First Extension will be implemented by the Company if the last closing price of the Company's shares quoted on the MSEB is at a premium of not more than 20% over the exercise price of RM3.80 per Warrant B for any market day for a consecutive period of 5 market days preceding 1 December 2003, being one and a half months prior to the expiry date of 15 January 2003.

c) Following the First Extension, the further extensions of up to 2 periods of one year each from 16 January 2006 to 15 January 2007 and from 16 January 2007 to 15 January 2008 will be implemented by the Company if the weighted average market price of the Company's shares quoted on the MSEB is at a premium of not more than 20% over the exercise price of RM3.80 per Warrant B for any period of 30 consecutive market days preceding 15 October 2005 and 15 October 2006, being 3 months prior to expiry dates of 15 January 2006 and 15 January 2007, respectively.

On 16 January 2003, the exercise period of Warrants B was extended for another three (3) years from 16 January 2003 to 15 January 2006. At 31 December 2003, 17,262,064 of Warrants B remained unexercised.

The duration and exercise period of Warrants A was not extended as the First Deed Poll entered into by the Company did not provide for any extension to the exercise period of Warrants A. Accordingly, all 959,940 outstanding Warrants A ceased to be valid after the expiry date of 15 January 2003.

Significant events during the year

i) Acquisition of AIC-MTN Corporation Sdn. Bhd. ("AIC-MTN") (formerly known as Matrix Meridian Sdn. Bhd.)

On 23 July 2003, the Company acquired the entire issued and paid-up share capital of Matrix Meridian Sdn. Bhd. ("Matrix"), a newly formed company for a cash consideration of RM2.00. Matrix is a private limited company incorporated in Malaysia on 26 June 2003 and has an authorised share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each of which two (2) ordinary shares of RM1.00 each have been issued and fully paid.

The acquisition was made in relation to a Joint Venture Agreement entered into on 26 July 2003 between the Company and MTN Inc. to set up a joint venture company to carry out the design, research, development, manufacturing, branding, marketing and sale of multimedia displays, multimedia products and all related peripherals including thin-filmed transistor liquid crystal display ("TFT-LCD") monitors and televisions. On 5 September 2003, Matrix changed its name to AIC-MTN Corporation Sdn. Bhd..

The paid up capital of AIC-MTN as at year end is RM500,000. The intended paid up capital of AIC-MTN is RM9,500,000.

ii) Acquisition of TLG Electronics Ltd. ("TLG")

On 16 September 2003, Nucleus Electronics Ltd. ("Nucleus") (a 55% owned subsidiary of AIC Technology Sdn. Bhd., which in turn is a 75% owned subsidiary of AIC), a company listed on the Singapore Exchange Securities Dealing and Automated Quotation ("SESDAQ"), together with its wholly owned subsidiary, Nucleus Capital Limited ("NCL"), entered into a conditional sale and purchase agreement to acquire 3,450,000 shares at par value of HKD1.00 each representing 60% of the issued share capital of TLG for a purchase consideration of RM30,029,000.

iii) Corporate proposal

On 12 December 2003, the Company announced that it intends to undertake the following proposals:-

- Proposed bonus issue of up to 48,687,876 Bonus Shares on the basis of 1 Bonus Share for every 2 existing Shares held at a date to be determined;
- Proposed private placement of up to 10% of the issued and paid-up share capital of the Company to placees to be identified;
- Proposed establishment of a new Employees' Share Option Scheme ("ESOS") for the granting of options to eligible employees and executive Directors of AIC and its subsidiaries (except for subsidiaries which are dormant); and
- Proposed increase in the authorised share capital of AIC from RM100,000,000 to RM500,000,000.

The Proposed Bonus Issue, Proposed Private Placement and Proposed New ESOS are collectively known as "the Proposals".

Significant events during the year (Continued)

iii) Corporate proposal (Continued)

The Proposals are conditional upon the following approvals being obtained:

(a) the Securities Commission ("SC");

(b) the shareholders of AIC at an Extraordinary General Meeting ("EGM") to be convened, save for the Proposed Private Placement whereby the shareholders of AIC have already approved the issue of new Shares, pursuant to Section 132D of the Companies Act, 1965 at the last Annual General Meeting on 22 May 2003;

(c) the MSEB for the listing of and quotation for the new shares to be issued pursuant to the Proposed Bonus Issue, Proposed Private Placement and the exercise of Options granted under the Proposed New ESOS; and

(d) other relevant authorities, if any.

The proposed increase in authorised share capital is conditional upon the approval of the shareholders of AIC at an EGM to be convened.

Further to the announcement made on 12 December 2003 and pursuant to the latest amendments to the MSEB Listing Requirements and Securities Commission Act, 1993, in relation to bonus issues and share schemes for employees, the Board of Directors of the Company has on 10 February 2004 announced that it proposes to vary certain terms of the Proposed New ESOS as follows:

(a) The maximum amount of new Shares, which may be subscribed, shall now be not more than 15% (instead of 10% as previously announced) of the issued and paid-up share capital of the Company at any time during the duration of the Proposed New ESOS subject to the terms and conditions of the By-Laws for the Proposed New ESOS; and

(b) Options under the Proposed New ESOS shall also be granted to Non-Executive Directors of AIC and its subsidiary companies (instead of to only eligible employees and Executive Directors of AIC and its subsidiary companies).

In accordance with the aforesaid amendments to MSEB's Listing Requirements and Securities Commission Act, 1993, SC's approvals does not need to be sought for the Proposed Bonus Issue and Proposed New ESOS.

On 10 March 2004, MSEB has granted their approval-in-principle to the following:

(a) the listing of up to 38,654,190 new Shares to be issued pursuant to the Proposed Bonus Issue; and

(b) the listing of such new Shares that may be issued pursuant to the Proposed New ESOS, representing up to 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the Proposed New ESOS.

On 29 March 2004, the Company announced that it proposed to amend the Articles of Association of the Company in order to streamline the existing Articles of Association with the recent amendments to the Listing Requirements of MSEB in relation to ESOS, which includes, inter alia removing restrictions that preclude non-executive directors from participating in any employee share option schemes implemented by the Company.

Event subsequent to the balance sheet date

Dilution of effective equity interest in Nucleus

On 8 January 2004, Nucleus entered into a placement agreement ("The Placement Agreement") with UOB Kay Hian Private Limited ("The Placement Agent") and Mr. Edward Lee Kah Wai ("the vendor") for the Placement Agent to procure purchases of up to 32,500,000 ordinary shares of SGD0.05 each in the capital of Nucleus ("Nucleus shares") owned by the vendor at an issue price of SGD0.3245 per share (hereinafter referred to as "the Placement").

At the same time, Nucleus also entered into a subscription agreement with the vendor ("The Subscription Agreement"), pursuant to which Nucleus will allot and issue to the vendor up to 32,500,000 new Nucleus shares at the same price of SGD0.3245 per share ("the Proposed Subscription").

On 16 January 2004, the Company announced that all 32,500,000 Nucleus shares in respect of the Placement had been taken up by institutional investors and that Singapore Exchange Securities Trading Limited on 15 January 2004 granted its approval-in-principle for the listing and quotation of the new Nucleus shares, to be issued pursuant to the Proposed Subscription, on the official list of the SGX-SESDAQ.

Following the above, the issued and paid-up share capital of Nucleus increased from 164,927,000 ordinary shares of SGD0.05 each to 197,427,000 ordinary shares of SGD0.05 each. As a result, the Company's effective equity interest in Nucleus has been diluted from 40.75% to 34.04%.

Other statutory information

Before the financial statements 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) all current assets have been stated at the lower of cost and net realisable value.

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 Group and in the Company financial statements 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 the Company misleading.

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 adoption of MASB 25 as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or 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.

Auditors

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

Signed in accordance with a resolution of the Directors:

Datuk Haji Sarip bin Hamid

Mohamad Ariff bin Puteh

Shah Alam,

Date: 20 April 2004

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 61 to 111 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Datuk Haji Sarip bin Hamid

Mohamad Ariff bin Puteh

Shah Alam,

Date: 20 April 2004

Statutory Declaration

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

I, **Chen Heng Mun**, the officer primarily responsible for the financial management of AIC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 111 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 abovenamed in Kuala Lumpur on 20 April 2004.

Chen Heng Mun

Before me:

Report of the Auditors

to the members of AIC Corporation Berhad

We have audited the financial statements set out on pages 61 to 111. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- i) the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the year ended on that date; and
- ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/05(J)

Kuala Lumpur,

Date: 20 April 2004

Balance Sheets

at 31 December 2003

	Note	Group 2003 RM'000	Group Restated 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Property, plant and equipment	2	173,286	177,251	8,188	8,551
Investment in subsidiaries	3	–	–	81,712	81,892
Property development expenditure	4	–	1,832	–	–
Investments in associates	5	30,715	28,539	12,064	12,064
Other investments	6	4,560	4,560	4,500	4,500
Intangible assets	7	64,834	39,024	–	–
Current assets					
Inventories	8	55,557	37,028	–	–
Trade and other receivables	9	107,999	79,388	44,674	42,497
Tax recoverable		2,050	1,509	–	–
Cash and cash equivalents	10	47,277	86,675	7,587	60,326
		212,883	204,600	52,261	102,823
Current liabilities					
Trade and other payables	11	99,120	48,189	2,134	1,647
Borrowings	12	38,706	27,467	186	177
Taxation		2,365	1,044	–	–
Provisions	13	113	133	–	–
Redeemable unsecured bank guaranteed bonds	14	–	50,000	–	50,000
		140,304	126,833	2,320	51,824
Net current assets		72,579	77,767	49,941	50,999
		345,974	328,973	156,405	158,006

Balance Sheets

at 31 December 2003
(Continued)

		Group		Company	
		2003	2002	2003	2002
	Note	RM'000	RM'000	RM'000	RM'000
Financed by:					
Capital and reserves					
Share capital	15	69,912	68,892	69,912	68,892
Reserves	16	117,545	126,837	45,290	47,724
Treasury shares	17	(3,808)	(3,808)	(3,808)	(3,808)
		183,649	191,921	111,394	112,808
Negative goodwill		4,741	4,741	–	–
Minority shareholders' interests	18	60,357	55,153	–	–
Long term and deferred liabilities					
Borrowings	12	63,144	60,381	45,011	45,198
Preference shares	18	16,127	16,127	–	–
Deferred tax liabilities	19	1,058	650	–	–
Other payables	11	16,898	–	–	–
		345,974	328,973	156,405	158,006

The financial statements were approved and authorised for issue by the Board of Directors on 20 April 2004.

