

financial

STATEMENTS

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Directors' report

for the year ended 31 December 2005

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

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	41,565	13,711

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

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

DIRECTORS OF THE COMPANY

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

Datuk Haji Sarip bin Hamid
Mohamad Ariff bin Puteh
Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafi
Md Yusof bin Hussin
Mamat @ Mohamed bin Hussain (resigned on 17 April 2006)
Haji Mohd Ali bin Bawal (resigned on 1 June 2005)

Directors' report

for the year ended 31 December 2005

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 Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			Balance at 31.12.2005
	Balance at 1.1.2005	Bought	Sold	
Shares in the Company				
Datuk Haji Sarip bin Hamid				
- direct interest	265,500	984,480	(81,000)	1,168,980
- indirect interest	23,598,249	7,275,871	(6,395,871)	24,478,249
Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafi				
- direct interest	27,000	-	-	27,000
Mohamad Ariff bin Puteh				
- indirect interest	24,284,748	8,202,271	(6,597,871)	25,889,148

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 31.12.2005
	Balance at 1.1.2005	Bought	Sold	
Shares in:				
AIC Microelectronics Sdn. Bhd.	5,000,000	-	-	5,000,000
AIC Properties Sdn. Bhd.	1,229,917	-	-	1,229,917
AIC Semiconductor Sdn. Bhd.	29,228,250	-	-	29,228,250
AIC Technology Sdn. Bhd.	6,000,000	-	-	6,000,000
Custom Tooling (Kota Bahru) Sdn. Bhd.	1	-	-	1

	Number of cumulative redeemable preference shares of RM1 each			Balance at 31.12.2005
	Balance at 1.1.2005	Bought	Sold	
AIC Technology Sdn. Bhd.	4,838,035	-	-	4,838,035

	Number of convertible redeemable preference shares of RM1 each			Balance at 31.12.2005
	Balance at 1.1.2005	Bought	Sold	
AIC Semiconductor Sdn. Bhd.	18,578,000	-	-	18,578,000

Directors' report

for the year ended 31 December 2005

	Balance at 1.1.2005	Number of warrants		Balance at 31.12.2005
		Bought	Sold	
Warrants in the Company				
Datuk Haji Sarip bin Hamid - indirect interest	5,428,872	-	-	5,428,872
Mohamad Ariff bin Puteh - indirect interest	5,436,372	-	-	5,436,372

The options granted to a Director in respect of the acquisition of shares pursuant to the Employees' Share Option Scheme ("ESOS") of the Company are set out below:

	Balance at 1.1.2005	Number of options over ordinary shares of RM1 each		Balance at 31.12.2005
		Granted	Exercised	
Options over shares in the Company				
Mohamad Ariff bin Puteh	378,000	-	-	378,000

None of the other Directors holding office at 31 December 2005 had any interest in the shares, warrants or options of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and fees paid or payable to Directors as shown in the financial statements) 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 rental receivable from companies in which certain Directors have significant financial interest, as disclosed in Note 29, to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

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

No debentures were issued during the financial year.

Directors' report

for the year ended 31 December 2005

TREASURY SHARES

As at 31 December 2005, the Company held, as treasury shares, a total of 1,000,000 of its 104,920,517 issued ordinary shares. Such treasury shares are held at a carrying amount of RM3,808,000 and further details are disclosed in Note 15 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES OR WARRANTS

i) ESOS

Under the Company's ESOS which became effective on 3 September 2004, options to subscribe for unissued new ordinary shares of RM1.00 each in the Company ("AIC Shares") were made available to eligible Directors and employees of the Group as follows:

Date of offer	Option price RM	Balance at 1.1.2005	Offered and accepted	Options exercised	Lapsed due to resignation	Balance at 31.12.2005
3.9.2004	1.70	3,181,000	-	-	(790,000)	2,391,000
1.4.2005	1.42	-	5,714,000	-	(1,561,000)	4,153,000

The salient features of the scheme are as follows:

- Eligible employees are employees who are confirmed, on the payroll and assuming an executive position in the Group (excluding dormant and foreign subsidiaries) ("AIC ESOS Group"), and have been in the employment of the Group for at least six (6) months prior or up to the date of offer.
- Eligible Directors are Directors who have been appointed as Directors within the AIC ESOS Group for at least 6 months.
Where the eligible Director is a non-executive Director of the AIC ESOS Group, his/her participation shall be further subjected to the approval of the shareholders of the relevant subsidiary within the AIC ESOS Group of any amendments to the Articles of Association of that company to allow for such participation.
- The maximum number of new AIC Shares in the Company which may be made available under the ESOS shall not be more than 15% (or such other higher percentage as may be permitted by the relevant regulatory authorities from time to time) of the total issued and paid-up share capital of the Company at the point of time when an offer is made. The ESOS shall be in force for a period of 5 years from 3 September 2004.
- The number of AIC Shares allocated, in aggregate, to eligible Directors and senior management shall not exceed fifty percent (50%) of the total AIC Shares available under the ESOS.
- The number of AIC Shares allocated to any individual eligible employee who, either singly or collectively through persons connected with the eligible employee, holds twenty percent (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total AIC Shares available under the ESOS.
- The options cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- The exercise price shall be based on the 5 day weighted average market price of the Company's ordinary shares as shown in the daily official list issued by the Bursa Malaysia at the time the option is offered with a discount of not more than 10%, if deemed appropriate, provided that the exercise price shall not be less than the par value of the ordinary shares of the Company.

Directors' report

for the year ended 31 December 2005

- h) 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.
- i) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company within the Group.

The Company has been granted exemption from the Companies Commission of Malaysia from having to disclose the name of persons to whom less than 110,000 options have been granted during the year and details of their holdings. The names and details of option holdings of persons whom were granted options during the year of 110,000 and above are set out below:

<i>Name of option holders</i>	Number of options over ordinary shares of RM1 each			Balance at 31.12.2005
	Balance at 1.1.2005	Granted	Exercised	
Cho Deok Hyun	-	260,000	-	260,000
Yong Lap Kee	-	146,000	-	146,000
Yeo Swee Hwa	-	116,000	-	116,000
Ridzuan bin Hanapi	-	114,000	-	114,000
Palanisamy a/l Periannan	-	114,000	-	114,000
Leong Tuck Yee	-	110,000	-	110,000

ii) Warrants

On 15 October 2005, the exercise period of Warrants B was extended for one year up to and including 15 January 2007. As provided by the Supplemental Deed Poll of the Warrants B dated 23 December 2002, the extension was made as the weighted average market price of the Company's shares quoted on the Bursa Malaysia for the last 30 consecutive market days preceding 15 October 2005 did not represent a premium of more than twenty percent (20%) over the exercise price of Warrants B of RM2.53.

As at 31 December 2005, 25,893,096 of Warrants B remained unexercised. The warrants shall now expire on 15 January 2007 with a final option to extend the exercise period further by one year expiring on 15 January 2008. The further extension of up to one year 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 Bursa Malaysia is at a premium of not more than 20% over the exercise price of warrants for any period of 30 consecutive market days preceding 15 October 2006, being 3 months prior to expiry date of 15 January 2007.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- i) On 15 April 2005, an associate, Nucleus Electronics Ltd ("NEL") issued 21.5 million ordinary shares to the vendors of TLG Electronics (a subsidiary of NEL) based on a conversion price of SGD0.16 per ordinary share, as a result of the conversion of the preference shares held by the vendors in Nucleus Capital Ltd, also a subsidiary of NEL.

Following the above, the issued and paid-up share capital of NEL increased from 198,330,000 ordinary shares to 219,830,000 ordinary shares of SGD0.05 each. As a result, the Company's effective equity interest in NEL was diluted from 34% to 31% and consequently, the Group recorded a loss on dilution of RM2,483,000.

Directors' report

for the year ended 31 December 2005

- ii) On 20 October 2005, AICD lodged a civil suit against Univision Worldwide Co. Ltd (formerly known as Metro Sangsa Co. Ltd) ("the Defendant"), a company incorporated in Korea, at the Seoul District Court in Korea to recover debts owing by the Defendant to a subsidiary amounting to USD1.1 million (equivalent to approximately RM4.0 million) arising from goods supplied by the subsidiary. The parties are in the midst of exchanging affidavits and there is no date fixed for hearing as yet. The solicitors are of the opinion that the subsidiary stands a good chance of winning the case. The Group has however, taken the prudent stand to make full allowance for the whole amount owed by the Defendant.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- i) On 3 January 2006, the Company acquired the remaining 39% equity interest representing 784,000 ordinary shares in AIC Properties Sdn Bhd ("AICP"), a subsidiary, from the other shareholders of AICP, for a total cash consideration of RM285,000. Consequently, AICP has become a wholly-owned subsidiary of AIC.
- ii) The Company had on 7 March 2006 transferred its building and factory premises at the carrying value of RM6,177,000 to Inmode Venture Sdn Bhd ("Inmode"), a subsidiary, as part of an internal rationalisation exercise meant to streamline the assets of the Group.
- iii) Brimal Holdings Sdn Bhd, a subsidiary, and Inmode had on 8 March 2006, entered into separate conditional sale and purchase agreements with Amanah Raya Berhad ("ARB") to sell their land and buildings ("Properties") for a total cash consideration of RM19 million ("Proposed Sale").

In conjunction with the Proposed Sale, the Company shall also be executing a conditional lease agreement with ARB to leaseback the Properties from ARB which will be effective only upon completion of the Proposed Sale.

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 of the Company misleading.

Directors' report

for the year ended 31 December 2005

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 as disclosed in Note 18 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 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.

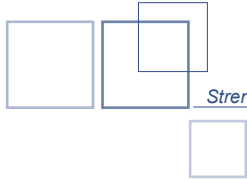
Signed in accordance with a resolution of the Directors:

Datuk Haji Sarip bin Hamid

Mohamad Ariff bin Puteh

Shah Alam,

Date: 19 April 2006



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 55 to 108 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 2005 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: 19 April 2006

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 55 to 108 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 19 April 2006

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 55 to 108. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

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 2005 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.

Without qualifying our opinion, we draw your attention to Note 1(a) to the financial statements. The Group and the Company incurred losses of RM41,565,000 and RM13,711,000 respectively, for the year ended 31 December 2005, and as of that date, the Group's current liabilities exceeded its current assets by RM21,575,000. The validity of the going concern assumption is dependent upon the continued financial support of bankers and the Group successfully achieving future profitable operations and divesting of its non core assets.

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Partner
Approval Number: 2613/12/06(J)

Kuala Lumpur
Date: 19 April 2006

Balance sheets

at 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000 (As restated)	2005 RM'000	2004 RM'000
Property, plant and equipment	2	159,582	169,910	6,580	8,007
Investments in subsidiaries	3	-	-	77,158	88,279
Investments in associates	4	85,739	86,286	12,064	12,064
Other investments	5	4,560	4,560	4,500	4,500
Intangible assets	6	8,015	8,905	-	-
Current assets					
Other investments	5	45	45	-	-
Inventories	7	46,243	27,022	-	-
Trade and other receivables	8	44,675	49,637	55,380	40,325
Tax recoverable		1,101	1,014	-	-
Cash and cash equivalents	9	8,238	28,898	612	1,035
		100,302	106,616	55,992	41,360
Current liabilities					
Trade and other payables	10	41,727	23,818	6,457	2,709
Borrowings	11	79,200	45,822	14,044	1,052
Taxation		-	201	-	-
Government grant	12	859	-	-	-
Provision for warranties	13	91	117	-	-
		121,877	69,958	20,501	3,761
Net current (liabilities)/assets		(21,575)	36,658	35,491	37,599
		236,321	306,319	135,793	150,449
Financed by:					
Capital and reserves					
Share capital	14	104,920	104,920	104,920	104,920
Reserves		27,058	69,620	(10,419)	4,193
Treasury shares	15	(3,808)	(3,808)	(3,808)	(3,808)
		128,170	170,732	90,693	105,305
Minority shareholders' interests	16	25,700	29,310	-	-
Long term and deferred liabilities					
Borrowings	11	61,254	89,045	45,100	45,144
Redeemable preference shares	16	16,127	16,127	-	-
Deferred tax liabilities	17	1,942	1,105	-	-
Government grant	12	3,128	-	-	-
		236,321	306,319	135,793	150,449

The financial statements were approved and authorised for issue by the Board of Directors on 19 April 2006.

The notes set out on pages 62 to 108 form an integral part of, and should be read in conjunction with, these financial statements.

