

ANNUAL REPORT 2008

Expanding our boundaries
towards a brighter future



AIC CORPORATION BERHAD
(194514-M)

OUR VISION

Leading Malaysia in technology

OUR MISSION

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Ng Kok Hok *(Chairman)*
Yahya Bin Razali
Yap Fook Chin

NOMINATION COMMITTEE

Yahya Bin Razali *(Chairman)*
Ng Kok Hok

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

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

AUDITORS

KPMG

SOLICITORS

Lee Choon Wan & Co.

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL BANKERS

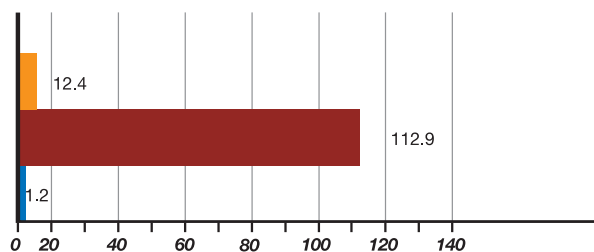
Bank Islam Malaysia Berhad
Citibank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Malaysian Industrial Development
Finance Berhad
United Overseas Bank (Malaysia)
Berhad

5 YEARS FINANCIAL REVIEW AND FINANCIAL SUMMARY BY DIVISION

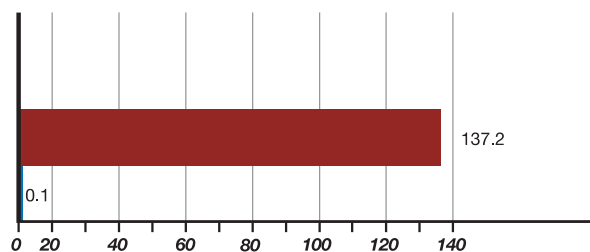
FINANCIAL YEARS ENDED 31 DECEMBER AUDITED (RM'000)

	2004 Restated	2005 Restated	2006 Restated	2007 Restated	2008
Turnover	182,877	190,483	159,259	137,319	126,472
Profit/(Loss) before taxation	(16,767)	(44,729)	(66,985)	3,120	649
Loss after taxation	(17,048)	(45,505)	(68,767)	(3,083)	(7,360)
Net loss attributable to ordinary shareholders	(17,972)	(41,565)	(60,752)	(4,231)	(7,541)
Net loss per share (sen) - basic	(17.30)	(40.00)	(58.43)	(4.03)	(5.00)
Property, plant and equipment	154,558	145,810	104,556	96,441	105,247
Total assets	376,277	358,198	235,352	190,870	192,388
Shareholders' funds	170,732	128,170	66,401	74,801	108,333
Net tangible assets	161,827	120,155	59,270	69,713	104,007
Total debt	134,867	140,454	96,887	62,733	45,367
Total debt/Shareholders' funds	0.79	1.10	1.46	0.84	0.42
Pre-tax result/Turnover (%)	(9.17)	(23.48)	(42.06)	2.27	0.51
Pre-tax result/Equity (%)	(15.98)	(42.63)	(63.84)	2.65	0.37
Pre-tax result/Total assets (%)	(4.46)	(12.49)	(28.46)	1.63	0.34
Pre-tax result/Shareholders' funds (%)	(9.82)	(34.90)	(100.88)	4.17	0.60
Current ratio (times)	1.52	0.82	0.91	0.94	2.08

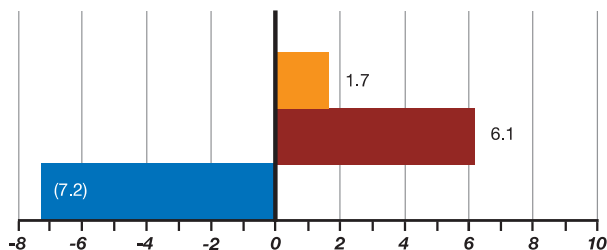
TURNOVER 2008 (RM Million)



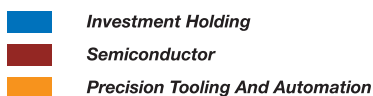
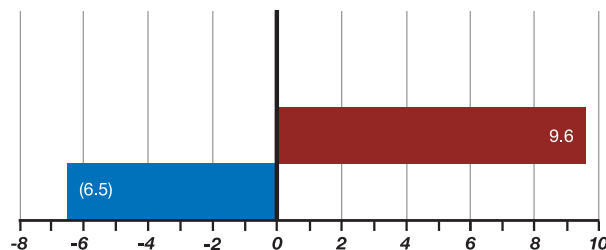
TURNOVER 2007 (RM Million)



PRE-TAX PROFIT/(LOSS) 2008 (RM Million)



PRE-TAX PROFIT/(LOSS) 2007 (RM Million)



GROUP STRUCTURE AS AT 15 APRIL 2009

AIC CORPORATION BERHAD		
SEMICONDUCTOR	○ AIC TECHNOLOGY SDN BHD	100%
	○ AIC SEMICONDUCTOR SDN BHD	74.77%
		19.09%
PRECISION TOOLING AND AUTOMATION	○ PRODELCON SDN BHD	100%
OTHERS	○ AIC PROPERTIES SDN BHD	100%
	○ INMODE VENTURE SDN BHD	100%
	○ AIC-TOPTEK COMMUNICATIONS SDN BHD	100%
	○ CUSTOM TOOLING ENGINEERING (MALAYSIA) SDN BHD	100%
	○ CUSTOM TOOLING (MALAYSIA) SDN BHD	100%
	○ INTEGRAL CAD TECHNOLOGIES SDN BHD	100%
	○ CADXCEL SDN BHD	100%
	○ ALPHA MEDIATECH SDN BHD	100%
	○ AIC INSPIRASI SDN BHD	100%
	○ CUSTOM TOOLING HOLDINGS SDN BHD	100%

DIRECTORS' PROFILE

DATUK MAJ (H) GOH TIAN CHUAN

Executive Chairman
Malaysian, aged 47

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

He was a Senior Police Officer attached to the Police Head Quarters, Kepayan, Kota Kinabalu, Sabah for 13 years. He started his own business after leaving the police force in the year 1994. He joined Everise Ventures Sdn Bhd and a number of other subsidiaries of Repco Holdings Berhad in October 1995. In September 2000, he was appointed as a Non-Executive and Non-Independent Director of Repco Holdings Berhad and resigned on 27 August 2004. On 8 November 2004, he was appointed as a Non-Independent and Non-Executive Director of Cepatawasan Group Berhad. He was redesignated as Chief Executive Officer on 8 April 2005 and as Chairman of Cepatawasan Group Berhad from 25 July 2005 to 31 October 2005. He was also an executive director of Nucleus Electronics Ltd ("Nucleus"), which is listed on the Main Board of the Stock Exchange of Singapore from 1 June 2006 to 6 March 2007.

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

Ooi Boon Pin

Executive Director/Group Chief Executive Officer
Malaysian, Aged 51

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

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

CHEN HENG MUN

Executive Director/Chief Financial Officer
Malaysian, aged 39

Chen Heng Mun was appointed to the Board on 1 August 2007 as an Executive Director. He is also the Chief Financial Officer of AIC. Prior to joining AIC as the Group Accountant in February 1996, he worked for five years in KPMG, an international public accounting firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia. He is also a Non-Independent and Non-Executive Director of NCB and AV Ventures Corporation Berhad, both listed on the Second Board of Bursa Malaysia in 2008. He was a Director of Jotech and Nucleus from 3 January 2007 to 2 July 2007 and 17 January 2005 to 1 June 2006 respectively.

YAHYA BIN RAZALI

Independent Non-Executive Director
Malaysian, aged 53

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

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

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

DIRECTORS' PROFILE (Cont'd)

NG KOK HOK

Independent Non-Executive Director
Malaysian, aged 48

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

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

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

YAP FOOK CHIN

Independent Non-Executive Director
Malaysian, aged 42

Yap Fook Chin was appointed to the Board on 1 October 2007 as an Independent Non-Executive Director and was appointed to the Audit Committee of the Company on 29 November 2007.