The notes set out on pages 70 to 111 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

for the year ended 31 December 2003

	Note	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Revenue	20	437,060	403,014	4,285	5,970
Operating (loss)/profit	20	(5,448)	3,859	(2,314)	(533)
Financing costs	23	(5,342)	(4,215)	(3,455)	(1,571)
Interest income	24	1,165	1,493	1,548	1,243
Share of profits in associates		3,726	1,550	-	-
(Loss)/Profit before taxation		(5,899)	2,687	(4,221)	(861)
Tax – Company and subsidiaries		(2,892)	(937)	-	17
– associates		(544)	(317)	-	-
Tax expense	25	(3,436)	(1,254)	-	17
(Loss)/Profit after taxation		(9,335)	1,433	(4,221)	(844)
Minority interest		(1,872)	(829)	-	-
Net (loss)/profit for the year		(11,207)	604	(4,221)	(844)
Basic (loss)/earnings per ordinary share (sen)	26	(16.47)	0.89		
Diluted earnings per ordinary share (sen)	26	N/A	0.85		
Dividends per ordinary share tax exempt (sen)	27	1.0	3.0		

The notes set out on pages 70 to 111 form an integral part of, and should be read in conjunction with, these financial statements.

Group Statement of Changes in Equity

for the year ended 31 December 2003

			Non–distributable					Distributable	
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Capital reserve RM'000	Reserve on revaluation RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2002	68,477	(3,808)	37,350	16,811	4,314	1,997	(1,663)	67,778	191,256
Effect of adopting MASB 25	–	–	–	–	(526)	–	–	–	(526)
Restated balance	68,477	(3,808)	37,350	16,811	3,788	1,997	(1,663)	67,778	190,730
Currency translation differences	–	–	–	–	–	–	1,114	–	1,114
Net gains and losses not recognised in the income statement	–	–	–	–	–	–	1,114	–	1,114
Net profit for the year	–	–	–	–	–	–	–	604	604
Final dividends paid	–	–	–	–	–	–	–	(2,030)	(2,030)
Issue of share capital	415	–	1,088	–	–	–	–	–	1,503
At 31 December 2002 Restated	68,892	(3,808)	38,438	16,811	3,788	1,997	(549)	66,352	191,921
	Note 15								

The notes set out on pages 70 to 111 form an integral part of, and should be read in conjunction with, these financial statements.

Group Statement of Changes in Equity

for the year ended 31 December 2003
(Continued)

			Non–distributable					Distributable	
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Capital reserve RM'000	Reserve on revaluation RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2003 Restated	68,892	(3,808)	38,438	16,811	3,788	1,997	(549)	66,352	191,921
Currency translation differences	–	–	–	–	–	–	128	–	128
Net gains and losses not recognised in the income statement	–	–	–	–	–	–	128	–	128
Net loss for the year	–	–	–	–	–	–	–	(11,207)	(11,207)
Final dividends paid	–	–	–	–	–	–	–	(679)	(679)
Issue of share capital	1,020	–	2,466	–	–	–	–	–	3,486
Reclassification	–	–	413	(413)	–	–	–	–	–
At 31 December 2003	69,912	(3,808)	41,317	16,398	3,788	1,997	(421)	54,466	183,649
	Note 15								

The notes set out on pages 70 to 111 form an integral part of, and should be read in conjunction with, these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2003

			Non–distributable			Distributable	
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2002	68,477	(3,808)	37,763	1,537	901	9,309	114,179
Net loss for the year	–	–	–	–	–	(844)	(844)
Issue of share capital	415	–	1,088	–	–	–	1,503
Final dividends paid	–	–	–	–	–	(2,030)	(2,030)
At 31 December 2002/ 1 January 2003	68,892	(3,808)	38,851	1,537	901	6,435	112,808
Net loss for the year	–	–	–	–	–	(4,221)	(4,221)
Issue of share capital	1,020	–	2,466	–	–	–	3,486
Final dividends paid	–	–	–	–	–	(679)	(679)
At 31 December 2003	69,912	(3,808)	41,317	1,537	901	1,535	111,394
	Note 15						

The notes set out on pages 70 to 111 form an integral part of, and should be read in conjunction with, these financial statements.AIC Corporation Berhad

Cash Flow Statements

for the year ended 31 December 2003

	Note	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation and minority shareholders' interests		(5,899)	2,687	(4,221)	(861)
Adjustments for:					
Allowance for diminution in value of investments		–	1,650	–	–
Amortisation of development expenditure		1,175	418	–	–
Depreciation		28,366	26,821	500	543
Dividend income		–	–	(3,132)	(3,648)
Gain on disposal of short term investment		–	(20)	–	–
(Gain)/Loss on disposal of property, plant and equipment		(8)	(152)	6	(42)
Interest expense		5,163	4,066	3,455	1,571
Interest income		(1,143)	(1,430)	(1,548)	(1,243)
Impairment of subsidiary		–	–	680	–
Property, plant and equipment written off		20	15	15	1
Share of profits in associates		(3,726)	(1,550)	–	–
Unrealised foreign exchange loss		112	761	–	–
Write down of development expenditure		–	1,700	–	–
Operating profit/(loss) before working capital changes		24,060	34,966	(4,245)	(3,679)
(Increase)/Decrease in working capital:					
Inventories		(12,829)	(7,482)	–	–
Trade and other receivables		(15,521)	850	(2,678)	1,599
Trade and other payables		24,890	(3,712)	487	540
Provisions		(20)	(35)	–	–
Cash generated from/(used in) operations		20,580	24,587	(6,436)	(1,540)
Dividend income received		–	–	2,520	3,240
Income taxes paid		(2,590)	(5,268)	–	–
Proceeds from joint venture development		2,000	8,000	–	–
Interest income received		1,143	1,972	1,548	1,243
Net cash generated from/(used in) operating activities		21,133	29,291	(2,368)	2,943

Cash Flow Statements

for the year ended 31 December 2003
(Continued)

	Note	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		(1,274)	–	–	–
Purchase of investments		–	(5,367)	–	(4,500)
Proceeds from disposal of property, plant and equipment		3,012	381	27	42
Purchase of property, plant and equipment		(27,144)	(27,116)	(185)	(182)
Development expenditure incurred		(306)	(1,179)	–	–
Dividend received from an associate		612	408	612	408
Proceeds from sale of investments		–	1,861	–	–
Capital contribution from minority interest		1,009	–	–	–
Net cash used in investing activities		(24,091)	(31,012)	454	(4,232)
Cash flows from financing activities					
Dividend paid		(679)	(2,030)	(679)	(2,030)
Drawdown of term loan/bank borrowings		46,363	63,130	–	45,000
Decrease/(Increase) in pledged deposits placed with licensed banks		51,592	(40,357)	51,346	(38,715)
Interest paid		(4,537)	(4,066)	(3,455)	(1,571)
Proceeds from issuance of shares		3,486	1,503	3,486	1,503
Repayment of term loan/bank borrowings		(32,254)	(43,566)	–	(778)
Payment of lease and hire purchase liabilities		(404)	(1,525)	(178)	(158)
Repayment of bonds		(50,000)	–	(50,000)	–
Net cash (used in)/ generated from financing activities		13,567	(26,911)	520	3,251
Net increase/(decrease) in cash and cash equivalents		10,609	(28,632)	(1,394)	1,962
Cash and cash equivalents at beginning of year	(i)	33,491	60,521	8,981	7,019
Foreign exchange differences		1,775	1,602	–	–
Cash and cash equivalents at end of year	(i)	45,875	33,491	7,587	8,981

(i) Cash and cash equivalents comprise:

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

		Group		Company	
		2003	**2002**	**2003**	**2002**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances		36,762	17,851	1,806	1,124
Deposits (excluding deposits pledged)		9,119	15,836	5,781	7,857
		45,881	33,687	7,587	8,981
Bank overdrafts		(6)	(196)	–	–
		45,875	33,491	7,587	8,981

The notes set out on pages 70 to 111 form an integral part of, and should be read in conjunction with, these financial statements.

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

i) MASB 25, Income Taxes;

ii) MASB 27, Borrowing Cost; and

iii) MASB 29, Employees Benefits.

In addition to new policies and extended disclosures where required by these new standards, the effect of the changes in the above accounting policies are disclosed in Note 37 to the financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries which are consolidated using the merger method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Subsidiaries which satisfy the merger relief provisions of Sections 60(4) of the Company Act, 1965 have been consolidated using the acquisition method and the new shares issued for the acquisitions have been recorded at their nominal value in the financial statements of the Company. On consolidation, the premiums arising from the new shares issued have been recorded as a merger reserve. The merger reserve has been used to write off the goodwill arising on the acquisition of the said subsidiaries.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Property, plant and equipment

Freehold and leasehold land together with the attached buildings are stated at cost/valuation less accumulated amortisation and accumulated impairment losses. The cost of other property, plant and equipment comprises their purchase cost and any incidental costs of acquisition.

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 income statement.

1. *Summary of significant accounting policies* (Continued)

(c) Property, plant and equipment (Continued)

Depreciation

Freehold land is not amortised while leasehold land is amortised over the period of the lease. Buildings are depreciated on a straight line basis over 30 to 50 years.

The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Dies and moulds	20% to 33%
Plant and machinery	10% to 20%
Furniture, fittings and office equipment	10% to 40%
Motor vehicles	20%

(d) Investment in subsidiaries

Investment in unquoted subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost, less impairment loss where applicable.

(e) Property development expenditure

Development properties are stated at cost. The property development expenditure is amortised in proportion to the revenue received from the joint development of the land and is recognised as cost of sales. Where the estimated future realisable revenue is lower than the carrying value of the property development project, an allowance for the difference is made to reduce the carrying value of the project. Anticipated losses are provided for in full.

Interest costs on specific and identifiable borrowings to acquire land held for development are capitalised during the years of active development and carried forward as part of the costs of development.

(f) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

(g) Other investments

Long term and current unquoted investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Current quoted investments are stated at the lower of cost and market value on a portfolio basis.

(h) Intangible assets

(i) Goodwill or negative goodwill arising on consolidation

Goodwill or negative goodwill arising on consolidation represents the difference of the purchase price over the fair value of the net assets of the subsidiaries and associates at the date of acquisition and is taken up in the Consolidated Balance Sheet as a permanent item.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

1. *Summary of significant accounting policies* (Continued)

(h) Intangible assets (continued)

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over a period not more than ten (10) years, upon commencement of commercial production.