Income statements

for the year ended 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	18	190,483	182,877	2,533	2,935
Operating loss	18	(43,187)	(17,376)	(12,168)	(5,054)
Financing costs	21	(8,007)	(6,461)	(3,550)	(2,935)
Interest income	22	1,246	1,409	2,007	1,305
Share of profits in associates		6,104	6,187	-	-
Loss before taxation		(43,844)	(16,241)	(13,711)	(6,684)
Tax - subsidiaries		(776)	(281)	-	-
- associates		(885)	(526)	-	-
Tax expense	23	(1,661)	(807)	-	-
Loss after taxation		(45,505)	(17,048)	(13,711)	(6,684)
Minority interests		3,940	(924)	-	-
Net loss for the year		(41,565)	(17,972)	(13,711)	(6,684)
Basic loss per ordinary share (sen)	24	(40)	(17)		
Dividends per ordinary share (sen)	25	-	-		

The notes set out on pages 62 to 108 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 2005

Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Non-distributable			Exchange fluctuation reserve RM'000	Distributable	Total RM'000
				Capital reserve RM'000	Revaluation reserve RM'000	Merger reserve RM'000		Retained profits/ (Accumulated losses) RM'000	
At 1 January 2004									
	69,912	(3,808)	41,317	16,398	3,788	1,997	(421)	54,466	183,649
33	-	-	-	-	-	-	-	4,741	4,741
	69,912	(3,808)	41,317	16,398	3,788	1,997	(421)	59,207	188,390
	-	-	-	-	-	-	1,250	-	1,250
	-	-	-	-	(331)	-	(1,200)	-	(1,531)
	-	-	-	-	(137)	-	-	137	-
Net gains and losses not recognised in the income statement									
	-	-	-	-	(468)	-	50	137	(281)
	-	-	-	-	-	-	-	(17,972)	(17,972)
25	-	-	-	-	-	-	-	(693)	(693)
	368	-	920	-	-	-	-	-	1,288
	34,640	-	(34,640)	-	-	-	-	-	-
At 31 December 2004									
	104,920	(3,808)	7,597	16,398	3,320	1,997	(371)	35,938	165,991
33	-	-	-	-	-	-	-	4,741	4,741
	104,920	(3,808)	7,597	16,398	3,320	1,997	(371)	40,679	170,732

Group statement of changes in equity

for the year ended 31 December 2005 (Continued)

Note	Non-distributable							Distributable		Total
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Equity compensation reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits/ (Accumulated losses) RM'000	
At 1 January 2005										
As previously stated	104,920	(3,808)	7,597	16,398	3,320	1,997	-	(371)	35,938	165,991
Effect of adopting FRS3	-	-	-	-	-	-	-	-	4,741	4,741
Restated balance	104,920	(3,808)	7,597	16,398	3,320	1,997	-	(371)	40,679	170,732
Currency translation differences	-	-	-	-	-	-	-	(504)	-	(504)
Dilution in associate	-	-	-	-	-	-	(37)	114	-	77
Share of reserves of associates	-	-	-	-	-	-	171	1,277	-	1,448
Reversal of revaluation reserve	-	-	-	-	(2,018)	-	-	-	-	(2,018)
Net gains and losses not recognised in the income statement	-	-	-	-	(2,018)	-	134	887	-	(997)
Net loss for the year	-	-	-	-	-	-	-	-	(41,565)	(41,565)
At 31 December 2005	104,920	(3,808)	7,597	16,398	1,302	1,997	134	516	(886)	128,170
	Note 14	Note 15								

The notes set out on pages 62 to 108 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 2005

Note	Share capital RM'000	Treasury shares RM'000	Non-distributable			Distributable	Total RM'000
			Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Retained profits/ Accumulated losses) RM'000	
At 1 January 2004	69,912	(3,808)	41,317	1,537	901	1,535	111,394
Net loss for the year	-	-	-	-	-	(6,684)	(6,684)
Final dividends paid	-	-	-	-	-	(693)	(693)
Issue of share capital - shares	368	-	920	-	-	-	1,288
- bonus issue	34,640	-	(34,640)	-	-	-	-
At 31 December 2004/1 January 2005	104,920	(3,808)	7,597	1,537	901	(5,842)	105,305
Reversal of revaluation reserve	-	-	-	-	(901)	-	(901)
Net loss not recognised in the income statement	-	-	-	-	(901)	-	(901)
Net loss for the year	-	-	-	-	-	(13,711)	(13,711)
At 31 December 2005	104,920	(3,808)	7,597	1,537	-	(19,553)	90,693
	Note 14	Note 15					

The notes set out on pages 62 to 108 form an integral part of, and should be read in conjunction with, these financial statements.

Cash flow statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash flows from operating activities				
Loss before taxation and minority shareholders' interests	(43,844)	(16,241)	(13,711)	(6,684)
Adjustments for:				
Allowance for doubtful debts	6,173	428	-	-
Amortisation of development expenditure	642	189	-	-
Amortisation of government grant received	(307)	-	-	-
Bad debts written off	128	67	-	34
Depreciation	33,014	30,879	345	525
Dividend income	-	-	(678)	(952)
Gain arising from dilution/accretion of equity interest in subsidiaries	-	(2,704)	-	-
Goodwill written off	46	8,831	-	-
Impairment loss on investment in an associate	2,906	-	-	-
Impairment losses on investments in subsidiaries	-	-	11,121	4,070
Impairment losses on property, plant and equipment	1,532	-	230	-
Interest expense	7,631	6,108	3,543	2,919
Interest income	(1,246)	(1,409)	(2,007)	(1,305)
Inventories written down to net realisable value	2,879	417	-	-
Loss arising from dilution of equity interest in an associate	2,483	-	-	-
Loss arising from dilution of equity interest in a subsidiary	-	723	-	-
(Gain)/Loss on disposal of property, plant and equipment	(102)	402	(102)	-
Property, plant and equipment written off	2	110	2	5
Provision for warranty claims	68	163	-	-
Reversal of inventories written down	(5)	(265)	-	-
Share of profits in associates	(6,104)	(6,187)	-	-
Unrealised foreign exchange gain	(243)	(5)	-	-
Write down of development expenditure	-	94	-	-
Write down of goodwill	-	112	-	-
Operating profit/(loss) before working capital changes	5,653	21,712	(1,257)	(1,388)
Changes in working capital:				
Inventories	(22,095)	(13,512)	-	-
Trade and other receivables	(1,340)	(15,543)	(25,062)	(4,683)
Trade and other payables	18,153	628	3,748	575
Provisions	(94)	(159)	-	-
Cash generated from/(used in) operations	277	(6,874)	(22,571)	(5,496)
Dividends received from subsidiaries	-	-	10,188	-
Income taxes paid	(347)	(454)	-	-
Income taxes refunded	120	1,626	-	-
Net cash generated from/(used in) operating activities	50	(5,702)	(12,383)	(5,496)

Cash flow statements

for the year ended 31 December 2005 (continued)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash flows from investing activities					
Dilution of equity interest in a subsidiary		-	(26,803)	-	-
Acquisition of additional shares of subsidiaries		-	(1,637)	-	(1,637)
Liquidation of a subsidiary		-	(209)	-	-
Proceeds from disposal of property, plant and equipment		648	573	120	-
Purchase of property, plant and equipment	(ii)	(25,113)	(36,004)	(70)	(131)
Development expenditure incurred		(1,211)	(2,515)	-	-
Dividends received from associates		1,728	952	498	952
Capital contribution from minority interest		-	1,108	-	-
Interest received		1,246	1,409	2,007	1,305
Net cash (used in)/generated from investing activities		(22,702)	(63,126)	2,555	489
Cash flows from financing activities					
Dividends paid		-	(693)	-	(693)
Decrease in pledged deposits placed with licensed banks		192	1,204	-	-
Drawdown of term loans/bank borrowings-net		5,458	56,229	13,000	1,000
Interest paid		(7,631)	(6,108)	(3,543)	(2,919)
Government grant received		4,294	-	-	-
Proceeds from issuance of shares		-	1,288	-	1,288
Repayment of finance lease and hire purchase liabilities		(128)	(262)	(52)	(221)
Net cash generated from/(used in) financing activities		2,185	51,658	9,405	(1,545)
Net decrease in cash and cash equivalents		(20,467)	(17,170)	(423)	(6,552)
Cash and cash equivalents at beginning of year	(i)	28,705	45,875	1,035	7,587
Cash and cash equivalents at end of year	(i)	8,238	28,705	612	1,035

i) Cash and cash equivalents

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

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances		7,424	9,035	608	505
Short term placement funds		808	17,725	4	-
Deposits (excluding deposits pledged)		6	1,946	-	530
		8,238	28,706	612	1,035
Bank overdrafts		-	(1)	-	-
		8,238	28,705	612	1,035

ii) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM25,371,000 (2004 RM36,366,000) and RM70,000 (2004 - RM351,000) respectively, of which RM258,000 (2004 - RM362,000) and RMNil (2004 - RM220,000) respectively, were acquired by means of hire purchases.

The notes set out on pages 62 to 108 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- (i) FRS 3, Business Combinations;
- (ii) FRS 136, Impairment of Assets; and
- (iii) FRS 138, Intangible Assets.

In addition to the new policies and extended disclosures where required by the new standard, the effects of the changes in the above accounting policies are disclosed in Note 33 to these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost 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.

The Group and the Company incurred losses of RM41,565,000 and RM13,711,000 respectively, for the year ended 31 December 2005, and as of that date, the Group's current liabilities exceeded its current assets by RM21,575,000. The validity of the going concern assumption is dependent upon the continued financial support of bankers and the Group successfully achieving future profitable operations and divesting of its non core assets.

At the date of this report, the Directors believe that the Group will continue as a going concern and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

(b) Basis of consolidation

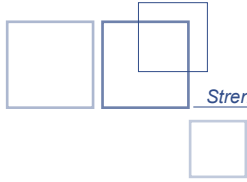
Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. 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.

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.

With effect from 1 January 2005, all business combinations are accounted for by applying the purchase method.

Under the purchase 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's financial statements. The excess of the acquisition cost over the fair values of the subsidiaries' net assets is reflected as goodwill. The excess of the fair values of the subsidiaries' net assets over the acquisition cost, after reassessment, is recognised immediately in the income statement.



Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (Continued)

For subsidiaries acquired prior to 1 January 2005, acquisitions which satisfy the provisions of Section 60(4) of the Companies Act, 1965 have been consolidated using the acquisition method together with the merger relief provisions of the said section 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 premium 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

Leasehold land together with the attached buildings are stated at cost/valuation less accumulated depreciation and impairment losses. Other property, plant and equipment are stated at cost less accumulated depreciation and 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.

Depreciation

Leasehold land is amortised over the period of the lease while 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) Investments

Long term investments in subsidiaries, which are eliminated on consolidation, and in associates are stated in the financial statements at cost, less impairment loss where applicable.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

Goodwill on acquisition is calculated based on the difference between the acquisition cost and the fair value of net assets acquired.

(f) 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.

(g) Intangible assets

(i) Goodwill arising on consolidation

Goodwill arising on consolidation represents the difference between the acquisition cost and the fair values of the net identifiable assets acquired of the subsidiaries and associates at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

(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.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense to the income statement 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.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) 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.

(m) 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.

(n) 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.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

For intangible assets (including goodwill) that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date.

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.

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

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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. 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.

(p) 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.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currency

(i) Foreign currency 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	RM2.27	(2004: 1SGD	RM2.33)
1USD	RM3.79	(2004: 1USD	RM3.80)
1HKD	RM0.49	(2004: 1HKD	RM0.49)
1NTD	RM0.12	(2004: 1NTD	RM0.12)
1EUR	RM4.48	(2004: 1EUR	RM5.14)
100YEN	RM3.21	(2004: 100YEN	RM3.70)
1CHF	RM2.87	(2004: 1CHF	RM3.33)

(r) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement 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.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Government grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income when the grant is received and all attaching conditions have been complied with. Grants that compensate the Group for expenses incurred are recognised as income over the years necessary to match the grant on a systematic basis to the expenses incurred. Grants that compensate the Group for the cost of an asset are recognised on a systematic basis over the useful life of the asset.

(t) Revenue

Revenue of the Company represents dividends received and receivable from subsidiaries and associates, rental income and management fees. Revenue for the Group represents the invoiced value of goods sold and services rendered, less sales tax, trade discounts and allowances. Sales between companies within the Group 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 is recognised in the income statement when the services has been rendered. Revenue from management services is accrued, by reference to the agreements entered.

(ii) *Dividend income*

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

(iii) *Rental income*

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

(u) Interest income

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

(v) 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.