He graduated with a Bachelor of Engineering in Civil Engineering in 1990 from RMIT University, Australia. He also holds a Post Graduate Diploma in Computer Science from Melbourne University, Australia.

He is currently a director of Everise Ventures Sdn Bhd and acts as the treasurer of the Sandakan Turf Club. He is also currently holding several directorships in a few plantation companies.

LIEW CHENG YORK

Non-Independent Non-Executive Director
Malaysian, Aged 46

Liew Cheng York was appointed to the Board on 20 August 2008 as a Non-Independent Non-Executive Director of AIC.

She started her career in Compact Metal (S) Pte Ltd, a manufacturer of window and door frames for buildings. In 1988, she joined Abis Electronic (S) Pte Ltd, a company principally involved in metal stamping as an Administration Manager and later left to set up Jotech Metal Fabrication Industries Sdn Bhd ("JoMetal") in 1989. She has been the Executive Director of JoMetal since its incorporation. She was a Non-Independent Non-Executive Director of Jotech since 7 August 1995 and was redesignated as an Executive Director on 1 February 2008.

ADDITIONAL INFORMATION

Conflict of Interest/Family relationships with any Director and/or major Shareholder

None

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

None

Particulars of material contracts of the Group, involving directors and major shareholders' interest

Save as disclosed under Material Contracts on page 86, there are no material contracts of the Group involving Directors and Major Shareholders' interest.

MESSAGE FROM THE EXECUTIVE CHAIRMAN

OVERVIEW

2008 marked the completion of the Group's restructuring plans which were initiated back in 2006. We had in 2008 completed our rights issue with free warrants, disposed off our non-core businesses, the Display and Electronics Divisions and expanded our core Semiconductor business with the acquisition of Prodelcon Sdn Bhd which represents our Precision Tooling and Automation Division currently.

However, 2008 also witnessed a year of unprecedented global economic turmoil and financial crisis. Around the world, stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems. Many have lost their jobs due to reducing sales and desperate cost cutting measures. Amidst this turmoil, the electrical and electronics industry, which includes the semiconductor sector is not spared and have been hardest hit and will continue to be severely affected moving forward.

FINANCIAL AND OPERATIONS REVIEW

In 2008, the Group's net loss widened to RM7.5 million from a net loss of RM4.2 million in 2007, out of which 96% or RM7.3 million (2007: RM4.1 million) of the Group's net loss in 2008 were mainly operating losses suffered by the non-core businesses, the Display and Electronics Divisions, which we have by August 2008 disposed of, in line with our Group restructuring plans.

As a result of the worldwide economic meltdown, the Group's revenue from continuing operations for 2008 fell by RM10.8 million or 8% as compared to 2007. The drop in revenue was due to lower contribution from our Semiconductor Division but was partly offset by the revenue contributed by the newly acquired subsidiary.

In addition to the slump in revenue which was on account of the economic upheaval and turmoil that resulted in an overall weak demand, the Group incurred a non-cash impairment loss on a quoted investment of RM7.4 million in 2008 due mainly to the depressed equity market conditions.

On a more positive note, despite the unfavourable economic conditions and after excluding the diminution/redemption losses on investment in 2008 and 2007, the Group's profits from continuing operations increased from RM2.8 million in 2007 to RM6.0 million in 2008.

The Group's balance sheet and liquidity position in 2008 improved too as shown by the positive turnaround of RM40.5 million from a net current liabilities position of RM5 million in 2007 to a net current assets position of RM35.5 million in 2008. Also, the gearing of the Group declined from 0.84 times for the preceding year to 0.42 times in 2008. It's also worth noting that the Group's cash position had increased from RM10.2 million in the prior year to RM17.3 million in 2008.

SEMICONDUCTOR DIVISION REVIEW

As reported by the Semiconductor Industry Association ("SIA") in February 2009, total global sales for 2008 were USD248.6 billion compared to USD255.6 billion in 2007, a decrease of 2.8%. SIA also projected in November 2008 that 2009 sales will decline by 5.6%.

Apart from the already detrimental global economic crisis during the year, our Semiconductor Division saw the prices of oil and gold yet again rising to record highs of USD148 per-barrel and the London Gold Price of USD1,011 per-troy ounce that sent negative impacts throughout the global industries. As for the semiconductor industry, these events created a multiplier cost impact that resulted in margins coming under tremendous pressure. By the third quarter of 2008, it was evident that the United States of America ("USA"), the world's largest economy and chip consumer producer was already in recession.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (Cont'd)

FINANCIAL AND OPERATIONS REVIEW (Cont'd)

SEMICONDUCTOR DIVISION REVIEW (Cont'd)

Consequently, our Semiconductor Division registered an 18% contraction in its yearly revenue, slipping down to RM113.0 million from RM137.2 million in the previous year. Nevertheless, our Semiconductor Division still managed to register a profit before tax of RM6.1 million (2007: RM9.6 million) through the successful implementation of copper wire bonding, rapid migration to higher margin packages and efficient cost management.

We embarked on the development of copper wire bonding back in 2007 on recognising the continuous strength of gold prices. During the year, our Semiconductor Division successfully implemented copper wire bonding into its major packages. In her maiden year of copper wire production, our Semiconductor Division managed to roll-out more than 100 million units of copper wire products to our customers. With the copper wire bonding technology in-place our Semiconductor Division not only achieved in bringing down substantially its material costs but also managed to attract and qualify new customers during the year with this added capability.

Despite overall volume declining by 12%, we continue to register growth in our higher margin packages of Quad Flat Non Leaded ("QFN") and smartcard modules with a yearly growth in volume shipped of 36% and 18% respectively, with both accounting for a total of 46% of our revenue (2007: 33%). The rapid expansion of our QFN line proved our strong technological capabilities and competitiveness of the package. The development of Radio Frequency Identification ("RFID") modules and chip-on-board packages also opened up new markets and customers.

With the relentless downward pressure on our margins through the effects of the global recession and ever high gold and oil prices, our Semiconductor Division persistently pushes for efficient cost management, right sizing of our organisation and focusing more on development and value added activities to align towards a lean cost model position. In addition, our Semiconductor Division is increasing its efforts of keeping up-to date with and reacting promptly to customers' request and orders, as well as planning and mobilising its workforce to reduce turnaround time in its production and services, whilst still maintaining a cost-conscious stance. This will augur well for its revenue especially at times when competitors are downsizing its operations in view of the economic recession. With this, we strongly believe our Semiconductor Division is in a better position today than before to weather through this crisis.

PRECISION TOOLING AND AUTOMATION DIVISION REVIEW

With the acquisition completed towards the end of the third quarter of 2008, the Precision Tooling and Automation Division contributed RM12.4 million in revenue and RM1.5 million in net profits towards the Group's results during the period even when the economic crisis had begun to deepen.

The principal activities of the Precision Tooling and Automation Division are the design and manufacturing of high precision tooling, semiconductor moulds and turnkey automation systems.

This division also fabricates and assembles precision mechanical products for radio frequency, micro wave, photonics and medical industries. The Precision Tooling and Automation Division is benefiting from the increasing outsourcing trend by manufacturers in the USA and Europe to the Asia Pacific region.

However, due to the worldwide economic recession which intensified towards the fourth quarter of 2008, the Precision Tooling and Automation Division was not spared from this crisis and registered a drastic decline in revenue and profits for that same fourth quarter of 2008. During that quarter, orders reduced as customers depleted inventories and were faced with low order books.

With the onset of the economic meltdown and declining revenues, the Precision Tooling and Automation Division has swiftly put in place cost cutting measures, constantly seeking ways to diversify its products into other industries especially industries which are recession resilient, such as the medical industry, in order to reduce any over reliance on the electronics/semiconductor industry and also promote in-sourcing for further cost reduction.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (Cont'd)

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

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

PROSPECTS

The year 2009 is shaping up to be an even tougher year than 2008. As it is now, the international economy is plagued by protracted consumer and corporate spending, sluggishness in overall sales and excess inventory piles up. These negative factors are however, mitigated to a certain extent, by the various stimulus packages announced by governments around the world to boost consumer and corporate spending.