(i) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(k) 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 cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Liabilities

Borrowings and trade and other payables are stated at cost.

(m) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

Provision for warranties

A provision for warranties is recognised when the underlying products or services are sold. It is based on historical warranty data and a weighting of all possible outcomes against the associated probabilities.

(n) Finance leases

Leases in which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

(o) Share capital

(i) Preference share capital

Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as interest expense.

(ii) Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(p) Impairment

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1. *Summary of significant accounting policies* (Continued)

(p) Impairment (Continued)

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(q) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(r) Foreign currency

i) Foreign currencies transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

1SGD	RM2.23	(2002: 1SGD	RM 2.19)
1USD	RM3.80	(2002: 1USD	RM 3.80)
1HKD	RM0.49	(2002: 1HKD	RM 0.49)
1NTD	RM0.11	(2002: 1NTD	RM 0.11)
1EUR	RM4.78	(2002: 1EUR	RM 3.99)
100YEN	RM35.42	(2002: 100YEN	RM 31.70)
1CHF	RM3.05	(2002: NIL)	

1. *Summary of significant accounting policies* (Continued)

(s) Employee benefits

i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

ii) Defined contribution plans

Obligations for contributions to the state pension scheme, the Employees Provident Fund ("EPF"), are recognised as an expense in the income statements as incurred.

iii) Equity compensation benefits

The share option scheme allows eligible Directors and employees of the Group to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

(t) Revenue

Revenue of the Company represents dividends received and receivable from subsidiaries and associates, rental income and management fee. Revenue for the Group represents the invoiced value of goods sold, less sales tax, trade discounts and allowances and based on progressive payments received from the developer in the joint venture development. Sales between Group companies are excluded from the revenue of the Group.

i) Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the services at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iii) Progressive payments received from joint venture development

Revenue is based on progressive payments received from the developer in the joint venture development.

(u) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(v) Expenses

i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

ii) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

2. Property, plant and equipment

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Dies and moulds RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/Valuation									
At 1 January 2003	108	3,865	5,036	56,911	1,371	187,067	25,202	2,641	282,201
Exchange differences	–	–	–	116	–	–	57	27	200
Additions	–	–	3,650	5,312	176	16,488	1,381	137	27,144
Disposals / write off	(108)	(3,865)	–	–	–	(108)	(344)	(42)	(4,467)
Acquisition of subsidiary	–	–	–	–	–	–	419	–	419
At 31 December 2003	–	–	8,686	62,339	1,547	203,447	26,715	2,763	305,497
Representing items at:									
Cost	–	–	3,650	25,434	1,547	203,447	26,715	2,763	263,556
Directors' valuation	–	–	5,036	36,905	–	–	–	–	41,941
	–	–	8,686	62,339	1,547	203,447	26,715	2,763	305,497
Depreciation									
At 1 January 2003	–	973	82	2,057	923	85,886	13,272	1,757	104,950
Exchange differences	–	–	–	6	–	–	48	20	74
Charge for the year	–	43	128	1,175	179	23,145	3,246	450	28,366
Disposals / write off	–	(1,016)	–	–	–	(100)	(259)	(42)	(1,417)
Acquisition of subsidiary	–	–	–	–	–	–	238	–	238
At 31 December 2003	–	–	210	3,238	1,102	108,931	16,545	2,185	132,211
Net book value									
At 31 December 2003	–	–	8,476	59,101	445	94,516	10,170	578	173,286
At 31 December 2002	108	2,892	4,954	54,854	448	101,181	11,930	884	177,251
Depreciation charge for the year ended 31 December 2002	–	87	55	940	191	21,482	3,459	607	26,821

2. Property, plant and equipment (continued)

Company	Buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/Valuation				
At 1 January 2003	8,188	919	940	10,047
Additions	5	180	–	185
Disposals / write off	–	(87)	–	(87)
At 31 December 2003	8,193	1,012	940	10,145
Representing items at:				
Cost	369	1,012	940	2,321
Directors' valuation	7,824	–	–	7,824
	8,193	1,012	940	10,145
Depreciation				
At 1 January 2003	249	659	588	1,496
Charge for the year	170	142	188	500
Disposal / write off	–	(39)	–	(39)
At 31 December 2003	419	762	776	1,957
Net book value				
At 31 December 2003	7,774	250	164	8,188
At 31 December 2002	7,939	260	352	8,551
Depreciation charge for the year ended 31 December 2002	169	125	249	543

The Group and Company's land and buildings were revalued in 2001 by the Directors based on valuations by the following independent qualified valuers on an open market value basis using the comparison method :

- Mr. Khor Boon Soo, an independent registered valuer in Henry Butcher Lim & Long (North) Sdn. Bhd.
- Encik Mohd. Salleh Akram, a chartered valuation surveyor in Akram & Co.
- Ms. Poh Kwee Eng, an independent registered valuer in DTZ Debenham Tie Leung (SEA) Pte. Ltd.

2. Property, plant and equipment (continued)

Had the freehold and leasehold land and buildings been carried at historical cost less accumulated depreciation, 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:

	Group	
	2003	**2002**
	RM'000	**RM'000**
Freehold land and buildings		
Cost	–	1,244
Accumulated depreciation	–	(590)
Net book value at the end of financial year	–	654
Leasehold land and buildings		
Cost	41,559	39,751
Accumulated depreciation	(4,337)	(3,587)
Net book value at the end of financial year	37,222	36,164

	Company	
	2003	**2002**
	RM'000	**RM'000**
Buildings		
Cost	8,085	8,080
Accumulated depreciation	(1,213)	(1,034)
Net book value at the end of financial year	6,872	7,046

In 2002, certain freehold land and buildings of the Group costing RM3,973,000 was charged to a bank as security for borrowings.

Certain leasehold land and buildings of the Group costing RM41,396,000 (2002 – RM43,847,000) are charged to banks as security for borrowings *(See Note 12)*.

The net book value of the Group's property, plant and equipment acquired under hire purchase and finance lease arrangements as at 31 December 2003 amounted to RM377,000 (2002 - RM1,685,000).

The net book value of the Company's property, plant and equipment acquired under hire purchase and finance lease arrangements as at 31 December 2003 amounted to RM164,000 (2002 - RM352,000).

3. Investment in subsidiaries

	Company 2003 RM'000	Company 2002 RM'000
Unquoted shares - at cost	82,392	81,892
Less: Impairment losses	(680)	–
	81,712	81,892

The principal activities of the subsidiaries, their places of incorporation and the interest of AIC Corporation Berhad are as follows:

Name of Company	Principal activities	Country of incorporation	Effective ownership interest 2003 %	Effective ownership interest 2002 %
AIC Inspirasi Sdn. Bhd. and its subsidiaries	Investment holding	Malaysia	100	100
Autovisor Plastics Sdn. Bhd.	Manufacturing of sunvisors and interior car lamps	Malaysia	100	100
Brimal Holdings Sdn. Bhd.	Design and distribution of electronic products and assembly of automotive accessories	Malaysia	100	100
Custom Tooling Holdings Sdn. Bhd. *and its subsidiaries*	Investment holding	Malaysia	100	100
Custom Tooling (Malaysia) Sdn. Bhd.	Manufacturing and fabrication of tools, dies, mould and high precision engineering plastics and moulding for the automotive, telecommunication and electronics industries	Malaysia	100	100
Custom Tooling Engineering (Malaysia) Sdn. Bhd.	Fabrication of tools, dies and moulds. The operations of the Company has been transferred to Custom Tooling (Malaysia) Sdn. Bhd. during the year.	Malaysia	100	100
Custom Tooling (Kota Bahru) Sdn. Bhd.	Dormant	Malaysia	51	51
CTMS Sdn. Bhd.	Dormant	Malaysia	100	100
AIC DOTCOM Sdn. Bhd.	Investment holding	Malaysia	100	100
AIC Technology Sdn. Bhd. *and its subsidiaries*	Investment holding	Malaysia	75	75
AIC Semiconductor Sdn. Bhd.	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	Malaysia	74	74
AIC Microelectronics Sdn. Bhd.	Research and design of integrated circuit chips and provision of system solutions	Malaysia	56	56

3. Investment in subsidiaries (Continued)

Name of Company	Principal activities	Country of incorporation	Effective ownership interest 2003 %	2002 %
AIC Wafer Services Sdn. Bhd.	Provision of marketing services and the development of semiconductor and wafer related businesses	Malaysia	75	75
* Nucleus Electronics Ltd. ("NEL")	Distribution of electronic components for industrial applications	Singapore	41	41
and its subsidiaries				
* Nucleus Components Sdn. Bhd.	Provision of liaison services to NEL for the distribution and marketing of electronic components.	Malaysia	41	41
* Nucleus Electronics Sdn. Bhd.	Dormant	Malaysia	41	41
* Nucleus Electronics (Hong Kong) Limited	Distribution and marketing of electronic components and acting as sales representative for principals	Hong Kong	41	41
** Nucleus India Pte. Ltd.	Provision of liaison services to NEL for distribution and marketing of electronic components.	Singapore	21	21
* Neolec International Inc.	Trading of electronic components and acting as sales representative for principals	Taiwan	21	21
* Nucleus Capital Limited *and its subsidiaries*	Provision of corporate management services, treasury and financial management services, investment holding and international trading	Hong Kong	41	–
* TLG Electronics Ltd.	Distribution of electronic components	Hong Kong	24	–
* CN Electronics Ltd. components	Trading of circuit boards	Hong Kong	18	–
*** Fuqiang Precision Limited	Dormant	Hong Kong	12	–
AIC Properties Sdn. Bhd.	Property development, management and other ancillary activities	Malaysia	61	61
** Inmode Venture Sdn. Bhd.	Providing project management and consultancy services, sub-contractor of general works and property investment	Malaysia	100	100

3. Investment in subsidiaries (Continued)

Name of Company	Principal activities	Country of incorporation	Effective ownership interest 2003 %	2002 %
Integral CAD Technologies Sdn. Bhd. *and its subsidiaries*	Providing information technology solutions and services	Malaysia	90	90
CADXCEL Sdn. Bhd. *(formerly known as Integral CAD Distribution Sdn. Bhd.)*	Sales, support and services of computer aided design technologies, hardware and software systems	Malaysia	90	90
Alpha Mediatech Sdn. Bhd.	Provision of electronic and robotic teaching aids to educational institutions. The Company has ceased operation during the year.	Malaysia	63	63
**AIC-Toptek Communications Sdn. Bhd. *(formerly known as Innovatix Solutions Sdn. Bhd.)*	Trading of wireless and multimedia products	Malaysia	100	–
AIC-MTN Corporation Sdn. Bhd. *(formerly known as Matrix Meridian Sdn. Bhd.)*	Design, research and development, manufacture, branding, marketing and sales of multimedia displays, multimedia products and all related peripherals	Malaysia	100	–

* *Audited by member firms of KPMG International*
** *Not audited by KPMG*
*** *Not required to be audited by law of country of incorporation*

AIC Technology Sdn. Bhd. (a 75% owned subsidiary of the Company) has a 55% equity interest in Nucleus Electronics Ltd. ("NEL"), which is listed on the Singapore Exchange Securities Dealing and Automated Quotation ("SESDAQ").