Notes to the financial statements

2. PROPERTY, PLANT AND EQUIPMENT

Group	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 2005	16,176	49,538	2,193	233,325	22,560	1,861	325,653
Additions	-	827	990	22,837	403	314	25,371
Transferred from development expenditure (Note 6)	-	-	-	1,430	-	-	1,430
Disposals/Write off	-	(14)	-	(528)	(8)	(318)	(868)
At 31 December 2005	16,176	50,351	3,183	257,064	22,955	1,857	351,586
Representing items at:							
Cost	3,650	28,527	3,183	257,064	22,955	1,857	317,236
Directors' valuation	12,526	21,824	-	-	-	-	34,350
	16,176	50,351	3,183	257,064	22,955	1,857	351,586
Depreciation and impairment losses							
At 1 January 2005	824	2,919	1,354	134,553	14,782	1,311	155,743
Charge for the year	266	1,020	380	28,966	2,230	152	33,014
Transferred from development expenditure (Note 6)	-	-	-	17	-	-	17
Disposals/Write off	-	-	-	-	(2)	(318)	(320)
Impairment losses	1,314	1,551	-	685	-	-	3,550
At 31 December 2005	2,404	5,490	1,734	164,221	17,010	1,145	192,004
Represented by:							
Accumulated depreciation	1,090	3,939	1,734	163,536	17,010	1,145	188,454
Accumulated impairment losses	1,314	1,551	-	685	-	-	3,550
At 31 December 2005	2,404	5,490	1,734	164,221	17,010	1,145	192,004
Net book value							
At 31 December 2005	13,772	44,861	1,449	92,843	5,945	712	159,582
At 31 December 2004	15,352	46,619	839	98,772	7,778	550	169,910
Depreciation charge for the year ended 31 December 2004	269	1,126	252	26,684	2,290	258	30,879

Notes to the financial statements

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/Valuation				
At 1 January 2005	8,267	932	1,216	10,415
Additions	18	52	-	70
Disposals/Write off	(14)	(9)	(318)	(341)
At 31 December 2005	8,271	975	898	10,144
Representing items at:				
Cost	447	975	898	2,320
Directors' valuation	7,824	-	-	7,824
	8,271	975	898	10,144
Depreciation and impairment losses				
At 1 January 2005	734	685	989	2,408
Charge for the year	197	87	61	345
Disposals/Write off	(1)	(1)	(318)	(320)
Impairment losses	1,131	-	-	1,131
At 31 December 2005	2,061	771	732	3,564
Represented by:				
Accumulated depreciation	930	771	732	2,433
Accumulated impairment losses	1,131	-	-	1,131
	2,061	771	732	3,564
Net book value				
At 31 December 2005	6,210	204	166	6,580
At 31 December 2004	7,533	247	227	8,007
Depreciation charge for the year ended 31 December 2004	315	(3)	213	525

Notes to the financial statements

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation

The Group and the Company's leasehold 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.

Surpluses arising from the revaluation were credited to the revaluation reserve. During the financial year, the Directors assessed the value-in-use of the leasehold land and buildings of the Company and certain subsidiaries to be lower than their respective carrying amounts. Accordingly, impairment losses of RM2,865,000 and RM1,131,000 were recognised on the Group's and the Company's leasehold land and buildings respectively.

Had the 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	
	2005 RM'000	2004 RM'000
Leasehold land and buildings		
Cost	35,801	35,579
Accumulated depreciation	(4,855)	(4,248)
Net book value at the end of financial year	30,946	31,331
	Company	
	2005 RM'000	2004 RM'000
Leasehold land and buildings		
Cost	8,163	8,159
Accumulated depreciation	(1,536)	(1,373)
Net book value at the end of financial year	6,627	6,786

Security

Certain leasehold land and buildings of the Group with a carrying value totaling RM49,236,000 (2004 – RM46,694,000) are charged to financial institutions as security for borrowings (see Note 11).

Assets under hire purchase arrangements

Included in property, plant and equipment of the Group and the Company are motor vehicles acquired under hire purchase arrangements with net book value of RM578,000 (2004 - RM381,000) and RM166,000 (2004 - RM227,000) respectively.

Notes to the financial statements

3. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares - at cost	92,349	92,349
Less: Accumulated impairment losses	(15,191)	(4,070)
	<u>77,158</u>	<u>88,279</u>

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

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
AIC Inspirasi Sdn. Bhd. ⁽⁴⁾ <i>and its subsidiaries</i>	Investment holding	Malaysia	100	100
Autovisor Plastics Sdn. Bhd.	Manufacturing of sunvisors and interior car lamps	Malaysia	100	100
Brimal Holdings Sdn. Bhd. ⁽⁴⁾	Design, manufacturing and assembly of automotive accessories and electronic products	Malaysia	100	100
Custom Tooling Holdings Sdn. Bhd. <i>and its subsidiaries</i>	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.	Dormant	Malaysia	100	100
CTMS Sdn. Bhd. ⁽¹⁾	Dormant	Malaysia	100	100
Custom Tooling (Kota Bahru) Sdn. Bhd. ⁽¹⁾	Dormant	Malaysia	51	51
AIC Dotcom Sdn. Bhd.	Dormant	Malaysia	100	100
AIC Technology Sdn. Bhd. ("AICT") ⁽⁴⁾ <i>and its subsidiary</i>	Investment holding	Malaysia	75	75
AIC Semiconductor Sdn. Bhd. ⁽⁴⁾	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	Malaysia	75	75

Notes to the financial statements

3. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
AIC Properties Sdn. Bhd.	Dormant	Malaysia	61	61
Integral CAD Technologies Sdn. Bhd. and its subsidiaries	Sales and marketing of information technology and display related components and products	Malaysia	100	100
Cadxccl Sdn. Bhd.	Dormant	Malaysia	100	100
Alpha Mediatech Sdn. Bhd.	Dormant	Malaysia	100	100
AIC Display Sdn. Bhd. ⁽⁴⁾ and its subsidiaries	Design, development, manufacturing, branding, marketing and sales of multimedia displays, products and all related peripherals	Malaysia	100	100
AIC Microelectronics Sdn. Bhd. ⁽⁴⁾	Design and development of flat panel display products	Malaysia	75	75
AIC Display GmbH. ⁽²⁾	Sale and distribution of flat panel display products	Germany	100	-
Inmode Venture Sdn. Bhd. ⁽³⁾	Provision of project management and consultancy services, sub-contractor of general works and property management	Malaysia	100	100
AIC-Toptek Communications Sdn. Bhd. ⁽³⁾	Dormant	Malaysia	100	100

⁽¹⁾ Applications had been made on 21 September 2005 to the Companies Commission of Malaysia to strike off the two subsidiaries from the registry pursuant to Section 308 of the Companies Act, 1965.

⁽²⁾ Subsidiary was incorporated on 13 September 2005 and was consolidated based on its management accounts as at 31 December 2005. Subsidiary is dormant at year end.

⁽³⁾ Subsidiaries audited by another firm of accountants.

⁽⁴⁾ The auditors' reports on the audited financial statements of these subsidiaries contained an emphasis on the reliance of these subsidiaries on the continuing financial support of the Company and/or bankers in order to continue operating as going concerns.

3.1 On 13 September 2005, the Group acquired the entire equity interest of AIC Display GmbH for a consideration of RM117,115 satisfied by cash. The acquisition was accounted for using the purchase method of accounting. For the four months ended 31 December 2005, the subsidiary recorded a net loss of RM128,000.

Notes to the financial statements

4. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Quoted shares, at cost	41,127	41,127	12,064	12,064
Share of post acquisition reserves	47,518	45,159	-	-
Less: Impairment losses	(2,906)	-	-	-
	85,739	86,286	12,064	12,064
<i>Represented by:</i>				
Group's share of net assets other than goodwill	52,212	49,245		
Group's share of goodwill in associates' own consolidated financial statements	14,156	12,979		
Goodwill on acquisition	19,371	24,062		
	85,739	86,286		
Market value of quoted shares	32,403	66,269	9,996	22,644

4.1 On 18 April 2006 (the latest practicable date), the market value of quoted shares amounted to RM42,092,000.

4.2 The recoverable amount of the associates is based on value-in-use calculations, based on financial budgets of the associates. The impairment loss relates to the difference between the carrying amounts of the Company's investments in associates and the recoverable amounts.

4.3 The details of the associates and their significant subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Jotech Holdings Berhad <i>and its subsidiaries</i>	Investment holding	Malaysia	32	32
Jotech Metal Fabrication Industries Sdn. Bhd. <i>and its subsidiaries</i>	Manufacture and fabrication of tools and dies and stamped metal components for electrical and consumer electronics industries	Malaysia	32	32
JP Metal Sdn. Bhd.	Manufacture and fabrication of tools and dies and stamped metal components for electronics and automotive industries	Malaysia	32	32

Notes to the financial statements

4. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
PT Indotech Metal Nusantara	Manufacture and fabrication of tools and dies and stamped metal components for electronics and electrical industries	Indonesia	19	19
GuangDong Jotech Kong Yue Precision Industries Ltd.	Manufacture and fabrication of tools and dies and stamped metal components for electronics and electrical industries	China	19	19
Palladine Technology Pte. Ltd.	Design, development and marketing of electronics and computer products	Singapore	19	19
Palladine (M) Sdn. Bhd.	Trading in electrical and electronics products and appliances	Malaysia	32	32
Prodelcon Sdn. Bhd. <i>and its subsidiary</i>	Manufacture of high precision tooling, die sets, semiconductor moulds and parts and high precision jigs and fixtures, trading of electronic components and the design and manufacture of turnkey automation systems	Malaysia	32	32
Cabletron Electronics (M) Sdn. Bhd. <i>and its subsidiaries</i>	Manufacture and sales of electronics and electrical products	Malaysia	19	19
Cabletron (M) Sdn. Bhd.	Sales and servicing of electronics and electrical products	Malaysia	19	19
Star Annexe Sdn. Bhd.	Sales and servicing of electronics and electrical products	Malaysia	19	19
Assets88 Sdn. Bhd.	Renting of warehouse	Malaysia	19	19
Multimatic Systems Sdn. Bhd.	Design, fabricate and commission of automation equipment and systems for semiconductor and electronic industries	Malaysia	32	32
Nucleus Electronics Ltd. ("NEL") <i>and its subsidiaries</i>	Trading of electronic components and acting as sales representative for its principals	Singapore	31	34
Nucleus Electronics (Thailand) Co. Ltd.	Provision of liaison services for the distribution and marketing of electronic components	Thailand	31	34

Notes to the financial statements

4. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Nucleus Electronics (Hong Kong) Limited	Distribution and marketing of electronic components and acting as sales representative for its principals	Hong Kong	31	34
Nucleus India Pte. Ltd.	Commission agent for the distribution of electronic components in India	Singapore	16	17
Nucleus Components Sdn. Bhd.	Provision of liaison services to NEL for the distribution and marketing of electronic components	Malaysia	31	34
Nucleus Electronics Sdn. Bhd.	Representative for the distribution and marketing of electronic components and brokerage agent	Malaysia	31	34
Neolec International Inc.	Trading of electronic components and acting as sales representative for its principals	Taiwan	16	17
Nucleus International Corporation Limited	Trading of electronic components	Hong Kong	18	20
Nucleus Capital Limited <i>and its subsidiaries</i>	Provision of corporate management services, treasury and financial management services, investment holding and international trading	Hong Kong	31	34
Admiral Ltd	Provision of marketing services	Hong Kong	27	-
TLG Group Holdings Pte. Ltd. <i>and its subsidiaries</i>	Investment holding	Singapore	19	20
TLG China Inc.	Provision of marketing services and management of franchisees	Mauritius	19	20
TLG Technology Ltd.	Provision of electronic solution services and reference designs	British Virgin Islands	19	20
T&K Technology Ltd.	Kitting of mobile phones	Hong Kong	10	-
TLG Electronics Ltd. <i>and its subsidiaries</i>	Distribution of electronic components	Hong Kong	19	20
CN Electronics Ltd. <i>and its subsidiary</i>	Trading of circuit boards	Hong Kong	14	15
Fuqiang Precision Limited	Dormant	Hong Kong	10	10

Notes to the financial statements

4. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Crypton Singapore Pte. Ltd. <i>and its subsidiaries</i>	Investment holding	Singapore	19	20
Crypton Technology Sdn. Bhd.	Provision of support services for the distribution and marketing of electronic components	Malaysia	19	20
Crypton Singapore Limited	Commission agent for the distribution of electronic components	Hong Kong	19	20

5. OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Long term				
Quoted investments 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	64	68	-	-

	Group	
	2005 RM'000	2004 RM'000
Short term		
Unquoted shares		
– subsidiary (Note 5.1)	45	45
– others	1,650	1,650
Less: Allowance for diminution in value	(1,650)	(1,650)
	45	45

Notes to the financial statements

5. OTHER INVESTMENTS (CONTINUED)

- 5.1 Other investment represents an investment in unquoted shares of a subsidiary, AIC Wafer Services Sdn Bhd ("AICWS"), which was placed under members' voluntary liquidation on 3 November 2004.

Post acquisition reserves of AICWS were equity accounted up to the date of liquidation in the financial statements of the Group.