Internally, we have already implemented and will continue to heighten our cost control measures to bring down overheads and improve on efficiency and productivity. Furthermore, we will continue to amplify our research and development activities to improve our products which will in turn lower our cost and improve the quality of our products. This will assist to improve margin that is greatly needed to counter-act the declining revenue caused by the economic recession. Moreover, with this, we will have more flexibility to offer competitive prices that will enable us to tap other markets or increase our market share.

On the marketing front, we will be looking for ways to increase market share and secure new customers locally and abroad. During these trying times, we are optimistic that at the right timing and with the right effort, we can gain market share, by being able to offer competitive prices, quality products, timely delivery and better customer service.

Furthermore, the Group continues to reap and will exploit further the synergistic benefits through the collaboration between the Precision Tooling and Automation and the Semiconductor Divisions whereby:-

- i) Precision Tooling and Automation Division's operations will support and complement our Semiconductor Division, which could result in additional cost savings and improve time-to-market for new package roll outs;
- ii) there will be greater opportunity to cross sell each other's capabilities leading to an enlarged customer base; and
- iii) the extensive management experience of Precision Tooling and Automation Division's management team will help strengthen the management expertise of our Semiconductor Division.

Your Board acknowledges the arduous task to sustain the profitability of the two core Divisions amidst the worsening economic crisis. Nonetheless, your Board remains committed and will endeavour to weather through this economic storm and hope to improve the Group's profitability as your Board also recognizes that there can be opportunities that can be tapped during this crisis. With the ongoing efforts to be more cost efficient and improving product mix, we hope to improve our bottom line of the Group for 2009.

APPRECIATION

In these trying times, I wish to express my sincere thanks to all our loyal shareholders for your perseverance and wish to reiterate that the Board is committed to improve the Group's performance and enhance value to the shareholders.

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

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

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of AIC Group.

Set out below is a statement of how the Group has applied the principles of the Malaysian Code on Corporate Governance.

SECTION 1 : DIRECTORS

THE BOARD OF DIRECTORS

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

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

Name	Meetings attended
Datuk Maj (H) Goh Tian Chuan	5/5
Ooi Boon Pin (<i>Appointed on 20 August 2008</i>)	2/2
Chen Heng Mun	5/5
Yahya Bin Razali	5/5
Ng Kok Hok	5/5
Yap Fook Chin	5/5
Liew Cheng York (<i>Appointed on 20 August 2008</i>)	2/2

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

BOARD BALANCE

The Board currently has seven (7) members, comprising of three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, and three (3) Independent Non-Executive Directors. Together, the Directors bring a wide range of business and financial experience relevant to the Group. A brief description of the background of each Director is presented on pages 5 to 6.

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

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

SUPPLY OF INFORMATION

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

SECTION 1 : DIRECTORS (Cont'd)

SUPPLY OF INFORMATION (Cont'd)

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

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

AUDIT COMMITTEE

The Audit Committee report is presented on pages 17 to 20 of this annual report.

APPOINTMENTS TO THE BOARD

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

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

NOMINATION COMMITTEE

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

- Yahya Bin Razali (Chairman)
- Ng Kok Hok

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

DIRECTORS' TRAINING

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

SECTION 1 : DIRECTORS (Cont'd)

DIRECTORS' TRAINING (Cont'd)

Conferences, seminars and training programmes attended by Directors in 2008 and up to the date of this report are as follows:-

Director	Name of conferences, seminars and training programmes attended
Datuk Maj (H) Goh Tian Chuan	<ul style="list-style-type: none">Managing Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook
Ooi Boon Pin	<ul style="list-style-type: none">Blue Ocean StrategyManaging Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook
Chen Heng Mun	<ul style="list-style-type: none">The 4th Asia Pacific Audit and Governance Summit 20082008 National Accountants ConferenceManaging Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook
Yahya Bin Razali	<ul style="list-style-type: none">Managing Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook
Ng Kok Hok	<ul style="list-style-type: none">Audit Committee Chairman Breakfast TalkManaging Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook
Yap Fook Chin	<ul style="list-style-type: none">Managing Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook
Liew Cheng York	<ul style="list-style-type: none">Managing Taxes and Duties During This Economic Downturn and Tax Audit2009 Economy and Market Outlook

RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting ("AGM"). The following directors are subject to re-election in this forthcoming AGM pursuant to Article 101 and Article 106 of the Company's Articles of Association:-

- Chen Heng Mun (*Article 101*)
- Yahya Bin Razali (*Article 101*)
- Ooi Boon Pin (*Article 106*)
- Liew Cheng York (*Article 106*)

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

SECTION 2 : DIRECTORS' REMUNERATION

REMUNERATION COMMITTEE

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

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

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

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

DIRECTORS' REMUNERATION

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

	Executive		Non-Executive	
	2008	2007	2008	2007
RM700,000 – RM749,000	1	-	-	-
RM300,000 – RM349,000	2	1	-	-
RM250,000 – RM299,000	-	1	-	-
RM100,000 – RM149,000	-	1	-	-
Below RM50,000	1	1	4	4

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

RM'000	Executive		Non-Executive	
	2008	2007	2008	2007
Salaries	1,402	757	-	-
Fees	-	-	61	46
Meeting allowances	-	-	8	5
Benefits-in-kind (<i>based on estimated monetary value</i>)	-	-	-	-

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

SECTION 3 : SHAREHOLDERS

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

SECTION 3 : SHAREHOLDERS (Cont'd)

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION (Cont'd)

In addition, the Group has also established a website at www.aic.com.my for shareholders and the public to access for information related to the Group.

AGM

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

SECTION 4 : ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Directors have:-

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

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

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

INTERNAL CONTROL

The Statement on Internal Control presented on page 16 provides an overview of the state of internal control within the Group.

RELATIONSHIP WITH THE AUDITORS

The role of the Audit Committee in relation to the external auditors is described on pages 17 to 20. The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

SECTION 5 : CORPORATE SOCIAL RESPONSIBILITY

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

OCCUPATIONAL HEALTH AND SAFETY

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

EMPLOYEE WELFARE AND DEVELOPMENT

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

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

SUPPLY CHAIN

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

ENVIRONMENTAL PRESERVATION

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

EDUCATION AND TRAINING

Education continues to be a key beneficiary of the Group's corporate contribution, in line with its belief that education plays a key role in nation building. In this aspect, the Group participates as a facilitator in the Industrial Skills Enhancement Program ("INSEP") initiated by the Selangor Human Resource Development Center for the unemployed graduates. Under INSEP, unemployed graduates learn the industry specifics and make themselves employable after the training.

In addition, the Group also has a close collaboration and co-operation with the Ministry of Science, Technology and Innovation in the area of Intensification Research Of Prioritize Area project, to provide its facility and commercial and technology know-how assistance to jointly research in the development of new emerging technology with emphasis on advance semiconductor packaging, materials development and characterisation. The project is one of the big steps to encourage the close partnership among local industries, government and universities while enhancing the cross knowledge transfer among all participants.

The Group also recruits and trains undergraduates from the local universities as part of ongoing commitment towards providing the necessary exposure and training to students of today.

The above statement is made in accordance with the resolution of the Board of Directors dated 14 April 2009.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

This Statement on Internal Control by the Board of Directors (“Board”) on the Group is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and in accordance with the Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance (“Code”). This statement is guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

BOARD’S RESPONSIBILITIES

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

The Group has in place a database of risks and controls created and information filtered to produce a risk register and risk profiles for the major operating business units. Key risks to each business unit are identified, scored and categorised to highlight the source of risk, their financial impacts and the likelihood of occurrence. The risk profile is reported to the Audit Committee and the Board.

The risk profile of the major operating business units of the Group are being monitored by the senior management of the major operating business units.

INTERNAL CONTROL

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

The Group’s internal audit function which is outsourced to an independent external consultant, has a primary function to assure the Board, through the Audit Committee, that the systems of internal controls function as intended. Further details of the Internal Audit Function are set out on pages 17 to 20 in the Audit Committee Report.

We considered the risks of the Group in formulating our strategies and plans which were approved and adopted by the Board. The strategies and plans are monitored and revised as the need arises.