The cost and the market value of the quoted shares are RM29,063,000 (2002 – RM29,063,000) and RM60,828,000 (2002 – RM26,471,000) respectively.

4. Property development expenditure

	Group 2003 RM'000	Group 2002 RM'000
Freehold land, at cost	–	1,443
Property development expenditure	–	389
	–	1,832

The charge on the freehold land as a security for banking facilities granted to the Company has been discharged during the year.

5. Investments in associates

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Quoted shares, at cost	12,064	12,064	12,064	12,064
Share of post acquisition retained profits	18,651	16,475	–	–
	30,715	28,539	12,064	12,064
Represented by:				
Group's share of net assets	24,904	22,728		
Goodwill on acquisition	5,811	5,811		
	30,715	28,539		
Market value of quoted shares	37,264	16,728	37,264	16,728

5. **Investments in associates** (Continued)

The details of the associates are as follows:

Name of Company	Principal activities	Country of incorporation	Effective ownership interest 2003 %	2002 %
Jotech Holdings Berhad	Investment holding	Malaysia	33	34
and its subsidiaries				
Jotech Metal Fabrication Industries Sdn. Bhd.	Manufacture and fabrication of tools and dies and stamped metal components for electrical and consumer electronics industries	Malaysia	33	34
and its subsidiaries				
JP Metal Sdn. Bhd.	Manufacture and fabrication of tools and dies and stamped metal components for electronics and automotive industries	Malaysia	33	34
PT Indotech Metal Nusantara	Manufacture and fabrication of tools and dies and stamped metal components for electronics and electrical industry	Indonesia	20	20
GuongDong Jotech Kong Yue Precision Indutries Ltd.	Manufacture and fabrication of tools and dies and stamped metal components for electronics and electrical industries	China	20	–
Palladine Technology Pte. Ltd.	Design, development and marketing of electronics and computer products	Singapore	20	–
Prodelcon Sdn. Bhd.	Manufacture of high precision tooling, die sets, semiconductor moulds and parts and high precision jigs and fixtures and the design and manufacture of turnkey automation systems	Malaysia	33	34
and its subsidiary				
Cabletron Electronics (M) Sdn. Bhd.	Manufacture and sales of electronics and electrical products	Malaysia	20	–
and its subsidiary				
Cabletron (M) Sdn. Bhd.	Sales and servicing of electronics and electrical products	Malaysia	20	–
Multimatic Systems Sdn. Bhd.	Design, fabrication and commissioning of automatic handling equipment/ systems for electronic and semiconductor industries	Malaysia	33	34

6. Other investments

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Long term				
Quoted investment in unit trusts and shares	87	87	–	–
Unquoted subordinated bonds	4,500	4,500	4,500	4,500
	4,587	4,587	4,500	4,500
Less : Allowance for diminution in value of quoted investments	(27)	(27)	–	–
	4,560	4,560	4,500	4,500
Market value of quoted investments	61	47	–	–

	Group 2003 RM'000	Group 2002 RM'000
Short term		
Unquoted shares	1,650	1,650
Allowance for diminution in value	(1,650)	(1,650)
	–	–

The details of the short term investment is as follows:

Name of Company	Principal activities	Country of incorporation	Effective ownership interest 2003 %	Effective ownership interest 2002 %
MteX Corporation Sdn. Bhd.	Electronic commerce technology developer, trade portal and services provider	Malaysia	35	35

7. Intangible assets

	Group 2003 RM'000	Group 2002 RM'000
Development expenditure		
At 1 January	1,787	2,726
Increase during the year	306	1,179
Amortised during the year	(1,175)	(418)
Write down during the year	–	(1,700)
At 31 December	918	1,787
Goodwill on consolidation		
At 1 January	37,237	37,237
Acquisition of subsidiary	26,679	–
At 31 December	63,916	37,237
Total intangible assets	64,834	39,024

Included in development expenditure incurred during the year are staff costs amounting to Nil (2002 - RM634,000).

8. Inventories

	Group 2003 RM'000	Group 2002 RM'000
At cost		
Raw materials	8,632	6,486
Work-in-progress	3,756	1,473
Goods in transit	4,749	1,279
Finished goods	38,197	16,552
	55,334	25,790
At net realisable value		
Finished goods	223	11,238
	55,557	37,028

During the year, there was a reversal of a write down of inventories of RM78,000 (2002 - RM27,000). The reversal arose in respect of inventory write downs in prior years that were subsequently not required as a result of improving prices for the inventories.

9. Trade and other receivables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	98,072	70,430	–	–
Other receivables, deposits and prepayments	9,743	8,702	1,426	1,800
Subsidiaries	–	–	43,064	40,441
Associates	184	256	184	256
	107,999	79,388	44,674	42,497

Trade receivables of the Group include:

i) RM9,824,000 (2002 - RM10,148,000) due from a substantial shareholder of a subsidiary.

ii) RM351,000 (2002 - RM676,000) due from related parties (companies with common shareholders)

9. Trade and other receivables (Continued)

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for RM15,386,000 (2002 - RM12,569,000) due from certain subsidiaries which bear interest at 5% (2002 - 3% to 5%) per annum.

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Ringgit Malaysia	12,545	22,461	–	–
US Dollar	64,648	41,298	–	–
Hong Kong Dollar	13,423	119	–	–
New Taiwan Dollar	7,383	5,886	–	–
Singapore Dollar	73	666	–	–
	98,072	70,430	–	–

Credit terms of trade receivables range from 30 – 90 days.

Other receivables, deposits and prepayments of the Group and the Company are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other receivables	3,306	5,739	489	501
Deposits	2,396	789	57	57
Prepayments	4,041	2,174	880	1,242
	9,743	8,702	1,426	1,800

Included in other receivables are amounts due from related parties (companies with common Directors) amounting to RM68,000 (2002 – RM68,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

Included in prepayments is RM2,280,000 (2002 – Nil) which is part payment of technical fee in relation to a joint venture agreement.

10. Cash and cash equivalents

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Deposits placed with licensed banks	10,515	68,824	5,781	59,202
Cash and bank balances	36,762	17,851	1,806	1,124
	47,277	86,675	7,587	60,326

Fixed deposits of the Group and the Company include RM1,396,000 (2002 - RM52,988,000) and Nil (2002 - RM51,346,000) pledged to a licensed bank to secure banking facilities.

The currency exposure profile of deposits, cash and bank balances is as follows:

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Ringgit Malaysia	18,124	76,163	7,587	60,326
US Dollar	11,482	8,071	–	–
Hong Kong Dollar	14,730	828	–	–
New Taiwan Dollar	2,187	1,361	–	–
Singapore Dollar	754	235	–	–
Others	–	17	–	–
	47,277	86,675	7,587	60,326

The weighted average interest rates of deposits, cash and bank balances that were effective during the year were as follows:

	Group 2003	Company 2003
Deposit with licensed banks	2.4% – 3.2%	2.6% – 3.2%
Bank balances	0% – 2.4%	0.2% – 2.3%

The maturity date of the Group and the Company's deposits ranges from one month to one year or at call with banks.

11. Trade and other payables

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Short term				
Trade payables	76,935	33,255	–	–
Other payables and accrued expenses	22,185	14,934	1,989	1,576
Subsidiaries	–	–	145	71
	99,120	48,189	2,134	1,647
Long term				
Other payables	16,898	–	–	–
	116,018	48,189	2,134	1,647

Included in trade payables of the Group is an amount due to a related party (company with common Directors) amounting to RM182,000 (2002 - RM184,000). The amount is unsecured, interest free and has no fixed terms of repayment.

The amount due to subsidiaries is unsecured, interest free and has no fixed terms of repayment.

11. Trade and other payables (Continued)

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	3,948	5,245	–	–
US Dollar	72,274	27,349	–	–
Japanese Yen	15	118	–	–
New Taiwan Dollar	497	482	–	–
Singapore Dollar	17	–	–	–
Swiss Franc	138	–	–	–
Others	46	61	–	–
	76,935	33,255	–	–

Credit terms of trade payables ranges from 30 – 90 days.

Included in other payables and accrued expenses of the Group and the Company are:

	Group		Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	9,183	8,261	159	1,072
Accrued expenses	13,002	6,673	1,830	504
	22,185	14,934	1,989	1,576

Included in other payables and accrued expenses of the Group are amounts due to an associate and management fees payable to a shareholder of a subsidiary of RM174,000 (2002 - RM626,000) and RM24,000 (2002 - RM24,000) respectively. The amount due to an associate is unsecured, interest free and is repayable within a period of thirty (30) days. The amount due to a shareholder is unsecured, interest free and has no fixed terms of repayment.

Also included in other payables and accrued expenses of the Group are advances due to a shareholder of a subsidiary amounting to RM330,000 (2002 - RM322,000). The amount is unsecured, interest free and has no fixed terms of repayment.

Included in other payables and accrued expenses of the Company are amounts due to related parties (companies with common Directors) amounting to Nil (2002 - RM364,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

The long term other payables relate to amount due to minority shareholders as follows:

(i) approximately RM3,990,000 payable to the vendors of TLG Electronics Ltd. over a period of three years from 2006; and

(ii) approximately RM12,908,000 to be settled through the issuance of 3,300,000 preference shares of USD1 each by Nucleus Capital Limited ("NCL") to the vendors of TLG Electronics Ltd. The preference shares will have rights identical to the ordinary shares in NCL, except that they will not carry any voting rights or rights to payment of dividends but will have preference in the return of capital on a winding-up or capital reduction.