The details of the other investment are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
MteX Corporation Sdn. Bhd.	Electronic commerce technology developer, trade portal and services provider	Malaysia	35	35

6. INTANGIBLE ASSETS

	Group	
	2005 RM'000	2004 RM'000
<i>Development expenditure</i>		
At 1 January	3,150	918
Increase during the year	1,211	2,515
Transferred to plant and machinery - net (Note 2)	(1,413)	-
Amortisation charge for the year	(642)	(189)
Write off during the year	-	(94)
At 31 December	2,306	3,150
<i>Goodwill on consolidation</i>		
At 1 January	5,755	63,916
Acquisition of additional shares in subsidiaries	-	(410)
Dilution of equity interest in a subsidiary such that it became an associate	-	(48,808)
Write down during the year	-	(112)
Write off during the year	(46)	(8,831)
At 31 December	5,709	5,755
Total intangible assets	8,015	8,905

Included in development expenditure incurred during the year are staff costs amounting to RM624,000 (2004 - RM473,000).

Notes to the financial statements

7. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost		
Raw materials	26,568	18,801
Work-in-progress	3,157	1,616
Goods-in-transit	691	399
Finished goods	2,711	3,591
Consumable goods	3,669	-
	<hr/>	<hr/>
	36,796	24,407
At net realisable value		
Raw materials	5,444	-
Finished goods	4,003	2,615
	<hr/>	<hr/>
	46,243	27,022

During the year, there was a reversal of a previous write down of inventories amounting to RM5,000 (2004 - RM265,000). The reversal arose as inventory write downs in prior years were subsequently not required as a result of improving prices for the inventories.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	45,825	45,547	-	-
Less: Allowance for doubtful debts	(6,795)	(622)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	39,030	44,925	-	-
Other receivables, deposits and prepayments	5,458	4,527	1,720	1,336
Subsidiaries	-	-	53,473	38,804
Associates	187	185	187	185
	<hr/>	<hr/>	<hr/>	<hr/>
	44,675	49,637	55,380	40,325

Notes to the financial statements

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

8.1 Trade receivables of the Group include:

- i) RM4,350,000 (2004 - RM10,300,000) due from a substantial shareholder of a subsidiary.
- ii) RM319,000 (2004 - RM528,000) due from related parties (companies with common shareholders).

The currency exposure profile of trade receivables is as follows:

	Group	
	2005 RM'000	2004 RM'000
Ringgit Malaysia	11,815	13,773
US Dollar	27,215	31,152
	39,030	44,925

Credit terms of trade receivables range from 30 – 120 days.

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other receivables	1,797	1,293	1,200	618
Deposits	1,738	1,701	57	57
Prepayments	1,923	1,533	463	661
	5,458	4,527	1,720	1,336

Included in other receivables are amounts due from related parties (companies with common shareholders) amounting to RM730,000 (2004 - RM309,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

8.3 The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for RM24,702,000 (2004 - RM11,661,000) due from certain subsidiaries which bear interest from 2.5% to 6.0% (2004 - 5.0%) per annum.

8.4 The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

Notes to the financial statements

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits placed with licensed banks	6	2,138	-	530
Short term placement funds	808	17,725	4	-
Cash and bank balances	7,424	9,035	608	505
	8,238	28,898	612	1,035

Included in the Group's deposits placed with licensed banks is an amount of Nil (2004 - RM192,000) pledged to a licensed bank to secure banking facilities.

The currency exposure profile of cash and cash equivalents is as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	5,560	27,438	612	1,035
US Dollar	2,553	1,460	-	-
Euro Dollar	121	-	-	-
Others	4	-	-	-
	8,238	28,898	612	1,035

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	19,497	13,306	-	-
Other payables and accrued expenses	22,230	10,512	722	716
Subsidiaries	-	-	5,735	1,993
	41,727	23,818	6,457	2,709

10.1 Included in trade payables of the Group is an amount due to a related party (company with common shareholders) amounting to RM869,000 (2004 – RM732,000). The amount is unsecured, interest free and has no fixed terms of repayment.

Notes to the financial statements

10. TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of trade payables is as follows:

	Group	
	2005 RM'000	2004 RM'000
Ringgit Malaysia	13,856	8,862
US Dollar	5,388	3,904
Swiss Franc	181	322
Japanese Yen	46	210
Others	26	8
	<u>19,497</u>	<u>13,306</u>

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

10.2 Other payables and accrued expenses of the Group and the Company are as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other payables	15,572	5,679	281	341
Accrued expenses	6,658	4,833	441	375
	<u>22,230</u>	<u>10,512</u>	<u>722</u>	<u>716</u>

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

- i) an amount due to an associate of RM568,000 (2004 - RM448,000). The amount due to an associate is unsecured, interest free and is repayable within a period of thirty (30) days.
- ii) management fees payable to a shareholder of a subsidiary of RM24,000 (2004 - RM36,000). The amount due to a shareholder is unsecured, interest free and has no fixed terms of repayment.
- iii) an amount due to a related party (company with common shareholders) amounting to RM2,000 (2004 - RM139,000). The amount is unsecured, interest free and has no fixed terms of repayment.
- iv) an amount of RM47,000 (2004 - Nil) due to AICWS, a former subsidiary which was placed under members' voluntary liquidation on 3 November 2004.

10.3 The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Notes to the financial statements

11. BORROWINGS

		Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current					
Term loans	- secured	3,570	2,690	-	-
	- unsecured	38,067	29,716	14,000	-
Revolving credit	- unsecured	10,000	1,000	-	1,000
Bank overdrafts	- unsecured	-	1	-	-
Trade financing facilities	- secured	3,564	-	-	-
Trade financing facilities	- unsecured	23,875	12,319	-	-
Finance lease and hire purchase liabilities	- secured	124	96	44	52
		79,200	45,822	14,044	1,052
Non-current					
Term loans	- secured	3,992	7,640	-	-
	- unsecured	56,912	81,156	45,000	45,000
Finance lease and hire purchase liabilities	- secured	350	249	100	144
		61,254	89,045	45,100	45,144
Total borrowings		140,454	134,867	59,144	46,196

The currency exposure profile of borrowings is as follows:

		Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia		108,329	77,867	59,144	46,196
US Dollar		32,125	57,000	-	-
		140,454	134,867	59,144	46,196

Notes to the financial statements

11. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

		Total RM'000	Under 1 year RM'000	1 - 5 years RM'000
Group				
Term loans	- secured	7,562	3,570	3,992
	- unsecured	94,979	38,067	56,912
Trade financing facilities	- secured	3,564	3,564	-
Trade financing facilities	- unsecured	23,875	23,875	-
Finance lease and hire purchase liabilities	- secured	474	124	350
Revolving credit	- unsecured	10,000	10,000	-
		140,454	79,200	61,254
Company				
Term loans	- unsecured	59,000	14,000	45,000
Hire purchase liabilities	- secured	144	44	100
		59,144	14,044	45,100

Group

Term loans – secured

The first secured term loan with an initial principal drawdown of RM6,330,000 is subject to interest rate of 6.85% (2004 - 6.85%) per annum or 1.30% (2004 - 1.30%) per annum over the lending bank's effective cost of funds, whichever is higher, and is repayable in 48 monthly installments commencing 1 January 2005.

This term loan is secured by the following:

- i) first debenture incorporating fixed and floating charge over the present and future assets of a subsidiary; and
- ii) corporate guarantee by the Company.

The second secured term loan with an initial principal drawdown of RM4,000,000 is subject to interest rate of 6.10% (2004 - 6.10%) per annum and is repayable in 36 monthly instalments commencing 31 August 2005.

This term loan is secured by the following:

- i) first legal charge over the leasehold landed property of a subsidiary; and
- ii) corporate guarantee by the Company.

Notes to the financial statements

11. BORROWINGS (CONTINUED)

Group

Term loans - unsecured

The first unsecured term loan with an initial principal drawdown of RM7,462,000 is subject to interest rate of 6.75% (2004 - 6.75%) per annum and is repayable in 36 monthly instalments commencing 17 May 2003.

The second unsecured term loan with an initial principal drawdown of RM7,471,000 is subject to interest rate of 1.25% (2004 - 1.25%) per annum above the lending bank's cost of funds and is repayable in 36 monthly instalments commencing 1 April 2004.

The third unsecured term loan with an initial principal drawdown of USD15,000,000 is subject to interest rate of 1.50% (2004 - 1.50%) per annum above the Singapore Interbank Offered Rate and is repayable in tranches over a period of 3 years, commencing 25 February 2005.

Revolving credit - unsecured

The unsecured revolving credit of RM10,000,000 is subject to an interest rate of 4.01% (2004 - Nil) per annum.

Trade financing facilities - secured

The secured trade financing facilities of the Group are subject to interest rates varying between 3.64% - 4.25% (2004 - Nil) per annum. The trade financing facilities are secured by the following:

- i) first legal charge over the leasehold landed property of a subsidiary.
- ii) first debenture incorporating fixed and floating charge over the present and future assets of a subsidiary.
- iii) corporate guarantee by the Company

Trade financing facilities - unsecured

The unsecured trade financing facilities of the Group are subject to interest rates varying between 2.20% and 7.25% (2004 - 2.85% and 3.05%) per annum.

Notes to the financial statements

11. BORROWINGS (CONTINUED)

Company

Term loans

The first 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 29 November 2007.

The second unsecured short-term loan of RM14,000,000 is subject to a fixed interest rate of 1.5% (2004 – Nil) per annum above the lending bank's 3 months effective cost of funds.

Revolving credit – unsecured

The unsecured revolving credit of RM1,000,000, which was fully repaid during the financial year, was subject to an interest rate of 4.85% (2004 - 4.85%) per annum.

Finance lease and hire purchase liabilities

As at 31 December 2005, the Group and the Company have finance lease and hire purchase liabilities that are repayable as follows:

	Payments 2005 RM'000	Interest 2005 RM'000	Principal 2005 RM'000	Payments 2004 RM'000	Interest 2004 RM'000	Principal 2004 RM'000
Group						
Less than one year	142	(18)	124	115	(19)	96
Between one and five years	395	(45)	350	275	(26)	249
	537	(63)	474	390	(45)	345
Company						
Less than one year	51	(7)	44	62	(10)	52
Between one and five years	107	(7)	100	158	(14)	144
	158	(14)	144	220	(24)	196

Finance lease and hire purchase liabilities of the Group and of the Company are subject to interest at flat rates ranging from 2.90% to 4.55% (2004 - 3.30% to 6.68%) per annum and are repayable over 24 to 60 monthly installments.

Notes to the financial statements

12. GOVERNMENT GRANT

	Group	
	2005 RM'000	2004 RM'000
Grant received during the year	4,294	-
Amortised during the year	(307)	-
At 31 December	3,987	-
Current portion	(859)	-
Non-current portion	3,128	-

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

13. PROVISION FOR WARRANTIES

	Group	
	2005 RM'000	2004 RM'000
Balance at 1 January	117	113
Provision made during the year	68	163
Provision used during the year	(94)	(159)
Balance at 31 December	91	117

The provision for warranties relates to manufactured parts as well as automotive accessories 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 12 months.

Notes to the financial statements

14. SHARE CAPITAL

	Group and Company	
	2005 RM'000	2004 RM'000
Ordinary shares of RM1.00 each		
Authorised		
Balance at 1 January	500,000	100,000
Created during the financial year	-	400,000
Balance at 31 December	500,000	500,000
Issued and fully paid		
Balance at 1 January	104,920	69,912
Issued during the financial year		
- exercise of share options	-	368
- bonus issue	-	34,640
Balance at 31 December	104,920	104,920

i) Warrants

On 15 October 2005, the exercise period of Warrants B was extended for one year up to and including 15 January 2007. As provided by the Supplemental Deed Poll of the Warrants B dated 23 December 2002, the extension was made as the weighted average market price of the Company's shares quoted on the Bursa Malaysia for the last 30 consecutive market days preceding 15 October 2005 did not represent a premium of more than twenty percent (20%) over the exercise price of Warrants B of RM2.53.

As at 31 December 2005, 25,893,096 of Warrants B remained unexercised. The Warrants B shall now expire on 15 January 2007 with a final option to extend the exercise period further by one year expiring on 15 January 2008. The further extension of up to one year 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 Bursa Malaysia is at a premium of not more than 20% over the exercise price of Warrants B for any period of 30 consecutive market days preceding 15 October 2006, being 3 months prior to the expiry date of 15 January 2007.

- ii) The number of outstanding shares in issue after deducting treasury shares held is 103,920,517 (2004 - 103,920,517) ordinary shares of RM1.00 each. Treasury shares have no rights to voting, dividends and participation in any other distribution.