OTHERS

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

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

The above statement is made in accordance with the resolution of the Board dated 14 April 2009.

AUDIT COMMITTEE REPORT

1. ROLE OF AUDIT COMMITTEE (“COMMITTEE”)

The Committee shall:-

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

2. TERMS OF REFERENCE

COMPOSITION

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

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

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

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

AUTHORITY

The Committee is authorised by the Board:-

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

AUDIT COMMITTEE REPORT (Cont'd)

ATTENDANCE AND FREQUENCY OF MEETINGS

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

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

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

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

PROCEDURES OF MEETINGS

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

MINUTES OF MEETINGS

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

FUNCTIONS

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

- a) The discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and ensures co-ordination of audit where more than one audit firm is involved;
- b) The review with the external auditors, their evaluation of the system of internal controls and the annual Statement on Internal Control, together with their management letters and Management's response;
- c) The discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss (in the absence of Management, where necessary);
- d) The assistance given by the employees of the Group to the external and internal auditors;
- e) The review of the following in respect of internal audit:-
 - Adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - The Internal Audit programme;
 - The major findings of internal audit investigations and Management's responses, ensuring that appropriate actions are taken on the recommendations of the internal auditors;
 - Co-ordination of external audit with internal audit;
 - Approval of any appointment or termination of the internal auditors, and appraisal of the performance of the Group Internal Audit function; and
 - Resignations of Internal Auditors, together with providing the resigning Internal Auditors an opportunity to submit the reasons for resignation.

AUDIT COMMITTEE REPORT (Cont'd)

- f) The review of quarterly reporting to the Bursa Malaysia and year end financial statements of the Group before the submission to the Board, focusing particularly on:-
 - Changes in or implementation of major accounting policies;
 - Significant and unusual events;
 - Compliance with accounting and financial reporting standards and other legal requirements; and
 - Any commentary on the future outlook for the Company and the Group.
- g) The review of any related party transaction and conflict of interest situation that may arise within the Group or the Company, including any transaction, procedure or course of conduct that raises questions of Management integrity;
- h) The review of any letter of resignation from the external auditors together with the reasons for such resignation;
- i) The review of the re-appointment of the Group's external auditors, including the examination of the independence of the external auditors and, where appropriate, the reasons (supported by grounds) why it is not suitable to re-appoint the external auditors;
- j) The recommendation for the nomination and appointment of external auditors, as well as for approval of the audit fee;
- k) Prompt reporting to Bursa Malaysia on any matter reported by the Committee to the Board which has not been satisfactorily resolved, resulting in a breach by the Company of the Listing Requirements of Bursa Malaysia; and
- l) Any other function that may be mutually agreed upon by the Committee and the Board from time to time, which would be beneficial to the Company and the Group and ensure the effective discharge of the Committee's duties and responsibilities.

3. MEMBERS OF THE COMMITTEE

The Committee is pleased to report that all the members of the Committee are independent and non-executive Directors. The members of the Committee are:-

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

4. MEETINGS OF THE COMMITTEE

The details of attendance at the Committee meetings in 2008:-

No.	Date of meeting	Total Committee Members	Attendance by Committee Members (Percentage of Attendance)
1.	27 February 2008 *	3	3 (100%)
2.	27 March 2008	3	3 (100%)
3.	21 May 2008	3	3 (100%)
4.	26 August 2008	3	3 (100%)
5.	10 November 2008 *	3	3 (100%)

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

The details of attendance by individual Committee Member in 2008:-

No.	Name of Member	Total Meetings Attended	Percentage of Attendance
1.	Ng Kok Hok	5/5	100%
2.	Yahya Bin Razali	5/5	100%
3.	Yap Fook Chin	5/5	100%

AUDIT COMMITTEE REPORT (Cont'd)

5. INTERNAL AUDIT FUNCTION

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

During the financial year under review, the internal auditor conducted audits on the activities of the Company and certain operating units in the Group in accordance with the approved audit plan. The findings and recommendations for improvements were presented to the Audit Committee for deliberation. The costs incurred by the Group and the Company for the internal audit function during the year amounted to RM79,707 and RM20,530 respectively.

6. ACTIVITIES DURING THE YEAR

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

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters.
- Held two separate meetings with the external auditors without the presence of the Management.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors.
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services (if any).
- Reviewed the internal auditors' scope of work, function, competency and resources in carrying out the internal audit work.
- Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with Management, actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Reviewed the effectiveness of the enhanced Enterprise Risk Management framework and risk assessment reports. Significant risks issues were summarised and communicated to the Board for consideration and resolution.
- Reviewed the Annual Report and the Audited Financial Statements of the Group and the Company, prior to the submission to the Board for their consideration and approval, to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards as determined and set out by The Malaysian Accounting Standard Board ("MASB"). Any significant issues resulting from the audit of the financial statements by the external auditors were deliberated upon.
- Reviewed the quarterly unaudited financial results announcements of the Group before recommending them to the Board for its approval. The review and discussion of these announcements was conducted with the presence of the Executive Directors.
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Listing Requirements of the Bursa Malaysia, MASB and other relevant legal and regulatory requirements.
- Reviewed related party transactions entered into by the Company and the Group to ensure that such transactions were undertaken in line with the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient.
- In relation to the employees' share option scheme ("ESOS") which was implemented by the Company in September 2004, the Committee is pleased to report that there was no option granted during the year.



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements.

There has been no significant change in the nature of these activities during the financial year except for the following:

- i) acquisition of new operations in the manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures, and the design and manufacture of turnkey automation systems via a new subsidiary, Prodelcon Sdn. Bhd. ("Prodelcon");
- ii) discontinuation of the electronics business upon the divestment of two wholly owned subsidiaries, Brimal Holdings Sdn. Bhd. ("Brimal") and Autovisor Plastics Sdn. Bhd. ("AVP"); and
- iii) discontinuation of the display business upon the divestment of AIC Display Sdn. Bhd. ("AICD"), a wholly owned subsidiary.

RESULTS

	<u>Group</u> <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
(Loss)/Profit attributable to:		
Shareholders of the Company	(7,541)	(10,436)
Minority interests	181	-
Loss for the year	<u>(7,360)</u>	<u>(10,436)</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

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

Datuk Goh Tian Chuan
Yahya bin Razali
Chen Heng Mun
Ng Kok Hok
Yap Fook Chin
Ooi Boon Pin (*appointed on 20.8.2008*)
Liew Cheng York (*appointed on 20.8.2008*)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008 (Cont'd)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares and options 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 31.12.2008
	Balance at 1.1.2008/ date of appointment	Rights subscription	Sold	
Shares in the Company				
Datuk Goh Tian Chuan				
- direct interest	21,184,600	14,325,765	-	35,510,365
- indirect interest *	6,500,000	1,787,500	-	8,287,500
Chen Heng Mun	82,500	22,687	-	105,187
Ooi Boon Pin	10,000	-	-	10,000
Liew Cheng York	1,614,750	-	-	1,614,750

	Number of warrants			Balance at 31.12.2008
	Balance at 1.1.2008/ date of appointment	Rights subscription	Sold	
Warrants in the Company				
Datuk Goh Tian Chuan				
- direct interest	-	13,002,023	-	13,002,023
- indirect interest *	-	1,625,000	-	1,625,000
Chen Heng Mun	-	20,625	-	20,625
Liew Cheng York	22,500	-	-	22,500

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

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:

	Number of options over ordinary shares of RM1 each			Balance at 31.12.2008
	Balance at 1.1.2008	Granted	Exercised	
Options over shares in the Company				
Chen Heng Mun	278,000	-	-	278,000

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

None of the other Directors holding office at 31 December 2008 had any interest in the shares, warrants or options of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008 (Cont'd)

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES AND DEBENTURES

During the financial year:

- i) 28,853,142 ordinary shares of RM1.00 each ("Rights Shares") together with 26,230,129 warrants ("Warrants C") were issued and allotted pursuant to a rights issue ("Rights Issue") implemented by the Company; and
- ii) 27,500,000 ordinary shares of RM1.00 each were issued and allotted pursuant to the acquisition of Prodelcon.