12. Borrowings

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Current				
Term loans - secured	4,385	10,780	–	–
- unsecured	12,084	9,634	–	–
Overdrafts - unsecured	6	196	-	-
Trade financing facilities - unsecured	21,936	6,459	-	-
Finance lease and hire purchase liabilities - secured	295	398	186	177
	38,706	27,467	186	177
Non-current				
Term loans - secured	7,011	8,352	-	-
- unsecured	55,944	51,549	45,000	45,000
Finance lease and hire purchase liabilities - secured	189	480	11	198
	63,144	60,381	45,011	45,198
Total borrowings	101,850	87,848	45,197	45,375

The currency exposure profile of borrowings is as follows:

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Ringgit Malaysia	67,068	66,503	45,197	45,375
US Dollar	34,543	19,660	–	–
Singapore Dollar	239	1,685	–	–
	101,850	87,848	45,197	45,375

12. Borrowings (Continued)

Terms and debt repayment schedule

	Total RM'000	Under 1 year RM'000	1 - 5 years RM'000
Group			
Term loans - secured	11,396	4,385	7,011
- unsecured	68,028	12,084	55,944
Overdrafts - unsecured	6	6	–
Trade financing facilities - unsecured	21,936	21,936	–
Finance lease and hire purchase liabilities - secured	484	295	189
	101,850	38,706	63,144
Company			
Term loan - unsecured	45,000	–	45,000
Finance lease and hire purchase liabilities - secured	197	186	11
	45,197	186	45,011

The effective interest rates of borrowing during the year were as follows:

	Group 2003	Company 2003
Term loans – secured	1.50% + COF	–
– unsecured	2.20% – 7.00%	6.50%
Overdrafts – unsecured	1.50% + BLR	–
Trade financing facilities - unsecured	2.40% - 3.70%	–
Finance lease and hire purchase liabilities – secured	6.00% - 8.60%	6.10% - 6.68%

Overdrafts – unsecured

The bank overdrafts are subject to interest at 1.5% (2002 - 2%) per annum above the lenders' base lending rate.

Trade financing facilities - unsecured

The trade financing facilities of a subsidiary of RM2,655,000 as at 31 December 2003 are subject to interest rates varying between 3.61% and 3.7% (2002 - Nil).

The trade financing facilities of another subsidiary of RM19,281,000 as at 31 December 2003 are subject to interest rates varying between 2.4% and 3.3% (2002 - 4.3% and 4.5%).

Term loan - secured

The term loan is secured by the following:

i) first legal charge on the leasehold landed property of a subsidiary;

ii) first debenture incorporating fixed and floating charge over the present and future assets of a subsidiary; and

iii) corporate guarantee by the Company.

The term loan with an initial principal drawdown of USD12,000,000 is subject to interest rate of 1.5% (2002 - 1.5%) per annum above the lending bank's cost of funds and was repayable in 52 monthly instalments commencing 8 May 2000. During the financial year, the bank has approved the deferment of the existing principal repayments for a period of 12 months from 8 August 2003 to 7 August 2004.

12. Borrowings (Continued)

Term loans - unsecured

The first term loan with an initial principal drawdown of RM22,400,000 (Islamic facility) is subject to average profit sharing rate of 7.0% (2002 – 7.0%) and was repayable in 36 monthly instalments commencing 1 February 2001. During the financial year, the bank has approved the deferment of the existing principal repayments for a period of 12 months from 1 August 2003 to 31 July 2004.

The second term loan with an initial principal drawdown of RM7,462,000 is subject to interest rate of 6.75% (2002 - 6.75%) per annum and was repayable in 36 instalments commencing 17 May 2003.

The third term loan of RM7,471,000 is subject to interest rate of 1.25% (2002 - Nil) per annum above the lending bank's cost of funds and is repayable in 36 instalments commencing 1 April 2004.

The fourth term loan of USD1,000,000 is subject to interest rate of 2.2% (2002 - Nil) per annum and is repayable on 15 April 2004.

The fifth term loan of RM9,000,000 is subject to interest rate of 6.85% per annum (2002 - Nil). The term loan is repayable from December 2004 in equal monthly instalments over a period of 48 months.

The Company's unsecured term loan of RM45,000,000 represents a primary collateralised loan obligation entered into by the Company on 18 November 2002. The borrowing is for 5 years with interest to be serviced semi-annually at a fixed interest rate of 6.5% per annum and the principal sum is repayable in one lump sum on the last day of the tenor of the facility (29 November 2007).

Finance lease and hire purchase liabilities

As at 31 December 2003, the Group and the Company have finance lease and hire purchase liabilities that are repayable as follows:

	Payments 2003 RM'000	Interest 2003 RM'000	Principal 2003 RM'000	Payments 2002 RM'000	Interest 2002 RM'000	Principal 2002 RM'000
Group						
Less than one year	324	29	295	451	53	398
Between one and five years	218	29	189	538	58	480
	542	58	484	989	111	878
Company						
Less than one year	197	11	186	208	31	177
Between one and five years	11	–	11	209	11	198
	208	11	197	417	42	375

Finance lease and hire purchase liabilities are subject to interest at rates ranging from 6.0% to 8.6% (2002 - 2.6% to 9.3%) per annum and are repayable over 27 to 84 instalments.

13. Provisions

	Warranties	
	2003	2002
	RM'000	RM'000
Balance at 1 January	133	170
Provision made during the year	87	165
Provision used during the year	(107)	(202)
Balance at 31 December	113	133

Warranties

The provision for warranties relates to manufactured parts sold by subsidiaries. The provision is based on estimates made from historical warranty data associated with similar parts. The Group expects to incur the liability over the next one year.

14. Redeemable unsecured bank guaranteed bonds

On 19 May 2003, the Company fully redeemed its 2.5% Redeemable Unsecured Bank Guaranteed Bonds 1998/2003 ("Bonds") together with the final interest payment in accordance with the provisions of the Trust Deed dated 21 April 1998 governing the Bonds and the Bonds were removed from the Official List of MSEB with effect from 20 May 2003.

The RM50,000,000 nominal value 2.5% coupon Redeemable Unsecured Bank Guaranteed Bonds 1998/2003, constituted by a Trust Deed dated 21 April 1998, were issued together with 9,203,002 detachable Warrants A. The Warrants were transferable and were quoted on the MSEB. The main features of the Bonds and Warrants are as follows:

i) The Bonds carry a fixed coupon rate of 2.5% per annum payable semi-annually in arrears on 30 June and 31 December.

ii) Unless previously redeemed, repurchased or cancelled by the Company, the Bonds will be redeemed by cash at their nominal value together with the interest accrued on maturity date on 17 May 2003.

15. Share capital

	Group and Company	
	2003	2002
	RM'000	RM'000
Authorised		
Ordinary shares of RM1.00 each	100,000	100,000
Issued and fully paid		
Ordinary shares		
Balance at 1 January	68,892	68,477
Issued during the year		
– exercise of share options	1,020	231
– conversion of warrants	–	184
Balance at 31 December	69,912	68,892

(i) On 23 December 2002, the shareholders of the Company and the holders of Warrants B approved the extension of the exercise period of the outstanding Warrants B of 17,262,064. The extension is in compliance with the announcement by the Securities Commission on 30 October 1998 pertaining to extension of the exercise period of Warrants and the gazette on 1 November 1998 of amendments to Section 68(1) of the Companies Act, 1965 which enables options on shares to have an exercise period of up to ten (10) years. The salient terms of the extension as per the Supplemental Deed Poll dated 23 December 2002 are as follows:-

15. Share capital (Continued)

a) The original exercise period of the Warrants B shall be extended for three (3) years from 16 January 2003 up to and including 15 January 2006 ("First Extension") and thereafter with an option to extend the exercise period for a further period of one (1) year expiring on 15 January 2007 with a final option to extend the exercise period by one (1) year expiring on 15 January 2008.

b) The First Extension will be implemented by the Company if the last closing price of the Company's shares quoted on the MSEB is at a premium of not more than 20% over the exercise price of RM3.80 per Warrant B for any market day for a consecutive period of 5 market days preceding 1 December 2003, being one and a half months prior to the expiry date of 15 January 2003.

c) Following the First Extension, the further extensions of up to 2 periods of one year each from 16 January 2006 to 15 January 2007 and from 16 January 2007 to 15 January 2008 will be implemented by the Company if the weighted average market price of the Company's shares quoted on the MSEB is at a premium of not more than 20% over the exercise price of RM3.80 per Warrant B for any period of 30 consecutive market days preceding 15 October 2005 and 15 October 2006, being 3 months prior to expiry dates of 15 January 2006 and 15 January 2007 respectively.

On 16 January 2003, the exercise period of Warrants B was extended for another three (3) years from 16 January 2003 to 15 January 2006. At 31 December 2003, 17,262,064 of Warrants B remained unexercised. The duration and exercise period of Warrants A was not extended as the First Deed Poll entered into by the Company did not provide for any extension to the exercise period of Warrants A. Accordingly, all 959,940 outstanding Warrants A ceased to be valid after the expiry date of 15 January 2003.

(ii) The number of outstanding shares in issue after deducting treasury shares held is 68,912,346 (2002 - 67,892,346) ordinary shares of RM1 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

16. Reserves

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2003 if paid out as dividends.

17. Treasury shares

Repurchased shares are held as treasury shares and carried at cost.

The details of the shares bought back as at 31 December 2003 are as follows:

Month	Number of shares bought back ('000)	Highest price paid RM	Lowest price paid RM	Average price paid RM	Total consideration RM'000
June 2001	268	4.184	3.960	4.072	1,094
July 2001	618	3.960	3.520	3.670	2,269
November 2001	114	3.960	3.780	3.906	445
	1,000				3,808

During the financial year, there were no repurchases of shares.

18. Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation.

In 2002, following the introduction of MASB 24 which became effective on 1 January 2002, the minority share of Cumulative Redeemable Preference Shares amounting to RM16,127,000 in a subsidiary was reclassified from equity to long term liability.

19. Deferred tax

Deferred tax determined after appropriate offsetting, are as follows:

	Group		Company	
		Restated		
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	1,058	650	–	–

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 the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
– capital allowances	801	142	–	–
– revaluation	526	526	–	–
Allowances/Provisions	(269)	(18)	–	–
	1,058	650	–	–

No deferred tax has been recognised for the following items:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	(22,402)	(18,893)	(11,805)	(9,825)
Unabsorbed capital allowances	(6,988)	(5,043)	(2,831)	(2,476)
Deductible temporary differences	166	761	–	–
Property, plant and equipment				
– capital allowances	2,849	3,132	1,310	1,483
	(26,375)	(20,043)	(13,326)	(10,818)

The unutilised tax losses, unabsorbed capital allowances and deductible 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 subsidiaries will be available against which the Group can utilise the benefits.