Notes to the financial statements

15. TREASURY SHARES

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

The details of the shares bought back as at 31 December 2005 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
	<u>1,000</u>				<u>3,808</u>

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

16. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

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

17. DEFERRED TAX LIABILITIES

The recognised deferred tax liabilities are as follows:

	Group	
	2005 RM'000	2004 RM'000
Property, plant and equipment		
- capital allowances in excess of depreciation	2,632	1,360
- revaluation	477	490
Allowances/Provisions	(39)	(224)
Unabsorbed capital allowances	(1,026)	(521)
Unutilised tax losses	(102)	-
	<u>1,942</u>	<u>1,105</u>

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

Notes to the financial statements

17. DEFERRED TAX LIABILITIES (CONTINUED)

No deferred tax has been recognised for the following items:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unutilised tax losses	(46,785)	(32,171)	(12,980)	(12,474)
Unabsorbed capital allowances	(13,753)	(11,070)	(3,470)	(3,227)
Temporary differences				
- capital allowances in excess of depreciation	3,587	2,893	1,730	1,685
- development expenditure	1,726	2,402	-	-
- provisions	(2,364)	-	-	-
- others	(2,601)	(412)	-	-
	(60,190)	(38,358)	(14,720)	(14,016)

The unutilised tax losses, unabsorbed capital allowances and 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 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 an 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 allowances 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.

Notes to the financial statements

18. OPERATING LOSS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue				
- sale of goods	177,228	161,002	-	-
- dividend (gross)	-	-	678	952
- services	13,255	21,875	1,855	1,983
	190,483	182,877	2,533	2,935
Cost of inventories sold	(190,074)	(158,069)	-	-
Other costs	(14,910)	(20,705)	-	-
	(204,984)	(178,774)	-	-
Gross (loss)/profit	(14,501)	4,103	2,533	2,935
Administration expenses	(9,193)	(8,479)	(2,185)	(2,228)
Distribution costs	(2,731)	(1,785)	-	-
Other operating expenses				
- goodwill written off	(46)	(8,831)	-	-
- impairment loss on investment in an associate	(2,906)	-	-	-
- impairment losses on investments in subsidiaries	-	-	(11,121)	(4,070)
- impairment losses on property, plant and equipment	(1,532)	-	(230)	-
- others	(14,176)	(7,452)	(1,424)	(2,074)
Other operating income	1,898	5,068	259	383
Operating loss	(43,187)	(17,376)	(12,168)	(5,054)
Operating loss is arrived at after crediting:				
Amortisation of government grant	307	-	-	-
Dividend income from				
- unquoted subsidiaries	-	-	66	-
- quoted associate	-	-	612	952
Gain arising from dilution/accretion of equity interest in subsidiaries	-	2,704	-	-
Gain on disposal of plant and equipment - net	102	-	102	-
Management fees received/receivable	-	-	887	1,022
Rental of premises	274	274	968	961
Reversal of inventories written down	5	265	-	-
Unrealised foreign exchange gain – net	243	5	-	-
Realised foreign exchange gain	2	-	-	-

Notes to the financial statements

18. OPERATING LOSS (CONTINUED)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
and after charging:				
Allowance for doubtful debts	6,173	428	-	-
Amortisation of development expenditure	642	189	-	-
Auditors' remuneration				
- Holding company auditors				
- current year	128	128	20	20
- over provision in prior years	(1)	(3)	-	5
- Other auditors	3	3	-	-
Bad debts written off	128	67	-	34
Consultancy fees paid to a director of a subsidiary	85	-	-	-
Depreciation	33,014	30,879	345	525
Directors' emoluments				
- Fees	92	102	92	102
- Remuneration	370	388	370	388
- Other emoluments	15	17	15	17
Goodwill written off	46	8,831	-	-
Impairment loss on investment in an associate	2,906	-	-	-
Impairment losses on investments in subsidiaries	-	-	11,121	4,070
Impairment losses on property, plant and equipment	1,532	-	230	-
Inventories written down to net realisable value	2,879	417	-	-
Loss arising from dilution of equity interest in a subsidiary	-	723	-	-
Loss arising from dilution of equity interest in an associate	2,483	-	-	-
Loss on disposal of property, plant and equipment - net	-	402	-	-
Management fees paid/payable to a shareholder of certain subsidiaries	24	24	-	-
Property, plant and equipment written off	2	110	2	5
Provision for warranty claims	68	163	-	-
Realised foreign exchange loss - net	308	79	-	-
Rental of premises	28	-	-	-
Rental of machinery	14	-	-	-
Rental of motor vehicles	4	-	-	-
Write down of development expenditure	-	94	-	-
Write down of goodwill	-	112	-	-

Notes to the financial statements

18. OPERATING LOSS (CONTINUED)

The estimated monetary value of Directors' benefits-in-kind for the Group and the Company are RM20,000 (2004 - RM24,000) and RM20,000 (2004 - RM24,000) respectively.

Details of emoluments of Directors of the Company in 2005 are as follows:

	Fees RM'000	Remuneration RM'000	Other emoluments RM'000	Benefits -in-kind RM'000
Datuk Haji Sarip bin Hamid	30	-	3	8
Haji Mohd Ali bin Bawal	8	-	1	3
Mohamad Ariff bin Puteh	-	370	-	8
Independent non-executive directors	54	-	11	1
	92	370	15	20

19. EMPLOYEE INFORMATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs				
- charged to income statement	29,642	34,053	2,096	1,567
- capitalised in development expenditure (Note 6)	624	473	-	-
	30,266	34,526	2,096	1,567

The number of employees of the Group and the Company (including Executive Directors) at the end of the year was 1,275 (2004 - 1,367) and 19 (2004 - 19) respectively.

Staff costs of the Group and the Company include contributions to the Employees' Provident Fund of RM2,585,000 (2004 - RM3,088,000) and RM171,000 (2004 - RM182,000) respectively.

Notes to the financial statements

20. EMPLOYEE BENEFITS

Equity compensation benefits

Share option scheme

The Group offers share options over ordinary shares to eligible Directors and eligible employees who are confirmed with more than six months service. Movements in the number of share options held by employees are as follows:

	Group and Company	
	2005 '000	2004 '000
Outstanding at 1 January	3,181	-
Granted	5,714	3,297
Exercised	-	-
Lapsed due to resignation	(2,351)	(116)
Outstanding at 31 December	6,544	3,181
Details of share options granted during the year:		
Expiry date	2/9/2009	2/9/2009
Exercise price per ordinary share (RM)	1.42	1.70
Aggregate proceeds if shares are issued (RM'000)	8,114	5,605

No share options were exercised in 2005 and 2004.

21. FINANCING COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest expense on:				
Term loans	6,773	5,762	3,533	2,896
Trade financing facilities	836	316	-	-
Finance lease and hire purchase liabilities	22	30	10	23
	7,631	6,108	3,543	2,919
Letter of credit and commitment fees	-	137	7	16
Others	376	216	-	-
	8,007	6,461	3,550	2,935

Notes to the financial statements

22. INTEREST INCOME

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income from:				
Subsidiaries	-	-	1,040	708
Deposits and short term placement funds	1,246	1,409	967	597
	1,246	1,409	2,007	1,305

23. TAX EXPENSE

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax expense:				
Malaysian - current	54	302	-	-
- (over)/under provision in prior years	(115)	25	-	-
	(61)	327	-	-
Deferred tax expense:				
Origination and reversal of temporary differences	(471)	58	-	-
Under/(Over) provision in prior years	1,308	(104)	-	-
	776	281	-	-
Tax expense on share of profits in associates	885	526	-	-
	1,661	807	-	-

Notes to the financial statements

23. TAX EXPENSE (CONTINUED)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Reconciliation of tax expense				
Loss before taxation	(43,844)	(16,241)	(13,711)	(6,684)
Income tax using Malaysian tax rates	(12,276)	(4,571)	(3,839)	(1,871)
Effect of different tax rates in foreign jurisdiction	(516)	(714)	-	-
Non-deductible expenses	1,505	3,706	2,184	2,060
Tax exempt income	(473)	(356)	(91)	(267)
Tax incentives	(79)	(113)	-	-
Effect of prior year income now brought to tax	1,549	-	1,549	-
Effect of deferred tax assets not recognised	6,112	3,098	197	85
Effect of deferred tax assets waived *	4,540	-	-	-
Utilisation of deferred tax benefits previously not recognised	(46)	(124)	-	-
Effect of profit taxed at concessionary tax rate	(122)	-	-	-
Other items	274	(40)	-	(7)
	468	886	-	-
Under/(Over) provision in prior years	1,193	(79)	-	-
Tax expense	1,661	807	-	-

* The deferred tax benefits are not accounted for as the subsidiary cannot carry forward the unabsorbed capital allowance and unutilised tax losses incurred during the pioneer period to the post pioneer period (Note 17).

24. EARNINGS PER ORDINARY SHARE - GROUP

24.1 Basic loss per ordinary share

The calculation of basic loss per ordinary share is based on the Group's loss after taxation and minority interests of RM41,565,000 (2004 - RM17,972,000) and the weighted average number of ordinary shares outstanding during the year of 103,920,000 (2004 - 103,907,000).

	2005 '000	2004 '000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	104,920	69,912
Effect of shares issued during the year	-	355
Effect of bonus issue during the year	-	34,640
Less: Treasury shares	(1,000)	(1,000)
Weighted average number of ordinary shares	103,920	103,907

Notes to the financial statements

24. EARNINGS PER ORDINARY SHARE – GROUP (CONTINUED)

24.2 Diluted loss per ordinary share

As the assumed conversion of the employee share options granted and any warrants outstanding would be antidilutive, accordingly, diluted earnings per share have not been presented for year 2005.

25. DIVIDENDS

	Group and Company	
	2005 RM'000	2004 RM'000
Ordinary Final dividends paid: Nil (2004 - 1% per share tax exempt)	-	693

26. 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 year to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group comprises the following major business segments:

Test and assembly and other semiconductor related activities	Development, procurement, sales, assembly and test of integrated circuit chips and other semiconductor ancillary activities.
Information technology	Provision of information technology solutions and services and provision of electronic and robotic teaching aids to educational institutions. During the year, this segment was regrouped under the display segment and is involved in the sale and marketing of information technology and display related components and products.
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.
Display	Design, development, manufacturing, branding, marketing and sales of multimedia displays, products and all related peripherals.

Geographical segments

The business segments activities are all based in Malaysia.

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

Notes to the financial statements

26. SEGMENTAL REPORTING (CONTINUED)

Group 2005	Test and assembly and other semiconductor related activities RM'000	Electronics RM'000	Display RM'000	Others RM'000	Group RM'000
Business segments					
Total revenue	106,924	31,746	57,069	2,521	198,260
Inter segment revenue	-	(4,876)	(641)	(2,260)	(7,777)
Revenue from external customers	106,924	26,870	56,428	261	190,483
Segment result	(14,960)	(2,224)	(18,452)	261	(35,375)
Unallocated corporate expenses					(7,812)
Financing costs					(8,007)
Interest income					1,246
Share of profits in associates					6,104
Loss before taxation					(43,844)
Tax expense					(1,661)
Loss after taxation					(45,505)
Minority interests					3,940
Net loss for the year					(41,565)
Segment assets	164,951	29,748	53,293	-	247,992
Investments in associates					85,739
Unallocated corporate assets					18,758
Goodwill on consolidation					5,709
Total assets					358,198
Segment liabilities	29,298	8,520	6,841	-	44,659
Borrowings					140,454
Unallocated corporate liabilities					19,215
Total liabilities					204,328
Capital expenditure	16,316	2,676	6,309	70	25,371
Depreciation and amortisation	28,217	2,215	2,847	377	33,656

Notes to the financial statements

26. SEGMENTAL REPORTING (CONTINUED)

Group 2004	Test and assembly and other semiconductor related activities RM'000	Information technology RM'000	Electronics RM'000	Property RM'000	Display RM'000	Others RM'000	Group RM'000
Business segments							
Total revenue	134,498	1,450	29,116	-	22,235	2,935	190,234
Inter segment revenue	-	-	(4,649)	-	(47)	(2,661)	(7,357)
Revenue from external customers	134,498	1,450	24,467	-	22,188	274	182,877
Segment result	82	(9,246)	156	(468)	(8,618)	274	(17,820)
Unallocated corporate income							444
Financing costs							(6,461)
Interest income							1,409
Share of profits in associates							6,187
Loss before taxation							(16,241)
Tax expense							(807)
Loss after taxation							(17,048)
Minority interests							(924)
Net loss for the year							(17,972)
Segment assets	198,488	4,427	26,501	5,568	33,039	-	268,023
Investments in associates							86,286
Unallocated corporate assets							16,213
Goodwill on consolidation							5,755
Total assets							376,277
Segment liabilities	13,858	118	6,310	8	2,893	-	23,187
Borrowings							134,867
Unallocated corporate liabilities							18,181
Total liabilities							176,235
Capital expenditure	24,467	6	1,856	-	9,658	379	36,366
Depreciation and amortisation	26,991	75	2,215	53	1,209	525	31,068

Notes to the financial statements

26. SEGMENTAL REPORTING (CONTINUED)

Geographical segments	Malaysia RM'000	Korea RM'000	France RM'000	Taiwan RM'000	United States of America RM'000	Others RM'000	Group RM'000
2005							
Revenue from external customers by location of customers	42,601	46,859	8,618	26,770	43,327	22,308	190,483
Segment assets by location of assets	247,992	-	-	-	-	-	247,992
Capital expenditure by location of assets	25,371	-	-	-	-	-	25,371
Segment liabilities by location of liabilities	44,659	-	-	-	-	-	44,659
2004							
Revenue from external customers by location of customers	51,472	10,418	10,569	18,343	60,238	31,837	182,877
Segment assets by location of assets	268,023	-	-	-	-	-	268,023
Capital expenditure by location of assets	36,366	-	-	-	-	-	36,366
Segment liabilities by location of liabilities	23,187	-	-	-	-	-	23,187

Notes to the financial statements

27. CONTINGENT LIABILITIES - UNSECURED

The Company has executed corporate guarantees in favour of licensed banks for credit facilities of up to a limit of RM97 million (2004 – RM109.4 million) and USD15 million (2004 – USD15 million) granted to its subsidiaries.