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

No debentures were issued during the financial year.

TREASURY SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES OR WARRANTS

i) ESOS

No options were granted to any person to take up unissued shares of the Company during the year apart from options issued in prior years pursuant to the ESOS. Further details of the ESOS are disclosed in Note 16 to the financial statements.

ii) Warrants

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

All the 25,893,096 outstanding Warrants B, which existed as at 31 December 2007, expired on 15 January 2008. Warrants B which were not exercised by the above expiry date lapsed and ceased to be exercisable.

As at 31 December 2008, 26,230,129 Warrants C remained unexercised.

OTHER STATUTORY INFORMATION

Before the balance sheets and income 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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008 (Cont'd)

OTHER STATUTORY INFORMATION (Cont'd)

- 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.

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

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

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

In the opinion of the Directors, except for the amount owing to subsidiaries waived (net) totaling RM6,341,000, net liabilities assigned from subsidiaries of RM6,324,000 and allowances for diminution in value incurred on investments in subsidiaries and an other investment of RM2,802,000 and RM7,375,000 respectively, as disclosed in Note 21 to the financial statements, the results of the operations of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction and event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

In the opinion of the Directors, except for the allowance for diminution in value on an investment of RM7,375,000 and the recognition of negative goodwill on acquisition of a subsidiary of RM4,539,000 as disclosed in Note 21 to the financial statements, the results of the operations of the Group for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction and event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the financial year

The significant events during the financial year are disclosed in Note 35 to the financial statements.

Auditors

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

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

.....
Datuk Goh Tian Chuan

.....
Ooi Boon Pin

Shah Alam,
Date: 14 April 2009

BALANCE SHEETS

AT 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets					
Property, plant and equipment	3	105,247	96,441	71	105
Intangible assets	4	4,326	5,088	-	-
Prepaid lease payments	5	7,968	6,913	-	-
Investment properties	6	1,578	-	-	-
Investments in subsidiaries	7	-	-	105,957	75,312
Other investments	9	4,917	-	4,917	-
Total non-current assets		124,036	108,442	110,945	75,417
Prepaid lease payments	5	170	145	-	-
Other investments	9	-	45	-	-
Receivables, deposits and prepayments	10	32,247	38,936	13,344	18,330
Inventories	11	17,258	19,063	-	-
Current tax assets		1,348	892	1,300	816
Assets classified as held for sale	12	-	15,817	-	-
Cash and cash equivalents	13	17,329	7,530	592	1,912
Total current assets		68,352	82,428	15,236	21,058
Total assets		192,388	190,870	126,181	96,475
Equity					
Share capital	14	173,873	117,520	173,873	117,520
Reserves	15	12,193	15,673	4,850	6,333
Accumulated losses		(77,733)	(58,392)	(81,862)	(59,626)
Total equity attributable to shareholders of the Company		108,333	74,801	96,861	64,227
Minority interest	17	9,317	9,136	-	-
Total equity		117,650	83,937	96,861	64,227
Liabilities					
Borrowings	18	32,882	14,574	22,783	-
Government grant	19	552	1,582	-	-
Deferred tax liabilities	8	8,466	3,288	-	-
Total non-current liabilities		41,900	19,444	22,783	-
Government grant	19	859	1,444	-	-
Payables and accruals	20	18,484	34,559	1,820	4,748
Tax liabilities		1,010	-	-	-
Liabilities classified as held for sale	12	-	3,327	-	-
Borrowings	18	12,485	48,159	4,717	27,500
Total current liabilities		32,838	87,489	6,537	32,248
Total liabilities		74,738	106,933	29,320	32,248
Total equity and liabilities		192,388	190,870	126,181	96,475

The notes on pages 34 to 81 are an integral part of these financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Continuing operations					
Revenue					
- sale of goods		104,986	113,931	-	-
- dividend (gross)		-	-	3,108	-
- services		21,486	23,388	2,283	2,083
		126,472	137,319	5,391	2,083
Cost of sales		(91,534)	(98,343)	-	-
Other costs		(18,140)	(20,182)	-	-
		(109,674)	(118,525)	-	-
Gross profit		16,798	18,794	5,391	2,083
Administrative expenses		(8,401)	(6,016)	(3,331)	(46,097)
Distribution costs		(1,948)	(2,866)	-	-
Other operating expenses		(11,826)	(7,851)	(28,071)	(6,039)
Other operating income		8,903	6,162	16,280	11,305
Results from operating activities	21	3,526	8,223	(9,731)	(38,748)
Interest income	22	350	654	384	718
Finance costs	23	(3,227)	(5,757)	(2,089)	(2,894)
Profit/(Loss) before tax		649	3,120	(11,436)	(40,924)
Tax expense	25	(1,860)	(2,060)	-	691
(Loss)/Profit for the year from continuing operations		(1,211)	1,060	(11,436)	(40,233)
Discontinued operations					
Loss from discontinued operations and gain on disposal of subsidiaries, net of tax	26	(6,149)	(4,143)	1,000	-
Loss for the year		(7,360)	(3,083)	(10,436)	(40,233)
(Loss)/Profit attributable to:					
Shareholders of the Company		(7,541)	(4,231)	(10,436)	(40,233)
Minority interests		181	1,148	-	-
Loss for the year		(7,360)	(3,083)	(10,436)	(40,233)
Basic loss per ordinary share (sen):					
from continuing operations	27	0.9	0.1		
from discontinued operations		4.1	3.9		
		5.0	4.0		

The notes on pages 34 to 81 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Non distributable					Equity		Minority interest RM'000	Total equity RM'000		
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Held for sale reserve RM'000	compensation reserve RM'000			Accumulated losses RM'000	Total RM'000
At 1 January 2007	104,920	4,437	6,453	1,302	1,997	8,742	328	(61,778)	66,401	16,759	83,160
Realisation of reserve on disposal of assets classified as held for sale	-	-	-	-	-	(8,742)	-	8,742	-	-	-
Redemption of preference shares in a subsidiary	-	-	1,125	-	-	-	-	(1,125)	-	-	-
Amount recognised directly in equity relating to the assets classified as held for sale	-	-	-	-	(1,997)	1,997	-	-	-	-	-
Net gains and losses recognised directly in equity	-	-	1,125	-	(1,997)	(6,745)	-	7,617	-	-	-
(Loss)/Profit for the year	-	-	-	-	-	-	-	(4,231)	(4,231)	1,148	(3,083)
Total recognised income and expenses for the year	-	-	1,125	-	(1,997)	(6,745)	-	3,386	(4,231)	1,148	(3,083)
Share-based payments	-	-	-	-	-	-	31	-	31	-	31
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	(8,771)	(8,771)
Shares issued	12,600	-	-	-	-	-	-	-	12,600	-	12,600
At 31 December 2007	117,520	4,437	7,578	1,302	-	1,997	359	(58,392)	74,801	9,136	83,937

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008 (Cont'd)

	← Non distributable				→ Equity			Total equity RM'000			
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Held for sale reserve RM'000	compensation reserve RM'000		Accumulated losses RM'000	Total RM'000	Minority interest RM'000
At 1 January 2008	117,520	4,437	7,578	1,302	-	1,997	359	(58,392)	74,801	9,136	83,937
Realisation of reserve on disposal of assets classified as held for sale	-	-	-	-	-	(1,997)	-	-	(1,997)	-	(1,997)
Fair value adjustment on shares issued as consideration on acquisition of a subsidiary	-	-	(1,537)	-	-	-	-	(11,800)	(13,337)	-	(13,337)
Net losses recognised directly in equity (Loss)/Profit for the year	-	-	(1,537)	-	-	(1,997)	-	(11,800)	(15,334)	-	(15,334)
Total recognised income and expenses for the year	-	-	(1,537)	-	-	(1,997)	-	(19,341)	(22,875)	181	(22,694)
Share-based payments	-	-	-	-	-	-	54	-	54	-	54
Shares issued	56,353	-	-	-	-	-	-	-	56,353	-	56,353
At 31 December 2008	173,873	4,437	6,041	1,302	-	-	413	(77,733)	108,333	9,317	117,650