A subsidiary of the Company was given full Pioneer Status for a project of national and strategic importance under the Promotion of Investments Act, 1986 for a period of five years, between 1 September 1998 to 31 August 2003, as an incentive for the manufacturing of integrated circuits. In March 2004, the subsidiary received a further extension of its Pioneer Status for another five years from 1 September 2003 to 31 August 2008.

The salient features of the Pioneer Status obtained are as follows:-

i) The Subsidiary is granted 100% tax exemption of statutory income;
ii) Unabsorbed capital allowance cannot be carried forward to the post pioneer period; and
iii) Unutilised losses incurred during the pioneer period cannot be carried forward to the post pioneer period.

20. Operating (loss)/profit

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Revenue				
– sale of goods	417,939	377,494	–	–
– revenue from joint venture development	2,000	8,000	–	–
– dividend	–	–	3,132	3,648
– services	17,121	17,520	1,153	2,322
	437,060	403,014	4,285	5,970
Cost of inventories sold	(389,037)	(340,793)	–	–
Other costs	(19,927)	(23,626)	–	–
	(408,964)	(364,419)	–	–
Gross profit	28,096	38,595	4,285	5,970
Administration expenses	(16,162)	(12,694)	(3,598)	(3,783)
Distribution costs	(8,815)	(6,635)	–	–
Other operating expenses	(10,134)	(16,477)	(3,100)	(2,803)
Other operating income	1,567	1,070	99	83
Operating (loss)/profit	(5,448)	3,859	(2,314)	(533)
Operating (loss)/profit is arrived at after crediting:				
Dividend income from:				
– unquoted subsidiaries	–	–	2,520	3,240
– quoted associate	–	–	612	408
Gain on disposal of property, plant and equipment – net	8	152	–	42
Gain on disposal of short term investment	–	20	–	–
Management fee received/ receivable	110	250	190	1,352
Rental of premises	439	483	963	970
Realised foreign exchange gain – net	443	–	–	–
Reversal of inventory write down	78	27	–	–
and after charging:				
Allowance for doubtful debts	79	150	–	–
Amortisation of development expenditure	1,175	418	–	–
Auditors' remuneration				
– Holding company auditors	128	145	16	27
– Overseas KPMG auditors	199	182	–	–
– Other auditors	3	1	–	–
– Under/ (over) provision in prior year				
– Holding company auditors	1	10	–	10
– Overseas KPMG auditors	–	6	–	–
Depreciation	28,366	26,821	500	543

20. Operating (loss)/profit (Continued)

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
and after charging: (Continued)				
Directors' emoluments				
Fees	253	203	95	58
Remuneration				
– Directors of the Company	570	890	570	890
– Other directors	3,005	2,169	–	–
Retirement gratuity	520	990	520	990
Other emoluments	17	20	17	20
Doubtful debts written off	65	199	65	184
Exceptional items				
* Allowance for diminution in value of investment	–	1,650	–	–
* Write down of development expenditure	–	1,700	–	–
* Impairment in subsidiary	–	–	680	–
Inventories written down to net realisable value	385	2,346	–	–
Inventories written off	534	57	–	–
Loss on disposal of property, plant and equipment – net	–	–	6	–
Management fees paid/payable to a company in which certain Directors have interest	138	184	138	184
Property, plant and equipment written off	20	15	15	1
Provision for warranty claims	87	165	–	–
Rental of premises	54	23	–	–
Realised foreign exchange loss – net	–	345	–	–
Unrealised foreign exchange loss – net	112	761	–	–

*The exceptional item for the current year relates to the impairment of value of investment in a subsidiary.

The exceptional items in 2002 related to:

i) Allowance for diminution in value of an investment held by a subsidiary.

ii) Write down of development expenditure by a subsidiary to reflect the non-recoverability of the expected future economic benefits.

The estimated monetary value of Directors' benefit-in-kind for the Group and the Company are RM55,000 (2002 - RM66,000) and RM49,000 (2002 – RM60,000) respectively.

Details of emoluments of Directors of the Company in 2003 are as follows:

	Fees RM'000	Remuneration RM'000	Retirement gratuity RM'000	Other emoluments RM'000	Benefits in kind RM'000
Datuk Haji Sarip bin Hamid	30	–	–	3	15
Tuan Haji Mohd Ali bin Bawal	11	148	495*	2	17
Mohamad Ariff bin Puteh	–	422	520	–	17
3 Non-executive directors	54	–	–	12	–
	95	570	1,015	17	49

* Provided in financial year ended 31 December 2002, paid in current year.

21. Employee information

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Staff costs				
- charged to income statement	40,375	33,252	3,322	3,358
- capitalised in development expenditure (Note 7)	–	634	–	–
	40,375	33,886	3,322	3,358

The number of employees of the Group and of the Company (including Directors) at the end of the year was 1,443 and 19 (2002 - 1,316 and 25) respectively.

Staff costs include defined contribution plan expense of the Group and Company amounting to RM3,550,000 (2002 – RM3,099,000) and RM268,000 (2002 – RM242,000) respectively.

22. Employee benefits

Equity compensation benefits

Share option scheme

The Group offers share options over ordinary shares to eligible Directors and employees with more than one year's service. Movements in the number of share options held by employees are as follows:

	Group and Company 2003 '000	Group and Company 2002 '000
Outstanding at 1 January	1,360	1,540
Issued	1,259	407
Exercised	(1,388)	(231)
Lapsed due to resignation	(346)	(356)
Lapsed due to expiry of ESOS on 22 December 2003	(885)	–
Outstanding at 31 December	–	1,360

Details of share options granted during the period:

	Group and Company 2003	Group and Company 2002
Expiry date	22/12/2003	22/12/2003
Exercise price per ordinary share (RM)	3.59	5.03
Aggregate proceeds if shares are issued (RM'000)	4,520	2,047

	Group and Company 2003	Group and Company 2002
Details of share options exercised during the period:		
Expiry date	22/12/2003	22/12/2003
Exercise price per ordinary share (RM)	2.805 – 4.08	2.805 – 4.08
Aggregate issue proceeds (RM'000)	4,774	804
Fair value at date of issue (RM'000)	6,033	1,170

The Group received proceeds of RM3,486,000 in respect of the 1,020,000 share options exercised during the year: RM1,020,000 was credited to share capital and RM2,466,000 was credited to share premium.

The Group received proceeds of RM1,288,000 in respect of 368,000 share options exercised as at year end but only allotted and listed on the MSEB subsequent to year end.

23. Financing costs

	Group		Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest payable				
Term loans	4,475	2,200	2,925	260
Bank overdrafts	26	19	23	–
Bonds	476	1,250	476	1,250
Hire purchase and finance leases	53	141	31	51
Trust receipts	133	446	–	–
Revolving credit	–	10	–	10
	5,163	4,066	3,455	1,571
Others	179	149	–	–
	5,342	4,215	3,455	1,571

24. Interest income

	Group		Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest receivable				
Subsidiaries	–	–	679	412
Fixed deposits	1,143	1,430	869	831
	1,143	1,430	1,548	1,243
Others	22	63	–	–
	1,165	1,493	1,548	1,243

25. Tax expense

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Current tax expense				
Malaysian – current	704	1,601	–	–
– prior year	(135)	(95)	–	(17)
Overseas – current	1,905	628	–	–
– prior year	10	(740)	–	–
	2,484	1,394	–	(17)
Deferred tax expense				
Origination and reversal of temporary differences	102	(457)	–	–
Under provision	306	–	–	–
	2,892	937	–	(17)
Tax expense on share of profits in associates	544	317	–	–
	3,436	1,254	–	(17)

Reconciliation of effective tax expense

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
(Loss)/Profit before taxation	(5,899)	2,687	(4,221)	(861)
Income tax using Malaysian tax rates	(1,652)	752	(1,182)	(241)
Effect of lower tax rates in foreign jurisdiction	(901)	(269)	–	–
Non–deductible expenses	3,199	1,315	1,277	441
Tax exempt income	(507)	(227)	(877)	(1,021)
Tax incentives	(526)	(570)	–	–
Effect of deferred tax not recognised	1,773	1,322	782	821
Utilisation of deferred tax benefits previously not recognised	(311)	–	–	–
Effect of pioneer losses not recognised	2,373	–	–	–
Other items	(193)	(234)	–	–
	3,255	2,089	–	–
Under/(over) provision in prior years	181	(835)	–	(17)
Tax expense	3,436	1,254	–	(17)

26. Earnings per share - group

Basic earnings per share

The basic earnings per share for the financial year has been calculated on the Group's (loss)/profit after taxation and minority interests of RM11,207,000 (2002 - RM604,000) based on the weighted average number of ordinary shares in issue of 68,021,000 (2002 - 67,678,000).

	2003 '000	2002 '000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	68,892	68,477
Effect of shares issued during the year	129	201
Effect of share buy back	(1,000)	(1,000)
Weighted average number of ordinary shares	68,021	67,678

26. Earnings per share - group (Continued)

Diluted earnings per share

The diluted earnings per share for the year 2002 had been calculated on the Group's profit after taxation and minority interests for the year 2002 of RM604,000 on the adjusted weighted average number of ordinary shares issued and issuable of 71,153,000 during the year 2002.

	2002
	'000
Weighted average number of ordinary shares (diluted)	
Issued ordinary shares at beginning of year	68,477
Effect of shares issued during the year	201
Effect of warrants and share options	3,475
Effect of share buy back	(1,000)
Weighted average number of ordinary shares	71,153

27. Dividends

	Group and Company	
	2003	**2002**
	RM'000	**RM'000**
Ordinary		
Final dividends paid:		
1% per share tax exempt (2002 - 3% per share tax exempt)	679	2,030

The proposed first and final tax exempt dividend of 1% per ordinary share less treasury shares amounting to RM689,123 has not been accounted for in the financial statements of the Group and the Company as at 31 December 2003.

28. Segmental reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following major business segments:

Investment holding	Comprising activities of investment holding companies.
Test and assembly and other semiconductor related activities	Research and design, procurement, sales, assembly and test of integrated circuit chips and other semiconductor ancillary services.
Distribution	Trading, distribution and marketing of electronic components for industrial application.
Information technology	Providing information technology solutions and services and provision of electronic and robotic teaching aids to educational institutions.
Electronics	Manufacturing and assembly of automotive accessories, consultation design, development of plastic products and plastic injection moulding, manufacturing and fabrication of high precision engineering plastic and moulding.
Property	Property development
Display	Design, research and development, manufacturing, branding, marketing and sales of multimedia displays, multimedia products and all related peripherals.