28. CAPITAL COMMITMENTS

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

	Group	
	2005 RM'000	2004 RM'000
Approved and contracted for	431	2,976
Approved but not contracted for	-	24,900
	<u>431</u>	<u>27,876</u>

29. RELATED PARTIES

Controlling related party relationships are as follows:

- i) Subsidiaries and associates as disclosed in Note 3 and Note 4.
- ii) Companies in which certain Directors who are also shareholders are deemed to have substantial financial interests:
 - Automako Sdn. Bhd. ("AUSB")
 - Aventur Door System Sdn. Bhd. ("AVD")
 - Asteria Industries Sdn. Bhd. ("AISB")
 - Asteria Manufacturing Sdn. Bhd. ("AMSB")
 - Asteria Corporation Sdn. Bhd. ("ACSB")
 - Brimal Stampress Engineering Sdn. Bhd. ("BSE")
 - HKR Manufacturing Sdn. Bhd. ("HKR")
- iii) Khazanah Nasional Berhad ("KNB"), a substantial shareholder of AIC Technology Sdn. Bhd. and AIC Microelectronics Sdn. Bhd., subsidiaries.
- iv) Atmel Corporation ("AC"), a substantial shareholder of AIC Semiconductor Sdn. Bhd. ("AICS"), a subsidiary.

Notes to the financial statements

29. RELATED PARTIES (CONTINUED)

Significant related party transactions are as follows:

	2005 RM'000	2004 RM'000
Rendering of services		
a) Transactions with subsidiaries:		
Management fees charged by the Company	887	1,022
Rental charged by the Company	694	687
Interest charged by the Company	1,040	708
Provision of networking facilities by the Company and sharing of software maintenance costs	84	90
b) Transaction with KNB:		
Management fees charged to the Group	24	24
c) Transactions with ACSB:		
Rental income receivable by the Company	21	21
Provision of networking facilities by the Company and sharing of software maintenance costs	3	-
d) Transactions with AISB:		
Rental income receivable by the Company	247	247
Provision of networking facilities by the Company and sharing of software maintenance costs	26	24
e) Transaction with a director of a subsidiary		
Consultancy fee payable	85	-
Sale of goods by the Group to:		
AMSB	368	80
AC	45,934	67,064
AUSB	220	185
AVD	314	95
HKR	-	412
Purchase of goods by the Group from:		
AMSB	3,768	741
BSE	91	-
Prodelcon Sdn. Bhd., a subsidiary of an associate of the Group	591	1,433
JP Metal Sdn. Bhd., a subsidiary of an associate of the Group	1,230	663
Others		
Disposal of property, plant and equipment by the Company to subsidiaries	18	16

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

Notes to the financial statements

30. 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, credit risk, interest rate 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 risks 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.

Credit risk

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

The Group generally has no significant exposure to any individual customers or counterpart nor does it have any major concentration of credit risk other than 50% and 29% of its trade receivables due from companies in the semiconductor and display industries respectively.

Counterparties for fixed deposits consist of a number of prime financial institutions. The Group does not expect any of the above counterparties to fail to meet their obligations.

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

Notes to the financial statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rate and repricing analysis

The effective interest rates at balance sheet date and the years in which they reprice or mature, whichever is earlier, in respect of interest-earning financial assets and interest bearing financial liabilities are as follows:

2005		Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000
Group					
Financial assets					
	Unquoted subordinated bonds	20.00	4,500	-	4,500
	Deposits placed with licensed banks	2.70	6	6	-
	Short term placement funds	2.76	808	808	-
	Cash and bank balances	1.91	676	676	-
Financial liabilities					
	Term loans - secured	6.75	7,562	3,570	3,992
	- unsecured	6.27	94,979	38,067	56,912
	Revolving credit - unsecured	4.01	10,000	10,000	-
	Trade financing facilities - secured	3.00	3,564	3,564	-
	Trade financing facilities - unsecured	4.78	23,875	23,875	-
Company					
Financial assets					
	Unquoted subordinated bonds	20.00	4,500	-	4,500
	Amount due from subsidiaries	5.34	24,702	24,702	-
	Short term placement funds	2.95	4	4	-
	Cash and bank balances	2.15	590	590	-
Financial liability					
	Term loan - unsecured	6.43	59,000	14,000	45,000

Notes to the financial statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rate and repricing analysis (continued)

2004		Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000
Group					
Financial assets					
	Unquoted subordinated bonds	15.50	4,500	-	4,500
	Deposits placed with licensed banks	2.16	2,138	2,138	-
	Short term placement funds	2.94	17,725	17,725	-
	Cash and bank balances	1.58	2,718	2,718	-
Financial liabilities					
	Term loans				
	- secured	6.84	10,330	2,690	7,640
	- unsecured	5.13	110,872	29,716	81,156
	Revolving credit	4.85	1,000	1,000	-
	Bank overdrafts	7.50	1	1	-
	Trade financing facilities	2.91	12,319	12,319	-
Company					
Financial assets					
	Unquoted subordinated bonds	15.50	4,500	-	4,500
	Amount due from subsidiaries	4.66	11,661	11,661	-
	Deposits placed with licensed banks	3.00	530	530	-
	Cash and bank balances	0.90	321	321	-
Financial liabilities					
	Term loan				
	- unsecured	6.50	45,000	-	45,000
	Revolving credit	4.85	1,000	1,000	-

Liquidity and cash flow risk

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

The Group is exposed to liquidity risk in view of the Group's net current liabilities position and net losses for the current and previous financial year.

Notes to the financial statements

30. 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	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2005				
Financial assets				
Quoted shares of associates	85,739	32,403	12,064	9,996
Other investments:				
Quoted investments in unit trusts and shares	60	64	-	-
Unquoted subordinated bonds	4,500	*	4,500	*
Financial liabilities				
Term loans - secured	7,562	*	-	-
Term loans - unsecured	94,979	*	59,000	*
2004				
Financial assets				
Quoted shares of associates	86,286	66,269	12,064	22,644
Other investments:				
Quoted investments in unit trusts and shares	60	68	-	-
Unquoted subordinated bonds	4,500	*	4,500	*
Financial liabilities				
Term loans - secured	10,330	*	-	-
Term loans - unsecured	110,872	*	45,000	*

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

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

30.2 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.

Notes to the financial statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.3 The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Company as at the end of the financial year are:

	Company	
	Nominal/ notional amount RM'000	Net Fair Value RM'000
2005		
Contingent liabilities	154,000	#
2004		
Contingent liabilities	166,400	#

It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- i) On 15 April 2005, an associate, Nucleus Electronics Ltd ("NEL") issued 21.5 million ordinary shares to the vendors of TLG Electronics (a subsidiary of NEL) based on a conversion price of SGD0.16 per ordinary share, as a result of the conversion of the preference shares held by the vendors in Nucleus Capital Ltd, also a subsidiary of NEL.

Following the above, the issued and paid-up share capital of NEL increased from 198,330,000 ordinary shares to 219,830,000 ordinary shares of SGD0.05 each. As a result, the Company's effective equity interest in NEL was diluted from 34% to 31% and consequently, the Group recorded a loss on dilution of RM2,483,000.

- ii) On 20 October 2005, AICD lodged a civil suit against Univision Worldwide Co. Ltd (formerly known as Metro Sangsa Co. Ltd) ("the Defendant"), a company incorporated in Korea, at the Seoul District Court in Korea to recover debts owing by the Defendant to a subsidiary amounting to USD1.1 million (equivalent to approximately RM4.0 million) arising from goods supplied by the subsidiary. The parties are in the midst of exchanging affidavits and there is no date fixed for hearing as yet. The solicitors are of the opinion that the subsidiary stands a good chance of winning the case. The Group has however, taken the prudent stand to make full allowance for the whole amount owed by the Defendant.

Notes to the financial statements

32. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- i) On 3 January 2006, the Company acquired the remaining 39% equity interest representing 784,000 ordinary shares in AIC Properties Sdn Bhd ("AICP"), a subsidiary, from the other shareholders of AICP, for a total cash consideration of RM285,000. Consequently, AICP has become a wholly-owned subsidiary of AIC.
- ii) The Company had on 7 March 2006 transferred its building and factory premises at the carrying value of RM6,177,000 to Inmode Venture Sdn Bhd ("Inmode"), a subsidiary, as part of an internal rationalisation exercise meant to streamline the assets of the Group.
- iii) Brimal Holdings Sdn Bhd, a subsidiary, and Inmode had on 8 March 2006, entered into separate conditional sale and purchase agreements with Amanah Raya Berhad ("ARB") to sell their land and buildings ("Properties") for a total cash consideration of RM19 million ("Proposed Sale").

In conjunction with the Proposed Sale, the Company shall also be executing a conditional lease agreement with ARB to leaseback the Properties from ARB which will be effective only upon completion of the Proposed Sale.

33. RESTATEMENT OF PRIOR YEAR BALANCES

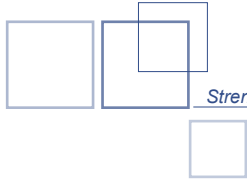
During the financial year, the Group and the Company early adopted FRS 3, Business Combinations, which becomes effective for the financial year beginning on or after 1 January 2006. In accordance with the transitional provisions of FRS 3, the negative goodwill was derecognised with a corresponding adjustment to the opening balance of the retained earnings at 1 January 2005.

The financial statements of the Group for the year ended 31 December 2004 have been restated for the derecognition of the negative goodwill. The effect of the change in accounting policy had been reflected in the statement of changes in equity.

34. COMPARATIVE FIGURES

The following comparative figures have been restated to reflect the change in accounting policy as explained in Note 33.

	Group	
	As restated RM'000	As previously stated RM'000
Statement of changes in equity		
Retained profits at 1 January 2004	59,207	54,466
Retained profits at 31 December 2004	40,679	35,938



Other Information Required By the Listing Requirements of Bursa Malaysia

Share buyback

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

Options or Warrants

The details of the exercise of the options or warrants are disclosed in the Financial Statements, on pages 49 to 50 of the Annual Report.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) programme

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

Imposition of sanctions and penalties

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

Non-audit fees

There were no non-audit fees paid to the external auditors by the Group and by the Company for the financial year.

Profit estimates, forecasts and projections

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

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

Profit guarantees

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

Revaluation policy

The revaluation policy on landed properties is as disclosed in the Financial Statements, on page 63 of the Annual Report.

Other Information Required By the Listing Requirements of Bursa Malaysia

Nature of recurrent related party transactions contemplated

On 27 May 2005, AIC Corporation Berhad ("AIC") obtained the approvals from the shareholders for a mandate for AIC and/or its subsidiaries to enter into recurrent transactions in their ordinary course of business with certain related parties in order to comply with paragraph 10.09 of the Bursa Malaysia Securities Berhad's Listing Requirements.