The notes on pages 34 to 81 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Non distributable				Equity		Total RM'000
		Share capital RM'000	Share premium RM'000	Capital reserve RM'000	compensation reserve RM'000	Accumulated losses RM'000		
At 1 January 2007		104,920	4,437	1,537	328	(19,393)	91,829	
Loss for the year		-	-	-	-	(40,233)	(40,233)	
Shares issued	14	12,600	-	-	-	-	12,600	
Share-based payments	16	-	-	-	31	-	31	
At 31 December 2007/1 January 2008		117,520	4,437	1,537	359	(59,626)	64,227	
Loss for the year		-	-	-	-	(10,436)	(10,436)	
Shares issued	14	56,353	-	-	-	-	56,353	
Fair value adjustment on shares issued as consideration on acquisition of a subsidiary	32	-	-	(1,537)	-	(11,800)	(13,337)	
Share-based payments	16	-	-	-	54	-	54	
At 31 December 2008		173,873	4,437	-	413	(81,862)	96,861	

The notes on pages 34 to 81 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Note	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Cash flows from operating activities				
Profit/(Loss) before tax from continuing operations	649	3,120	(11,436)	(40,924)
Adjustments for:				
Allowance for diminution in value of investments in subsidiaries	-	-	2,802	4,881
Allowance for diminution in value of other investment	7,375	-	7,375	-
Allowance for doubtful debts (net)	326	20	93	-
Amortisation of government grant	(859)	(859)	-	-
Amortisation of prepaid lease payments	154	145	-	-
Amount owing to/by subsidiaries (waived)/written off (net)	-	-	(6,341)	39,114
Assigned liabilities from subsidiaries (net)	-	-	6,324	-
Bad debts written off	199	704	199	-
Depreciation of property, plant and equipment	12,746	13,009	34	52
Depreciation of investment properties	12	-	-	-
Dividend income	-	-	(3,108)	-
Gain on disposal of other investment	-	(479)	-	(479)
Gain on redemption of preference shares in a subsidiary	-	-	-	(10,800)
Goodwill written off	-	623	-	-
Interest expense	3,115	5,620	2,083	2,889
Interest income	(350)	(694)	(384)	(718)
Inventories written off	46	188	-	-
Loss on disposal of an associate	-	433	-	-
Loss on redemption of other investment	-	2,925	-	2,925
(Gain)/Loss on disposal of property, plant and equipment (net)	(113)	(61)	(6)	4
Negative goodwill arising from acquisition of remaining shares in a subsidiary	-	(3,548)	-	-
Negative goodwill arising from acquisition of a subsidiary	32 (4,539)	-	-	-
Other investment recovered	(270)	-	(270)	-
Property, plant and equipment written off	37	42	-	-
Share-based payments	54	31	-	-
Unrealised foreign exchange gain	(93)	(626)	-	-
Operating profit/(loss) before changes in working capital	18,489	20,593	(2,635)	(3,056)
Changes in working capital:				
Receivables, deposits and prepayments	27,221	(7,208)	5,107	3,833
Payables and accruals	(30,724)	13,043	(3,270)	(3,527)
Inventories	3,100	2,090	-	-
Cash generated from/(used in) operations	18,086	28,518	(798)	(2,750)
Income taxes paid	(691)	(16)	-	-
Income taxes refunded	853	676	816	636
Net cash generated from/(used in) operating activities	18,248	29,178	18	(2,114)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008 (Cont'd)

	Note	Group		Company	
		2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Cash flows from investing activities					
Acquisition of minority interest		-	(1,402)	-	(1,402)
Acquisition of other investment		-	-	(12,292)	-
Dividend received from a subsidiary		-	-	8,024	-
Interest received		350	694	384	718
Net cash outflow from acquisition of a subsidiary	32	(19,146)	-	(25,500)	-
Net cash inflow from disposal of subsidiaries	26	1,000	-	1,000	-
Proceeds from disposal of an associate (net)		-	29,480	-	-
Proceeds from disposal of other investment		-	716	-	716
Proceeds from disposal of property, plant and equipment (net)		121	63	14	1
Proceeds from other investment		270	1,575	270	1,575
Purchase of property, plant and equipment	(ii)	(5,502)	(14,395)	(8)	(15)
Placement of pledged deposits with a licensed bank		-	(907)	-	-
Redemption of preference shares in a subsidiary		-	(7,350)	-	22,050
Net cash (used in)/generated from investing activities		(22,907)	8,474	(28,108)	23,643
Cash flows from financing activities					
Repayment of bank borrowings (net)		(10,976)	(30,498)	-	(17,500)
Interest paid		(3,115)	(5,620)	(2,083)	(2,889)
Proceeds from rights issue		28,853	-	28,853	-
Repayment of finance lease arrangement		(87)	-	-	-
Net cash generated from/(used in) financing activities		14,675	(36,118)	26,770	(20,389)
Net cash generated from/(used in) continuing operations		10,016	1,534	(1,320)	1,140
Net cash generated from/(used in) discontinued operations	26	944	(2,332)	-	-
Cash and cash equivalents of discontinued operations disposed	26	(3,810)	-	-	-
Cash and cash equivalents at beginning of year		9,272	10,070	1,912	772
Cash and cash equivalents at end of year	(i)	16,422	9,272	592	1,912

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008 (Cont'd)

(i) Cash and cash equivalents

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

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Cash and bank balances	6,222	6,981	492	1,912
Short term placement funds	-	6	-	-
Deposits placed with licensed banks (excluding deposits pledged)	10,200	2,285	100	-
Total cash and cash equivalents	16,422	9,272	592	1,912
Cash and cash equivalents from discontinued operations	-	(2,865)	-	-
Cash and cash equivalents from continuing operations	16,422	6,407	592	1,912

(ii) Purchase of property, plant and equipment

During the year, the Group purchased property, plant and equipment with the following aggregate cost, of which RM3,130,000 (2007 - Nil) were acquired by means of finance lease arrangements.

Note	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Continuing operations:				
By means of:				
- Finance lease	3,130	-	-	-
- Cash and cash equivalents	5,502	14,395	8	15
	8,632	14,395	8	15
Acquisition by subsidiaries classified as discontinued operations	53	429	-	-
3	8,685	14,824	8	15

The notes on pages 34 to 81 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Registered office/Principal place of business

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

The consolidated financial statements as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2008 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements.

The financial statements were approved by the Board of Directors on 14 April 2009.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

<u>FRSs/Interpretations</u>	<u>Effective date</u>
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs/Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other standards (and their consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

FRS 4 is not applicable to the Group and the Company. Hence, no further disclosure is warranted.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

1. BASIS OF PREPARATION (Cont'd)

(d) Use of estimates and judgements

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

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

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

- *Note 4* - *measurement of the recoverable amounts of cash-generating units*
- *Note 9* - *measurement of the fair value of other investments*
- *Note 32* - *business combination*
- *Note 33* - *fair value of financial instruments*

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 36 to the financial statements). The comparatives for the consolidated income statement and cash flow statement have been restated to show as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see Note 26 to the financial statements).

(a) Basis of consolidation

(i) Subsidiaries

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

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less allowances for diminution in value.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the purchase method of accounting is applied.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) *Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

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

(iv) *Transactions eliminated on consolidation*

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

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Forward foreign exchange contracts are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(d) Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

(i) Recognition and measurement (Cont'd)

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

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

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(e) Leased assets

(i) Finance lease

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Leased assets (Cont'd)

(i) Finance lease (Cont'd)

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

(ii) Operating lease

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

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments.

The Group had previously revalued certain of its leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A when it first adopted FRS 117, Leases in 2006. Such prepaid lease payments are amortised over the lease term.

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

(f) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or both. These include land held for a currently undetermined future use. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d) to the financial statements.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of 50 years for buildings.

(g) Investments in equity securities

Investment in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value; and
- All current investments are carried at the lower of cost and market value, determined on an individual investment basis or by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investments in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- (i) the recognition of an asset on the day it is received by the entity, and
- (ii) the derecognition of an asset and recognition of any gain or loss on disposal on the date it is delivered.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Goodwill

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

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

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

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

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

(i) Inventories

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

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(k) Cash and cash equivalents

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

(l) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets

The carrying amounts of assets other than financial assets, inventories and assets arising from employee benefits and non-current assets (or disposal groups) classified as held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(n) Equity instruments

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

(i) *Shares issue expenses*

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

(ii) *Preference share capital*

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the income statement.