Geographical segments

The Group principally operates in the following geographical areas apart from its home country, Malaysia:

Singapore	Trading, distribution and marketing of electronic components for industrial application.
Hong Kong	Trading, distribution and marketing of electronic components for industrial application.
Taiwan	Trading and distribution of electronic components.

The other major business segments activities are conducted in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location in which the customers are located. Segment assets and capital expenditure are determined based on where the assets are located.

28. Segmental reporting (Continued)

Group 2003	Investment holding RM'000	Test and assembly and other semiconductor related activities RM'000	Distribution RM'000	Information technology RM'000	Electronics RM'000	Property RM'000	Display RM'000	Group RM'000
Business segments								
Total revenue	4,286	99,818	306,348	2,769	28,726	2,000	–	443,947
Inter segment revenue	(3,915)	–	–	(11)	(2,961)	–	–	(6,887)
Revenue from external customers	371	99,818	306,348	2,758	25,765	2,000	–	437,060
Segment result	(4,096)	(10,388)	9,196	(1,484)	1,844	34	(554)	(5,448)
Financing costs								(5,342)
Interest income								1,165
Share of profits in associates								3,726
Loss before taxation								(5,899)
Tax expense								(3,436)
								(9,335)
Minority interests								(1,872)
Net loss for the year								(11,207)
Segment assets	8,535	196,256	176,420	18,490	45,857	6,038	3,967	455,563
Investment in associates								30,715
Total assets								486,278
Segment liabilities	2,039	64,546	45,850	970	2,597	95	34	116,131
Borrowings								101,850
Income tax liabilities								3,423
Unallocated corporate liabilities								16,127
Total liabilities								237,531
Capital expenditure	185	14,587	302	127	10,535	–	1,408	27,144
Depreciation and amortisation	500	25,229	1,245	129	2,378	59	1	29,541

28. Segmental reporting (continued)

Group 2002	Investment holding RM'000	Test and assembly and other semiconductor related activities RM'000	Distribution RM'000	Information technology RM'000	Electronics RM'000	Property RM'000	Group RM'000
Business segments							
Total revenue	5,562	93,337	246,836	20,360	33,988	8,000	408,083
Inter segment revenue	(5,036)	–	–	(33)	–	–	(5,069)
Revenue from external customers	526	93,337	246,836	20,327	33,988	8,000	403,014
Segment result	(3,809)	1,125	2,048	124	7,563	158	7,209
Financing costs							(4,215)
Interest income							1,493
Allowance for diminution in value of investment							(1,650)
Write down of development expenditure							(1,700)
Share of profits in associates							1,550
Profit before taxation							2,687
Tax expense							(1,254)
							1,433
Minority interests							(829)
Net profit for the year							604
Segment assets	62,121	204,249	80,246	24,996	48,104	7,551	427,267
Investment in associates							28,539
Total assets							455,806
Segment liabilities	1,840	12,506	28,952	1,589	3,380	55	48,322
Borrowings							87,848
Income tax liabilities							1,694
Unallocated corporate liabilities							66,127
Total liabilities							203,991
Capital expenditure	182	22,958	259	49	3,668	–	27,116
Depreciation and amortisation	543	23,474	1,245	109	1,808	60	27,239

28. Segmental reporting (Continued)

Geographical segments	Malaysia RM'000	Singapore RM'000	Hong Kong RM'000	Taiwan RM'000	United States of America RM'000	Others RM'000	Group RM'000
2003							
Revenue from external customers by location of customers	75,664	33,104	189,803	40,063	56,587	41,839	437,060
Segment assets by location of assets	277,126	77,631	66,924	20,746	–	13,136	455,563
Capital expenditure by location of assets	26,814	76	187	38	–	29	27,144
2002							
Revenue from external customers by location of customers	84,008	78,768	139,380	28,689	72,169	–	403,014
Segment assets by location of assets	347,381	33,632	33,559	13,055	–	–	427,627
Capital expenditure by location of assets	26,857	83	146	30	–	–	27,116

29. Contingent liabilities - unsecured

The Company has executed corporate guarantees in favour of licensed banks for facilities of up to a limit of RM141.2 million and USD12 million granted to its subsidiaries.

Litigation

Subsidiary

On 27 April 2001, Integral CAD Technologies Sdn. Bhd. ("ICT"), a subsidiary of the Company, claimed for refund of the deposit of RM1,550,000 paid to two parties ("Defendants") in relation to a Call Option Agreement which ICT decided not to exercise.

On 13 September 2002, a judgement was entered against the Defendants upon the application of ICT. The Defendants had filed an appeal against the Registrar's decision in allowing ICT's application for summary judgement. The Defendants' appeal has been dismissed on 9 July 2003. The Defendants had filed an appeal to the Court of Appeal, however, no hearing date has been fixed for the hearing. The solicitors of ICT are of the opinion that the Defendants' appeal to the Court of Appeal is unlikely to be successful.

On 19 November 2002, ICT was served with a sealed copy of the Defendants' application for leave from Court to amend their defence and to include a counter-claim. The Defendants in their proposed counter claim alleged that ICT, as an agent to the Company and AIC DOTCOM SDN. BHD. ("AICDC"), had breached a tripartite agreement between AICDC and two other parties. The Defendants claimed that they had suffered losses amounting to RM13,350,000 mainly for loss of reputation and goodwill and damages for breach of contract.

On 8 April 2003, one of the Defendants and another party (collectively known as "the Claimants") served a writ of summons of ICT, naming ICT as the third defendant in respect of this new suit claiming for RM2,350,000 as specific damages and other general damages for breach of tripartite agreement. Thereafter, on 18 April 2003, AIC Corporation Bhd. ("AIC") and AICDC were served the same writ of summons, naming them as the first and second Defendants respectively. In the statement of claim, the Claimants repeated the allegations which appeared in the counter claim mentioned in the above paragraph. On 23 October 2003, ICT had filed an application to strike out the Claimant's claim.

On 25 June 2003, ICT filed a creditor's petition against one of the Defendants ("the Debtor") pursuant to the failure of the Debtor to pay the judgement debt of RM1,830,272.29 as at 22 October 2002 including interest. The creditor's petition was served on the Debtor on 4 November 2003. The hearing of the creditor's petition was fixed on 31 March 2004 and on that day, ICT withdrew the creditor's petition against the Debtor pursuant to the settlement agreement detailed below.

On 1 April 2004, ICT, AIC and AICDC had entered into a settlement agreement with the Defendants and the Claimants who had agreed to settle the amount due to ICT with interest and costs by way of instalment payments ("the Settlement"). The parties had further agreed that all pending litigation matters between the parties would be withdrawn with no order as to costs and they have no further claim whatsoever between each other with respect of the subject matters in dispute. The solicitors for both parties are in the midst of withdrawing all pending litigation matters between the parties.

The Notices of Discontinuance for all pending legal suits between the parties in the High Court were filed on 20 April 2004, thereby discontinuing all legal suits between the parties in the High Court.

30. Operating leases

Leases as lessee

Total future minimum lease payments under non-cancellable operating lease are as follows:

	Group	
	2003 RM'000	**2002 RM'000**
Less than one year	721	516
Between one and five years	839	165
	1,560	681

A subsidiary leases a number of office spaces under operating leases. Lease payments are usually increased annually to reflect market rentals.

31. Capital commitments

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

	Group	
	2003 RM'000	**2002 RM'000**
Approved and contracted for	8,553	12,867
Approved but not contracted for	26,699	612
	35,252	13,479

32. Related parties

Controlling related party relationship are as follows:

i) Subsidiaries and associates as disclosed in notes 3 and 5.

ii) Companies in which certain Directors who are also shareholders are deemed to have substantial financial interests:

- Automako Sdn. Bhd. ("AUSB")
- Autokorsia Sdn. Bhd. ("AKSB")
- Asteria Sdn. Bhd. ("ASB")
- Asteria Industries Sdn. Bhd. ("AISB")
- Asteria Manufacturing Sdn. Bhd. ("AMSB")
- Asteria Electronics Sdn. Bhd. ("AESB")
- Asteria Corporation Sdn. Bhd. ("ACSB")
- Brimal Stampress Engineering Sdn. Bhd. ("BSE")
- Cergas Resmi Sdn. Bhd. ("CRSB")
- Hakikat Seri Sdn. Bhd. ("HSSB")
- HKR Manufacturing Sdn. Bhd. ("HKR")

iii) Khazanah Nasional Berhad ("KNB"), a substantial shareholder of AIC Technology Sdn. Bhd., a subsidiary.

iv) Atmel Corporation ("AC"), a substantial shareholder of AIC Semiconductor Sdn. Bhd. ("AICS"), a subsidiary.

Significant related party transactions are as follows:

	2003 RM'000	**2002 RM'000**
Rendering of services		
a) Transactions with subsidiaries:		
Management fees charged by the Company	180	1,102
Rental charged by the Company	690	694
Interest charged by the Company	678	411
b) Transactions with Jotech Holdings Berhad ("JHB"), an associate of the Company:		
Management fees received and receivable by the Company	110	250
Rental income receivable by the Company	8	24
c) Transaction with CRSB:		
Management fees charged to the Company	–	92

32. Related parties (continued)

Rendering of services (continued)

	2003 RM'000	2002 RM'000
d) Transaction with HSSB:		
Management fees charged to the Company	–	92
e) Transaction with KNB:		
Management fees charged to the Group	24	24
f) Transactions with ACSB:		
Rental income receivable by the Company	21	21
Management fees charged to the Company	138	316
g) Transactions with AISB:		
Rental income receivable by the Company	242	231
Provision of networking facilities by the Company and sharing of software maintenance costs	7	15
h) Transaction with BSE:		
Rental income receivable by the Group	42	84

Sale of goods by the Group to:

AMSB	2,093	4,899
AISB	1	10
AC	61,100	72,169
AKSB	52	41
AUSB	87	70
HKR	436	249

Purchase of goods by the Group from:

AESB	96	212
BSE	227	266
Prodelcon Sdn. Bhd., a subsidiary of an associate of the Group	791	793
JP Metal Sdn. Bhd., a subsidiary of an associate of the Group	13	–

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

Disposal of freehold land and buildings by the Group to:

BSE	3,000	–

This transaction has been established under negotiated terms.

33. Financial instruments

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, market risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control system, an insurance programme and adherence to Group financial risk management policies. The Board regularly reviews these risk and approves such policies that covers the management of these risks.

Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The Group does not engage in foreign currency hedging on its foreign currency exposures but the management is monitoring these exposures on an ongoing basis.

Interest rate 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 debt. The Group does not use derivative financial instruments to hedge its debt obligations.

Market risk

The Group does not face significant exposure from the risk from changes in debt and equity prices.

Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised via strictly limiting business relationships to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

As at 31 December 2003, approximately 48% of the Group's trade receivable were due from 5 major customers.

Counterparties for fixed deposits consist of a number of prime financial institutions. The Group does not expect any counterparties to fail to meet their obligations, given their high credit ratings.

Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, 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.

33. Financial instruments (Continued)

Fair values

The carrying amount of financial assets and liabilities carried at the balance sheet date approximate their fair values except as set out below:

		Group		Company	
	Note	Carrying amount 2003 RM'000	Fair value 2003 RM'000	Carrying amount 2003 RM'000	Fair value 2003 RM'000
Quoted shares in an associate company	5	30,715	37,264	12,064	37,264
Other investments:					
Quoted investment in unit trust and shares	6	60	61	–	–
Unquoted subordinate bond	6	4,500	*	4,500	*
Secured term loans	12	11,396	*	–	–
Unsecured term loans	12	68,028	*	–	*

The fair value of quoted securities is based on quoted market prices at the balance sheet date.

The carrying amount for financial assets and liabilities with a maturity of less than one year approximated their fair values due to the relatively short term nature.

* It was not practicable within the constraints of timeliness and cost to estimate these fair values reliably.

34. Significant events during the financial year

i) Acquisition of AIC-MTN Corporation Sdn. Bhd. ("AIC-MTN") (formerly known as Matrix Meridian Sdn. Bhd.)

On 23 July 2003, the Company acquired the entire issued and paid-up share capital of Matrix Meridian Sdn. Bhd. ("Matrix"), a newly formed company for a cash consideration of RM2.00. Matrix is a private limited company incorporated in Malaysia on 26 June 2003 and has an authorised share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each of which two (2) ordinary shares of RM1.00 each have been issued and fully paid.

The acquisition was made in relation to a Joint Venture Agreement entered into on 26 July 2003 between the Company and MTN Inc. to set up a joint venture company to carry out the design, research, development, manufacturing, branding, marketing and sale of multimedia displays, multimedia products and all related peripherals including thin-filmed transistor liquid crystal display ("TFT-LCD") monitors and televisions. On 5 September 2003, Matrix changed its name to AIC-MTN Corporation Sdn. Bhd..

The paid up capital of AIC-MTN as at year end is RM500,000. The intended paid up capital of AIC-MTN is RM9,500,000.

ii) Acquisition of TLG Electronics Ltd. ("TLG")

On 16 September 2003, Nucleus Electronics Ltd. ("Nucleus") (a 55% owned subsidiary of AIC Technology Sdn. Bhd., which in turn is a 75% owned subsidiary of AIC), a company listed on the Singapore Exchange Securities Dealing and Automated Quotation ("SESDAQ"), together with its wholly owned subsidiary, Nucleus Capital Limited ("NCL"), entered into a conditional sale and purchase agreement to acquire 3,450,000 shares at par value of HKD1.00 each representing 60% of the issued share capital of TLG, for a purchase consideration of RM30,029,000.

34. Significant events during the financial year (Continued)

iii) Corporate proposal

On 12 December 2003, the Company announced that it intends to undertake the following proposals:

– Proposed bonus issue of up to 48,687,876 Bonus Shares on the basis of 1 Bonus Share for every 2 existing Shares held at a date to be determined;

– Proposed private placement of up to 10% of the issued and paid-up share capital of the Company to placees to be identified;

– Proposed establishment of a new Employees' Share Option Scheme ("ESOS") for the granting of options to eligible employees and executive Directors of AIC and its subsidiaries (except for subsidiaries which are dormant); and

– Proposed increase in the authorised share capital of AIC from RM100,000,000 to RM500,000,000.

The Proposed Bonus Issue, Proposed Private Placement and Proposed New ESOS are collectively known as "the Proposals".

The Proposals are conditional upon the following approvals being obtained:

(a) the Securities Commission ("SC");

(b) the shareholders of AIC at an Extraordinary General Meeting ("EGM") to be convened, save for the Proposed Private Placement whereby the shareholders of AIC have already approved the issue of new Shares, pursuant to Section 132D of the Companies Act, 1965 at the last Annual General Meeting on 22 May 2003;

(c) the Malaysia Securities Exchange Berhad ("MSEB") for the listing of and quotation for the new shares to be issued pursuant to the Proposed Bonus Issue, Proposed Private Placement and the exercise of Options granted under the Proposed New ESOS; and

(d) other relevant authorities, if any.

The proposed increase in authorised share capital is conditional upon the approval of the shareholders of AIC at an EGM to be convened.

Further to the announcement made on 12 December 2003 and pursuant to the latest amendments to the MSEB Listing requirements and Securities Commission Act, 1993, in relation to bonus issues and share scheme for employees, the Board of Directors of the Company has on 10 February 2004 announced that it proposes to vary certain terms of the Proposed New ESOS as follows:

(a) The maximum amount of new Shares, which may be subscribed, shall now be not more than 15% (instead of 10% as previously announced) of the issued and paid-up share capital of the Company at any time during the duration of the Proposed New ESOS subject to the terms and conditions of the By-Laws for the Proposed New ESOS; and

(b) Options under the Proposed New ESOS shall also be granted to Non-Executive Directors of AIC and its subsidiary companies (instead of to only eligible employees and Executive Directors of AIC and its subsidiary companies).

In accordance with the aforesaid amendments to MSEB's Listing Requirements and Securities Commission Act, 1993, SC's approvals does not need to be sought for the Proposed Bonus Issue and Proposed New ESOS.

On 10 March 2004, MSEB has granted their approval-in-principle on the following:

(a) the listing of up to 38,654,190 new Shares to be issued pursuant to the Proposed Bonus Issue; and

(b) the listing of such new Shares that may be issued pursuant to the Proposed New ESOS, representing up to 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the Proposed New ESOS.

On 29 March 2004, the Company announced that it proposed to amend the Articles of Association of the Company in order to streamline the existing Articles of Association with the recent amendments to the Listing Requirements of MSEB in relation to ESOS, which includes, inter alia removing restrictions that preclude non-executive directors from participating in any employee share option schemes implemented by the Company.

35. Event subsequent to the balance sheet date

Dilution of effective equity interest in Nucleus

On 8 January 2004, Nucleus entered into a placement agreement ("the Placement Agreement") with UOB Kay Hian Private Limited ("the Placement Agent") and Mr. Edward Lee Kah Wai ("the vendor") for the Placement Agent to procure purchases of up to 32,500,000 ordinary shares of SGD0.05 each in the capital of Nucleus ("Nucleus shares") owned by the vendor at an issue price of SGD0.3245 per share (hereinafter referred to as "the Placement").

At the same time, Nucleus also entered into a subscription agreement with the vendor ("the Subscription Agreement"), pursuant to which Nucleus will allot and issue to the vendor up to 32,500,000 new Nucleus shares at the same price of SGD0.3245 per share ("the Proposed Subscription").

On 16 January 2004, the Company announced that all 32,500,000 Nucleus shares in respect of the Placement had been taken up by institutional investors and that Singapore Exchange Securities Trading Limited on 15 January 2004 granted its approved-in-principle for the listing and quotation of the new Nucleus shares, to be issued pursuant to the Proposed Subscription, on the official list of the SGX-SESDAQ.

Following the above, the issued and paid-up share capital of Nucleus increased from 164,927,000 ordinary shares of SGD0.05 each to 197,427,000 ordinary shares of SGD0.05 each. As a result, the Company's effective equity interest in Nucleus has been diluted from 40.75% to 34.04%.

36. Acquisition of subsidiary

TLG Electronics Ltd.

On 16 September 2003, Nucleus, through NCL acquired a 60% equity stake in TLG Electronics Ltd. ("TLG") for a consideration of RM30,029,000 of which RM17,399,426 is deferred while the remaining was satisfied by cash. The acquisition was accounted for using the acquisition method of accounting.

The fair values of assets and liabilities assumed were as follows:

	RM'000
Non-current assets	
Property, plant and equipment	182
Current assets	30,684
Current liabilities	(24,312)
Minority interest	(2,650)
Net assets	3,904
Goodwill on acquisition	26,125
Purchase consideration	30,029
Less: Deferred purchase consideration	(17,399)
Less: Cash and cash equivalents acquired	(11,356)
Net cash outflow	1,274

Effect of acquisition

The acquisition of TLG Electronics Ltd. had the following effect on the Group's income assets and liabilities as at 31 December 2003:

	4 months ended 31.12.2003 RM'000
Income statement:	
Revenue	57,341
Operating costs	(54,854)
Profit before taxation	2,487
Tax expense	(496)
Profit after taxation	1,991
Less: Minority interest	(1,580)
Increase in the Group's net profit at the end of the financial year	411

36. Acquisition of subsidiaries (Continued)

Effect of acquisition (Continued)

	2003 RM'000
Balance sheet:	
Property, plant and equipment	282
Current assets	46,366
Current liabilities	(23,449)
Minority interest	(7,480)
Net assets acquired	15,719
Group's share of net assets	3,890
Goodwill on acquisition	26,679
Increase in Group's net assets	30,569

37. Changes in accounting policies and reclassification of comparative figures

Changes in accounting policies

The adoption of MASB 25, Income Taxes has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications that the timing differences would reverse thereafter. The Company has commenced recognition of deferred tax assets when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Previously, deferred tax assets were not recognised unless there were a reasonable expectation of realisation in the near future.

Reclassification of comparative figures

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of revaluation reserve at 1 January 2002 as disclosed in Note 38 and the statement of changes in equity respectively.

38. Comparative figures

The following comparatives have been restated to reflect the changes in accounting policies as explained in Note 37:-

	As restated RM'000	As previously stated RM'000
Statement of changes in equity:-		
Reserve on revaluation reserve at 1 January 2002	3,788	4,314
Notes to the financial statements		
Deferred taxation at 1 January	650	124

The following comparatives have been restated to conform with current year's presentation:-

	As restated RM'000	As previously stated RM'000
Investment in associates		
Quoted shares, at cost	12,064	13,934
Shares of post acquisition retained profit	16,475	14,605
Balance sheet		
Negative goodwill	4,741	–
Reserves	126,837	132,104
Statement of changes in equity		
Reserve on consolidation	–	4,741