The relationship of the related parties with AIC Group and details of the recurrent related party transactions pursuant to the aforesaid shareholders mandate are as follows:-

Related Party	Relationship with AIC Group
AIC Properties Sdn. Bhd. ("AICP")	A 61% owned subsidiary of AIC and of which Golden Prism Sdn. Bhd. ("GPSB") and Nadi Mal Sdn. Bhd. ("NMSB") have an indirect interest via Asteria Development Sdn. Bhd. (62.9%-owned subsidiary of ACSB) which holds 11.92% in AICP. GPSB and NMSB are deemed major shareholders of AIC through Asteria Consolidated Sdn. Bhd. ("Asteria Consolidated"). The details of shareholdings of Asteria Consolidated, GPSB, NMSB and persons connected, in AIC are set out on page 114 of this Annual Report.
Asteria Corporation Sdn. Bhd. ("ACSB")	50% equity owned by GPSB and 50% equity owned by NMSB.
Asteria Industries Sdn. Bhd. ("AISB")	44.3% equity owned by GPSB and 44.3% equity owned by NMSB. An AIC Director, Prof Madya Dato' Hj Mohd Mokhtar bin Hj Shafii holds 3.05% equity interest in AISB.
Asteria Manufacturing Sdn. Bhd. ("AMSB")	Wholly-owned subsidiary of AISB.
AV Ventures Corporation Berhad ("AVCB")	4.18% equity owned by Asteria Consolidated and thus Datuk Hj Sarip bin Hamid, who is also the Chairman of AVCB, is deemed to be a shareholder of AVCB by virtue of 4.18% indirect interest via Asteria Consolidated. Mohamad Ariff bin Puteh has a 4.19% indirect interest via Asteria Consolidated and his spouse, Maznah bte Mohamad.
Aventur Door Systems Sdn. Bhd. ("AVD")	70% equity interest owned by AVCB.
Automako Sdn. Bhd. ("Automako")	70% equity interest owned by AVCB.
Jotech Holdings Berhad ("JHB")	31.6% interest owned by AIC and Datuk Hj Sarip bin Hamid and Haji Mohd Ali bin Bawal (an ex-Director and shareholder of AIC) have direct interest in JHB (1.55% and 0.02% respectively).
Prodelcon Sdn. Bhd. ("Prodelcon")	Wholly-owned subsidiary of JHB.
JP Metal Sdn. Bhd. ("JPM")	Wholly-owned subsidiary of Jotech Metal Fabrication Industries Sdn. Bhd. which in turn is a wholly-owned subsidiary of JHB.
Khazanah Nasional Berhad ("Khazanah")	Holds 25% interest in AIC Technology Sdn. Bhd. ("AICT") and AIC Microelectronics Sdn. Bhd. ("AICM").
Atmel Corporation ("Atmel")	Holds 6.14% equity interest in AIC Semiconductor Sdn. Bhd. ("AICS") and 19.9% of the convertible redeemable preference shares in AICS.
Brimal Stampress Engineering Sdn. Bhd. ("BSE")	Deemed interest by Haji Mohd Ali bin Bawal as the shareholders of BSE are accustomed to act in accordance to his instructions, directions and wishes as he had procured an advancement of monies for the shareholders to acquire their BSE shares.

Other Information Required By the Listing Requirements of Bursa Malaysia

Details of the recurrent related party transactions of a revenue or trading nature and in the normal course of business of the Group, pursuant to the aforesaid shareholders' mandate, for the year ended 31 December 2005 are as follows:-

	Transaction	Vendor/Provider	Purchaser/Recipient	Aggregated value from 1 January 2005 to 31 December 2005 (RM'000)
A	Assembly and testing of integrated circuit chips	AICS	Atmel	45,934
B	Sales of plastic injection moulds and products and automotive accessories	Custom Tooling (Malaysia) Sdn. Bhd.	Automako AVD	173 227
C	Purchase of stamped metal components	BSE	Brimal Holdings Sdn. Bhd. ("BHSB")	91
		JPM	AIC Display Sdn. Bhd. ("AICD")	1,051
			Autovisor Plastics Sdn. Bhd.	136
			BHSB	43
D	Purchase of semiconductor moulds and automation systems	Prodelcon	AICS	591
E	Purchase of components	AMSB	BHSB	3
F	Purchase of printed circuit boards and display components	AMSB	AICD	3,765
G	Payment of fees for the management services rendered by En. Zairin bin Wok Nordin, a representative in the board of directors of AICT, AICS and AICM	Khazanah	AICS AICT AICM	16 14 1
H	Provision of networking facilities and sharing of software maintenance costs	AIC	ACSB AISB	3 26
I	Provision of group management services and corporate office support services	AIC	AICP	10
J	Rental of office space and/or property located at Wisma AIC, Lot 3, Persiaran Kemajuan, Sek. 16, 40200 Shah Alam, Selangor Darul Ehsan (including electricity and water charges, if any)	AIC	ACSB AISB	23 481
K	Payment of royalty fees for design and development activities of flat panel display products	AICM	AICD	375

Statistics of Shareholdings

as at 2 May 2006

Authorised share capital	:	RM500,000,000
Issued and fully paid-up share capital	:	RM104,920,517*
Class of shares	:	Ordinary shares of RM1.00 each
Voting right	:	One vote per ordinary share

* Includes treasury shares of 1,000,000 ordinary shares of RM 1.00 each

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 2 MAY 2006

Size of shareholdings	No. of shareholders	%	No. of shares	%
Less than 100	71	3.13	2,432	0.00
100 - 1,000	150	6.60	123,012	0.12
1,001 - 10,000	1,630	71.77	6,601,298	6.35
10,001 - 100,000	359	15.81	10,447,975	10.05
100,001 to less than 5% of issued shares	57	2.51	51,768,750	49.82
5% and above of issued shares	4	0.18	34,977,050	33.66
TOTAL	2,271	100.00	103,920,517	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 2 MAY 2006

No.	Name	No. of ordinary shares of RM1.00 each	Percentage of issued capital (%)
1	Employees Provident Fund Board	11,680,000	11.24
2	Asteria Consolidated Sdn Bhd	8,224,449	7.91
3	Permodalan Nasional Berhad	7,600,101	7.31
4	Goh Tian Chuan	7,472,500	7.19
5	Lembaga Tabung Haji	5,176,200	4.98
6	Jon-Matthew Investment Holdings (L) Inc	4,688,000	4.51
7	UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Asteria Consolidated Sdn Bhd	3,989,000	3.84
8	Amsec Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Al-Meiiraj Bin Mohd Ali	3,424,499	3.30
9	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loke Mei Ping	3,148,700	3.03
10	Al-Kabir Bin Mohd Ali	3,000,000	2.89
11	Tan Heng Hock	2,500,000	2.41
12	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	1,973,650	1.90

Statistics on Shareholdings

as at 2 May 2006

LIST OF TOP 30 SHAREHOLDERS AS AT 2 MAY 2006 (CONT'D)

No.	Name	No. of ordinary shares of RM1.00 each	Percentage of issued capital (%)
13	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	1,831,000	1.76
14	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanullah Bin Mohamed Yusooif	1,786,824	1.72
15	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	1,473,000	1.42
16	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Petroleum Nasional Berhad	1,396,200	1.34
17	Malaysia National Insurance Berhad	1,373,900	1.32
18	Takaful Nasional Sdn Berhad	1,355,600	1.31
19	Kong Kok Keong	941,200	0.91
20	Sarip Bin Hamid	908,480	0.87
21	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Asbi Dana Al-Mubin	849,000	0.82
22	Bumiputra-Commerce Trustee Berhad Amanah Saham Darul Iman	792,000	0.76
23	HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	670,050	0.64
24	Al-Kabir Bin Mohd Ali	640,000	0.62
25	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Petroleum Research Fund	618,000	0.59
26	PRB Nominees (Tempatan) Sdn Bhd Rubber Industry Smallholders Development Authority	552,750	0.53
27	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Equity Trust	542,900	0.52
28	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Petronas Retirement Benefit Scheme	475,500	0.46
29	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London	458,100	0.44
30	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Labuan Reinsurance (L) Ltd	445,000	0.43
TOTAL		79,986,603	76.97

Statistics on Shareholdings

as at 2 May 2006

DIRECTORS' SHAREHOLDINGS AS AT 2 MAY 2006

(As per the Register of Directors' Shareholdings of the Company)

Name	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Datuk Haji Sarip bin Hamid	1,173,980	1.13	12,213,449 (a)	11.75
Mohamad Ariff bin Puteh	-	-	12,259,548 (b)	11.80
Professor Madya Dato' Haji Mohd Mokhtar Bin Haji Shafii	27,000	0.03	-	-
Yeow Ewe Chuan	-	-	-	-
Yap Chi Keong	-	-	-	-

Notes:-

- (a) Deemed interest by virtue of his substantial shareholdings in Asteria Consolidated Sdn. Bhd. through Golden Prism Sdn. Bhd.
 (b) Deemed interest in his spouse, Maznah bte Mohamad's shareholdings in the Company by virtue of her indirect interest via Asteria Consolidated Sdn. Bhd. through Nadi Mal Sdn. Bhd. and Hakikat Seri Sdn. Bhd.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 2 MAY 2006

(As per the Register of Substantial Shareholders of the Company)

Name	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Asteria Consolidated Sdn Bhd	12,213,449	11.75	-	-
Golden Prism Sdn Bhd	-	-	12,213,449 (a)	11.75
Nadi Mal Sdn Bhd	46,099	0.04	12,213,449 (a)	11.75
Hakikat Seri Sdn Bhd	-	-	12,259,548 (b)	11.80
Datuk Haji Sarip Bin Hamid	1,173,980	1.13	12,213,449 (c)	11.75
Maznah bte Mohamad	-	-	12,259,548 (d)	11.80
Mohamad Ariff bin Puteh	-	-	12,259,548 (e)	11.80
Employees Provident Fund Board	11,680,000	11.24	-	-
Permodalan Nasional Berhad	7,600,101	7.31	-	-
Yayasan Pelaburan Bumiputra	-	-	7,600,101 (f)	7.31
Goh Tian Chuan	10,776,500	10.37	-	-

Notes:-

- (a) Deemed interest by virtue of its substantial shareholding in Asteria Consolidated Sdn. Bhd.
 (b) Deemed interest by virtue of its substantial shareholding in Asteria Consolidated Sdn. Bhd. through Nadi Mal Sdn. Bhd.
 (c) Deemed interest by virtue of his substantial shareholding in Asteria Consolidated Sdn. Bhd. through Golden Prism Sdn. Bhd.
 (d) Deemed interest by virtue of her substantial shareholding in Asteria Consolidated Sdn. Bhd. through Nadi Mal Sdn. Bhd. and Hakikat Seri Sdn. Bhd.
 (e) Deemed interested in his spouse, Maznah bte Mohamad's shareholdings in the Company by virtue of her indirect interest via Asteria Consolidated Sdn. Bhd. through Nadi Mal Sdn. Bhd. and Hakikat Seri Sdn. Bhd.
 (f) Indirect interest through its shareholding of 100% interest less one share of Permodalan Nasional Berhad by virtue of Section 6A of the Companies Act, 1965.

Statistics on warrant holdings

as at 2 May 2006

ANALYSIS BY SIZE OF WARRANTHOLDINGS AS AT 2 MAY 2006 - WARRANT B

Size of holdings	No. of warrant holders	%	No. of warrants	%
Less than 100	16	1.85	796	0.00
100 to 1,000	13	1.51	9,150	0.04
1,001 to 10,000	526	60.95	2,282,448	8.82
10,001 to 100,000	280	32.45	8,755,900	33.81
100,001 to less than 5% of issued warrants	26	3.01	7,623,794	29.44
5% and above of issued warrants	2	0.23	7,221,008	27.89
TOTAL	863	100.00	25,893,096	100.00

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 2 MAY 2006 - WARRANT B

No.	Name	No. of warrants held	Percentage (%)
1	Asteria Consolidated Sdn. Bhd.	5,428,872	20.97
2	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Uma Devi A/P N Nadarajah	1,792,136	6.92
3	Vest Passage (M) Sdn. Bhd.	1,194,200	4.61
4	Uma Devi A/P N Nadarajah	998,019	3.85
5	Juay Cheng Piah	881,125	3.40
6	HSBC Nominees (Asing) Sdn. Bhd. HPBS SG for Tenacious Hold Limited	732,000	2.83
7	HLB Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Chang, Tzung-Yaur @ Eddy Chang	586,250	2.26
8	Ng Eng Howe	292,900	1.13
9	Optimum Avenue Sdn. Bhd.	228,900	0.88
10	Wan Ab Aziz Bin W Abdullah	215,000	0.83
11	Ang Kian Tiam	210,200	0.81
12	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB for Skrine & Co. Provident Fund	180,000	0.70
13	Chew Hen Fong	165,000	0.64
14	Soo Tat	159,900	0.62
15	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Susan Liew Shau Nyee	150,000	0.58
16	Khor Eng Khye	142,500	0.55

Statistics on warrant holdings

as at 2 May 2006

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 2 MAY 2006 - WARRANT B (CONT'D)

No.	Name	No. of warrants held	Percentage (%)
17	Soo Tat	140,000	0.54
18	Han Jian	140,000	0.54
19	ABB Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Sing Heng	137,800	0.53
20	Mohd Fazli Bin Junid	132,000	0.51
21	Teh Heng Gnoi @ Teh Heng Gnai	126,500	0.49
22	Lim Choo Keat	123,500	0.48
23	HLG Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account for Koo Jon Mean @ Koh Jon Mean	120,500	0.46
24	Ong Tjin Siong	120,000	0.46
25	Sabartah binti Zakaria	120,000	0.46
26	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zulkefli bin Tarip	119,000	0.46
27	HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Neng Siang Min	108,000	0.42
28	Ang Kian Tiam	100,500	0.39
29	Yong Kah Chin	100,000	0.39
30	Maliki bin AB Majid	100,000	0.39
TOTAL		15,044,802	58.10