(iii) *Repurchase of share capital*

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(p) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(q) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Share-based payment transactions

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

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

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(r) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Provisions (Cont'd)

Contingent liabilities

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

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

(s) Revenue

(i) *Goods sold*

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

(ii) *Services rendered*

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

(iii) *Dividend income*

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

(iv) *Rental income*

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

(v) *Government grants*

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

(t) Tax expense

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Tax expense (Cont'd)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

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

(u) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statements and cash flow statements are restated as if the operation had been discontinued from the start of the comparative period.

(v) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

(w) Earnings per share

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

(x) Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	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 2007	34,813	3,501	256,419	23,391	797	318,921
Transferred to assets held for sale	(456)	(3,501)	(13,467)	(2,623)	(349)	(20,396)
Additions	-	-	14,558	266	-	14,824
Disposals/Write off	-	-	(387)	(729)	(141)	(1,257)
At 31 December 2007/1 January 2008	34,357	-	257,123	20,305	307	312,092
Acquisition of a subsidiary	7,413	-	29,470	1,881	863	39,627
Additions	4	-	8,116	394	171	8,685
Disposal of subsidiaries	(217)	-	(13,930)	(1,797)	-	(15,944)
Disposals/Write off	-	-	(2,348)	(267)	(141)	(2,756)
At 31 December 2008	41,557	-	278,431	20,516	1,200	341,704
Representing items at:						
Cost	27,557	-	278,431	20,516	1,200	327,704
Directors' valuation	14,000	-	-	-	-	14,000
	41,557	-	278,431	20,516	1,200	341,704
Depreciation and impairment losses						
At 1 January 2007						
Accumulated depreciation	3,431	2,159	188,526	19,091	473	213,680
Accumulated impairment losses	-	-	685	-	-	685
	3,431	2,159	189,211	19,091	473	214,365
Transferred to assets held for sale	(194)	(2,159)	(8,676)	(2,103)	(163)	(13,295)
Depreciation for the year	623	-	13,772	1,328	37	15,760
Disposals/Write off	-	-	(387)	(685)	(107)	(1,179)
At 31 December 2007/1 January 2008						
Accumulated depreciation	3,860	-	193,235	17,631	240	214,966
Accumulated impairment losses	-	-	685	-	-	685
	3,860	-	193,920	17,631	240	215,651
Acquisition of a subsidiary	1,422	-	19,520	1,513	497	22,952
Depreciation for the year	691	-	12,314	1,013	96	14,114
Impairment losses in subsidiaries disposed	-	-	615	184	-	799
Disposal of subsidiaries	(217)	-	(12,915)	(1,797)	-	(14,929)
Disposals/Write off	-	-	(1,735)	(254)	(141)	(2,130)
At 31 December 2008						
Accumulated depreciation	5,756	-	211,034	18,290	692	235,772
Accumulated impairment losses	-	-	685	-	-	685
	5,756	-	211,719	18,290	692	236,457
Carrying amounts						
At 1 January 2007	31,382	1,342	67,208	4,300	324	104,556
At 31 December 2007/1 January 2008	30,497	-	63,203	2,674	67	96,441
At 31 December 2008	35,801	-	66,712	2,226	508	105,247

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Company	Furniture, fittings and office equipment RM'000
Cost	
At 1 January 2007	980
Additions	15
Disposals/Write off	(116)
At 31 December 2007/1 January 2008	879
Additions	8
Disposals	(261)
At 31 December 2008	626
Depreciation	
At 1 January 2007	833
Charge for the year	52
Disposals/Write off	(111)
At 31 December 2007/1 January 2008	774
Charge for the year	34
Disposals	(253)
At 31 December 2008	555
Carrying amounts	
At 1 January 2007	147
At 31 December 2007/1 January 2008	105
At 31 December 2008	71

Revaluation

The Group and the Company's leasehold 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 made in 2001 were credited to the revaluation reserve.

In 2006, the Group's leasehold buildings were revalued by the Directors based on valuations by Sr. Abd. Harith bin Idris, an independent registered valuer in JB Jurunilai Bersekutu (Penang) Sdn. Bhd. on an open market value basis using the comparison method. The Directors deemed the valuation gain as immaterial and as such the carrying value was not adjusted to the revalued amount.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Revaluation (Cont'd)

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

	Group	
	2008 RM'000	2007 RM'000
Leasehold buildings		
Cost	19,421	19,417
Accumulated depreciation	(2,610)	(2,280)
Net book value at the end of the financial year	16,811	17,137

Security

At 31 December 2008, the property, plant and equipment of the Group with the following carrying amounts are charged to financial institutions as securities for borrowings of the Group (see Note 18 to the financial statements).

	Group	
	2008 RM'000	2007 RM'000
Carrying amounts		
Leasehold buildings	29,881	30,500
Plant and machinery	56,505	63,192
Furniture, fittings and office equipment	1,813	2,561
Motor vehicles	190	67
	88,389	96,320

Assets under finance lease arrangements

The carrying amounts of property, plant and equipment of the Group acquired under finance lease arrangements are as follows:

	Group	
	2008 RM'000	2007 RM'000
Carrying amounts		
Plant and machinery	3,266	-
Motor vehicles	356	-
Total	3,622	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. INTANGIBLE ASSETS

	Group	
	2008	2007
	RM'000	RM'000
Development expenditure		
Cost		
At 1 January	-	3,615
Transferred to assets held for sale	-	(1,079)
Increased during the year	-	153
Written off during the year	-	(2,689)
	<hr/>	<hr/>
At 31 December	-	-
Accumulated amortisation		
At 1 January	-	2,193
Transferred to assets held for sale	-	(698)
Charged during the year	-	839
Written off during the year	-	(2,334)
	<hr/>	<hr/>
At 31 December	-	-
Carrying amounts		
At 31 December	-	-
	<hr/>	<hr/>
Goodwill on consolidation		
At 1 January	5,088	5,709
Increased during the year	-	2
Disposed during the year	(762)	-
Written off during the year	-	(623)
	<hr/>	<hr/>
At 31 December	4,326	5,088
	<hr/>	<hr/>
Total intangible assets	4,326	5,088

Impairment testing for cash-generating units containing goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years RM'000
Cost	
At 1 January 2007/31 December 2007/1 January 2008	8,000
Acquisition of a subsidiary	1,457
	<hr/>
At 31 December 2008	9,457
	<hr/>
Accumulated amortisation	
At 1 January 2007	797
Amortisation for the year	145
	<hr/>
At 31 December 2007/1 January 2008	942
Acquisition of a subsidiary	223
Amortisation for the year	154
	<hr/>
At 31 December 2008	1,319
	<hr/>
Carrying amounts	
At 1 January 2007	7,203
	<hr/>
At 31 December 2007/1 January 2008	7,058
Less: Current portion	(145)
	<hr/>
Non-current portion	6,913
	<hr/>
At 31 December 2008	8,138
Less: Current portion	(170)
	<hr/>
Non-current portion	7,968
	<hr/>
Security	

Prepaid lease payments of the Group with a carrying value totaling RM7,155,000 (2007 - RM7,058,000) are charged to financial institutions as security for borrowings (see Note 18 to the financial statements).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. INVESTMENT PROPERTIES

	Group	
	2008 RM'000	2007 RM'000
Leasehold buildings		
Cost		
At 1 January	-	-
Acquisition of a subsidiary	1,748	-
At 31 December	1,748	-
Depreciation		
At 1 January	-	-
Acquisition of a subsidiary	158	-
Depreciation for the year	12	-
At 31 December	170	-
Carrying amounts		
At 31 December	1,578	-

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

An investment property of the Group with a carrying value totaling RM805,000 (2007 - Nil) is charged to a financial institution as security for borrowings (see Note 18 to the financial statements).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 RM'000	2007 RM'000
Unquoted shares in Malaysia - at cost	119,330	95,384
Less: Allowance for diminution in value	(13,373)	(20,072)
	105,957	75,312