Properties of the Group

as at 31 December 2005

Location/Address	Description And Existing Use	Approximate Age of Building (Years)	Land Area (Sq. Ft.)	Built Up Area (Sq. Ft.)	Tenure of Land	Net Book Value as at 31/12/05	Date of Revaluation / Purchase
Plot 26 & 27, Zone Perindustrian Phase 1 Kulim Hi-tech Industrial Park 09000 Kedah	Office and factory building: Assembly and test of integrated circuit chips	Plant 1 : 8.5 Plant 2 : 4.5	513,140	95,000 89,000	60 years leasehold land expiring in year 2056	39,094,770	June 2001
Lot 1, Persiaran Kemajuan, Seksyen 16 40200 Shah Alam Selangor	Office and factory building: Design and manufacture of display products and automotive parts	13	116,344	54,460	99 years leasehold land expiring in year 2094	9,600,000	October 2003
Lot 3, Persiaran Kemajuan, Seksyen 16 40200 Shah Alam Selangor	Office and factory building: Design, manufacture and distribution of electronics products and assembly of automotive accessories	9.5	90,524	75,260	99 years leasehold land expiring in year 2094	9,400,000	July 2001
41, Kaki Bukit Place Singapore 416219	5 storey building: Distribution of electronics components	7	4,775	13,110	60 years leasehold land expiring in year 2055	5,674,871	December 2004
Plot 78, Bayan Lepas Industrial Park IV Mukim 12, South West District, Pulau Pinang	Office and factory building: Manufacture of semiconductor tooling products and automation systems for semiconductor industries	10	66,000	51,000	60 years leasehold land expiring in year 2056	6,777,417	June 1996
No.20 & 22 Jalan Mashur 1 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor	Office and factory building: Manufacture and fabrication of tools and dies and precision stamping parts for electronics and electrical industries	8.5	78,400	63,000	Freehold	7,211,628	November 1997
Kawasan Industri KIIC C-7C Jl. Tol Jakarta - Cikampek KM 47 Teluk Jambe Karawang 41361 Indonesia	Office and factory building: Manufacture and fabrication of tools and dies and precision stamping parts for electronics and automotive industries	9	46,467	68,245	30 years leasehold land expiring in year 2027	3,001,501	April 1997

Properties of the Group (continued)

as at 31 December 2005

Location/Address	Description And Existing Use	Approximate Age of Building (Years)	Land Area (Sq. Ft.)	Built Up Area (Sq. Ft.)	Tenure of Land	Net Book Value as at 31/12/05	Date of Revaluation / Purchase
Lot 7, Lintang Bayan Lepas 2 Phase IV, Kawasan Perindustrian Bayan Lepas 11900 Pulau Pinang	Office and factory building: Manufacture of high precision machining parts	6	16,458	5,856	60 years leasehold land expiring in year 2058	1,074,842	March 2003
Lot 9, Lintang Bayan Lepas 2 Phase IV, Kawasan Perindustrian Bayan Lepas 11900 Pulau Pinang	Office and factory building: Manufacture of high precision machining parts	6	16,254	5,856	60 years leasehold land expiring in year 2058	1,113,743	February 2005
Lot 6, Jalan 6/4 Kawasan Perindustrian Seri Kembangan 43300 Seri Kembangan Daerah Petaling Selangor Darul Ehsan	Office and factory building: Manufacture of precision stamping parts for electronic and automotive industries	16	48,320	23,014	99 years leasehold land expiring in year 2089	3,673,354	September 2003
Kong Yue Industrial Park Jing Gu Zhou Zone XinHui District JiangMen City Guang Dong Province People's Republic of China	Office and factory building: Manufacture and fabrication of tools and dies and precision stamping parts for electronics and electrical industries	3	355,220	79,925	50 years leasehold land expiring in year 2052	1,930,538	September 2003
Room 1607-1608 Excellence Building No.98 Fuhua 1 Road Futian Central Zone Shenzhen	Office: Distribution of electronics components	7	N/A	4,368	50 years leasehold land expiring in year 2051	2,578,034	June 2005

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN

that the Sixteenth Annual General Meeting of **AIC CORPORATION BERHAD** ("the Company") will be held at Anteroom 1st Floor, Glenmarie Golf & Country Club, Jalan Kerjaya, Off Jalan Lapangan Terbang Sultan Abdul Aziz Shah, 40250 Shah Alam on Tuesday, 13 June 2006 at 10:00 a.m., for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
Ordinary Resolution 1
2. To approve the payment of Directors' fees of RM91,500.00 for the year ended 31 December 2005.
Ordinary Resolution 2
3. To re-elect Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii who is retiring in accordance with Article 101 of the Company's Articles of Association.
Ordinary Resolution 3
4. To re-elect the following Directors who are retiring in accordance with Article 106 of the Company's Articles of Association:-
 - 4.1 Mr. Yeow Ewe Chuan **Ordinary Resolution 4**
 - 4.2 Mr. Yap Chi Keong **Ordinary Resolution 5**
5. To re-appoint Messrs. KPMG as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
Ordinary Resolution 6

6. AS SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution:

- **Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965**

"**THAT**, subject always to the approvals of the relevant authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company at the time of issue and the Directors are hereby further empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
Ordinary Resolution 7

7. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Articles of Association and the Companies Act, 1965.

BY ORDER OF THE BOARD

CHEN HENG MUN (MIA 10264)
NG YIM KONG (LS 0008343)
Company Secretaries

Shah Alam
18 May 2006

Notes:-

1. A member of the Company entitled to present and to vote at the Sixteenth Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory Notes on Special Business of the Agenda

Item 6

The Ordinary Resolution proposed under item 6 is in line with the Company's expansion plan which may involve the issue of new shares. Under Section 132D of the Companies Act, 1965, the Directors would have to call for a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the issued share capital of the Company for the time being. In order to avoid any delay and costs involved in convening a general meeting, it is thus considered appropriate to seek the shareholders' approval for Directors of the Company to issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice Of Sixteenth Annual General Meeting

Pursuant to paragraph 8.28 (2) of the Bursa Malaysia Securities Berhad's Listing Requirements appended hereunder are:-

1. Place, date and time of the Sixteenth Annual General Meeting

Date of Meeting	Time of Meeting	Place of Meeting
13 June 2006	10.00 a.m.	Anteroom 1st Floor, Glenmarie Golf & Country Club, Jalan Kerjaya, Off Jalan Lapangan Terbang Sultan Abdul Aziz Shah, 40250 Shah Alam

2. A total of eight Board of Directors' Meeting were held during the financial year ended 31 December, 2005. The place, date and time of the Board of Directors' Meetings are as follows:-

Date	Time	Venue
22 February 2005	10.15 a.m.	Shah Alam
12 April 2005	2.30 p.m.	Shah Alam
3 May 2005	10.10 a.m.	Shah Alam
27 May 2005	9.30 a.m.	Shah Alam
19 August 2005	9.00 a.m.	Shah Alam
25 August 2005	3.00 p.m.	Shah Alam
7 October 2005	2.30 p.m.	Shah Alam
29 November 2005	3.00 p.m.	Shah Alam

3. Details of Directors' attendance at Board Meetings are as follows:-

Name of Directors	Attendance	%
Y. Bhg. Datuk Haji Sarip bin Hamid	8/8	100
Mohamad Ariff bin Puteh	8/8	100
Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafi	7/8	87.5
Mamat @ Mohamed bin Hussain (Resigned on 17 April 2006)	7/8	87.5
Md Yusof bin Hussin (Resigned on 30 April 2006)	8/8	100
Mohd Ali bin Bawal (Resigned on 1 June 2005)	4/4	100
Yeow Ewe Chuan (Appointed on 20 April 2006)	N/A	N/A
Yap Chi Keong (Appointed on 1 May 2006)	N/A	N/A

■ ■ ■ STATEMENT ACCOMPANYING
NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

4. Details of the Directors standing for re-election as in Ordinary Resolutions 3, 4 and 5 of the Notice of the Sixteenth Annual General Meeting of the Company are as follows:-

(a) Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii, 63, Malaysian

Professor Madya Dato' Haji Mohd Mokhtar bin Haji Shafii, an Independent and Non-Executive director, was appointed to the Board on 8 March 1994. He resigned as the Chairman of the Audit Committee but remained as a member in the Audit Committee on 1 August 2001. On the same date, he was appointed as the Chairman of the Nomination Committee and member of the Remuneration Committee. He is currently lecturing in the Institute of the Studies of Islamic Sciences. He was the Dean and Associate Professor in the Department of Islamic Revealed Knowledge & Human Sciences at the International Islamic University from 1984 to 1997. Prior to joining the International Islamic University, he was a lecturer at the University of Malaya from 1972 to 1983. He obtained his Master of Arts (Islamic Studies) degree in 1976 from the University of Malaya. He is also a member of various organisations such as Majlis Agama Islam Pahang, Majlis Penasihat Urusan Haji, Jabatan Kuasa Syariah (Fatwa) Negeri Pahang, Selangor, Wilayah Persekutuan and at national level. He is also a writer of various books on the history and teaching of Islam.

(b) Mr. Yeow Ewe Chuan, 53, Malaysian

Yeow Ewe Chuan was appointed to the Board as an Executive Director on 20 April 2006. He is also a member of the Audit Committee of the Company. He has over 20 years of auto parts distribution experience and he is currently the President of Repco (Malaysia) Sdn. Bhd.. He was appointed by Repco Holdings Berhad in late 1995 and was concurrently made the Managing Director of EMC Logistics Berhad (now known as Sanbumi Holdings Berhad) between 1996 and 1997. He was the Chief Executive Officer of Restonic Group of Companies, a subsidiary of Pacific Dunlop Ltd of Australia, between 1994 and 1995.

Before joining Restonic Group, he was the Managing Director of Siber Hegner Sdn. Bhd. from 1988 to 1993.

(b) Mr. Yap Chi Keong, 54, Malaysian

Yap Chi Keong was appointed to the Board as an Independent and Non Executive Director on 1 May 2006. On the same day, he was appointed as the Chairman of the Audit Committee and Remuneration Committee of the Company.

He started his career as a management accountant with The News Group, United Kingdom. He later held several senior accounting positions in several public listed companies in Malaysia. He is currently in the private practice as a management consultant specialising in corporate restructuring of financially troubled companies. He has several years of experience in the construction and property development. He was involved in several rehabilitation schemes under the Bank Negara Malaysia's housing rehabilitation schemes in the 1980s and more recently, under the Ministry of Local Housing and Environment. He is a Chartered Accountant of the Malaysian Institute of Accountants and an Associate of the Chartered Institute of Management Accountants.

His directorships in other public listed companies include being an Executive Director of Tap Resources Berhad, and an Independent Non Executive Director of Wonderful Wire & Cable Berhad. He also sits on the board of Advance Natural Resources Berhad, a public company and several private limited companies.



AIC CORPORATION BERHAD
(194514-M)

Sixteenth Annual General Meeting
FORM OF PROXY

I/We _____
of _____
being a member/members of **AIC CORPORATION BERHAD** hereby appoint*the Chairman of the meeting
or _____ of _____
or failing whom _____ of _____

as my/our Proxy(ies) to vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at Anteroom 1st Floor, Glenmarie Golf & Country Club, Jalan Kerjaya, Off Jalan Lapangan Terbang Sultan Abdul Aziz Shah, 40250 Shah Alam on Tuesday, 13 June 2006 at 10.00 a.m. and at any adjournment thereof for or against the resolution(s) to be proposed thereat.

*My/*Our Proxy(ies) is/are to vote on the Ordinary Resolutions as indicated below:-

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive the Audited Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. Ordinary Resolution 1		
2.	To approve the payment of Directors' fees of RM91,500.00 for the year ended 31 December 2005. Ordinary Resolution 2		
3.	To re-elect Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii who is retiring in accordance with Article 101 of the Company's Articles of Association. Ordinary Resolution 3		
4.	To re-elect the following Directors who are retiring in accordance with Article 106 of the Company's Articles of Association:- 4.1 Mr. Yeow Ewe Chuan 4.2 Mr. Yap Chi Keong Ordinary Resolution 4 Ordinary Resolution 5		
5.	To re-appoint Messrs. KPMG as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Ordinary Resolution 6		
	SPECIAL BUSINESS		
6.	Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965. Ordinary Resolution 7		

[Please indicate with (X) in the spaces provided how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his/her discretion]

Dated thisday of.....2006

Number of Ordinary shares held :

.....
[Signature/Common Seal of Shareholder(s)]

* Delete if not applicable

Notes:-

1. A member of the Company entitled to present and to vote at the Sixteenth Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory Notes on Special Business of the Agenda

Item 6

The Ordinary Resolution proposed under item 6 is in line with the Company's expansion plan which may involve the issue of new shares. Under Section 132D of the Companies Act, 1965, the Directors would have to call for a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the issued share capital of the Company for the time being. In order to avoid any delay and costs involved in convening a general meeting, it is thus considered appropriate to seek the shareholders' approval for Directors of the Company to issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

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The Company Secretary
AIC Corporation Berhad
(Company No. 194514-M)
Unit 07-02, Level 7
Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

stamp

Fold Here