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2008 %	2007 %
AIC Technology Sdn. Bhd. ("AICT") <i>and its subsidiary</i>	Investment holding	Malaysia	100	100
AIC Semiconductor Sdn. Bhd. ("AICS")	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	Malaysia	94	94
Prodelcon Sdn. Bhd. ("Prodelcon")	Manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures and the design and manufacture of turnkey automation systems	Malaysia	100	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2008 %	2007 %
AIC Inspirasi Sdn. Bhd. ("AICI") <i>and its subsidiaries</i>	Investment holding	Malaysia	100	100
Autovisor Plastics Sdn. Bhd. ("AVP") ⁽²⁾	Manufacturing of sunvisors and interior car lamps	Malaysia	-	100
Brimal Holdings Sdn. Bhd. ("Brimal") ⁽²⁾	Design, manufacturing and assembly of automotive components and electronic products	Malaysia	-	100
Custom Tooling Holdings Sdn. Bhd. ("CTH")	Dormant	Malaysia	100	100
AIC dotCom Sdn. Bhd.	Dormant	Malaysia	100	100
AIC Properties Sdn. Bhd.	Dormant	Malaysia	100	100
Custom Tooling (Malaysia) Sdn. Bhd. ("CTM") ⁽¹⁾	Dormant	Malaysia	100	100
Custom Tooling Engineering (Malaysia) Sdn. Bhd. ("CTEM") ⁽¹⁾	Dormant	Malaysia	100	100
Integral CAD Technologies Sdn.Bhd. ("ICT") ⁽¹⁾ <i>and its subsidiaries</i>	Dormant	Malaysia	100	100
Cadxcel Sdn. Bhd.	Dormant	Malaysia	100	100
Alpha Mediatech Sdn. Bhd.	Dormant	Malaysia	100	100
AIC Display Sdn. Bhd. ("AICD") ⁽²⁾ <i>and its subsidiaries</i>	Design, development, manufacturing, marketing and sales of multimedia displays, products and all related peripherals	Malaysia	-	100
AIC Microelectronics Sdn. Bhd. ⁽²⁾	Design and development of flat panel display products	Malaysia	-	100
AIC Display GmbH. ⁽²⁾	Inactive	Germany	-	100
Inmode Venture Sdn. Bhd. ⁽³⁾	Dormant	Malaysia	100	100
AIC-Toptek Communications Sdn. Bhd. ⁽³⁾	Dormant	Malaysia	100	100

⁽¹⁾ 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 from the Company and/or bankers in order to continue operating as going concerns.

⁽²⁾ These subsidiaries were consolidated based on their management accounts up to the date of its disposal during the year.

⁽³⁾ Subsidiaries audited by other firm of accountants.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

During the financial year, the Company undertook the following:

- (i) On 14 April 2008, AICI completed the divestment of its entire equity interests in Brimal and AVP, two wholly owned subsidiaries, to AV Ventures Corporation Berhad ("AVCB"), for a total consideration of RM12,291,684, satisfied via the issuance of 9,833,347 new ordinary shares of RM1.00 each in AVCB ("AVCB Shares") at an issue price of RM1.25 per AVCB Share.
- (ii) On 1 August 2008, the Company divested its entire equity interest in AICD. On even date, AICD and its subsidiaries ("AICD Group") ceased to be subsidiaries of the Company.
- (iii) The Company had on 20 August 2008 completed its acquisition of Prodelcon. The acquisition entails acquiring from Jotech Holdings Berhad, the entire equity interest, comprising of 1,249,000 ordinary shares of RM1.00 each in Prodelcon for a purchase consideration of RM53,000,000 satisfied by the issuance of 27,500,000 ordinary shares of RM1.00 each in the Company ("AIC Shares") and cash of RM25,500,000.
- (iv) On 31 December 2008, CTH transferred its entire equity interests in CTEM and CTM to the Company.

8. DEFERRED TAX ASSETS AND LIABILITIES

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

	Group			
	Assets		Liabilities	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- capital allowances in excess of depreciation	-	-	(12,700)	(12,370)
- revaluation	-	-	(441)	(453)
Allowances/Provisions	-	178	-	-
Unabsorbed capital allowances	1,078	2,332	-	-
Unabsorbed re-investment allowances	3,097	6,614	-	-
Tax loss carry-forwards	552	574	-	-
Others	-	-	(52)	(163)
Tax assets/(liabilities)	4,727	9,698	(13,193)	(12,986)
Set off of tax	(4,727)	(9,698)	4,727	9,698
Net deferred tax liabilities	-	-	(8,466)	(3,288)

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. DEFERRED TAX ASSETS AND LIABILITIES (Cont'd)

No deferred tax has been recognised for the following items:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax loss carry-forwards	19,629	72,318	14,725	15,879
Unabsorbed capital allowances	4,568	15,096	2,194	3,477
Temporary differences				
- property, plant and equipment	(44)	923	(44)	(67)
- provisions	2,526	5,264	-	-
- others	-	756	-	-
	26,679	94,357	16,875	19,289

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

Movement in recognised deferred tax assets/liabilities during the year

	At 1.1.2007 RM'000	Transferred to assets held for sale RM'000	Recognised in income statement RM'000 (Note 25)	At 31.12.2007 RM'000	Acquisition of a subsidiary RM'000	Recognised in income statement RM'000 (Note 25)	At 31.12.2008 RM'000
Group							
Property, plant and equipment							
- capital allowances in excess of depreciation	(152)	152	(12,370)	(12,370)	(2,148)	1,818	(12,700)
- revaluation	(465)	-	12	(453)	-	12	(441)
Provisions	17	(17)	178	178	-	(178)	-
Unabsorbed capital allowances	-	-	2,332	2,332	-	(1,254)	1,078
Tax loss carry-forwards	-	-	574	574	-	(22)	552
Unabsorbed re-investment allowances	-	-	6,614	6,614	-	(3,517)	3,097
Other items	-	-	(163)	(163)	-	111	(52)
	(600)	135	(2,823)	(3,288)	(2,148)	(3,030)	(8,466)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. DEFERRED TAX ASSETS AND LIABILITIES (Cont'd)

Movement in unrecognised temporary differences during the year

	At 1.1.2007 RM'000	Transferred to assets held for sale RM'000	Recognised in income statement RM'000 (Note 25)	At 31.12.2007 RM'000	Disposal of subsidiaries RM'000	Recognised in income statement RM'000 (Note 25)	At 31.12.2008 RM'000
Group							
Property, plant and equipment - depreciation in excess/ (deficit) of capital allowances	2,413	778	(2,268)	923	(990)	23	(44)
Provisions	(1,041)	(10)	6,315	5,264	(2,754)	16	2,526
Unabsorbed capital allowances	14,499	(631)	1,228	15,096	(9,211)	(1,317)	4,568
Tax loss carry-forwards	69,257	(179)	3,240	72,318	(51,535)	(1,154)	19,629
Other items	2,096	-	(1,340)	756	(756)	-	-
	87,224	(42)	7,175	94,357	(65,246)	(2,432)	26,679
Company							
Property, plant and equipment - capital allowances in excess of depreciation	(111)	-	44	(67)	-	23	(44)
Unabsorbed capital allowances	3,450	-	27	3,477	-	(1,283)	2,194
Tax loss carry-forwards	13,988	-	1,891	15,879	-	(1,154)	14,725
	17,327	-	1,962	19,289	-	(2,414)	16,875

9. OTHER INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current				
Quoted shares in Malaysia, at cost	12,292	-	12,292	-
Less: Allowance for diminution in value	(7,375)	-	(7,375)	-
	4,917	-	4,917	-
Current				
Unquoted shares in Malaysia - subsidiary	-	45	-	-
Market value - Quoted investments	4,917	-	4,917	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. OTHER INVESTMENTS (Cont'd)

The quoted shares represent the AVCB Shares received as consideration by AICI upon AICI's divestment of AVP and Brimal during the year ended 31 December 2008 (Note 26 to the financial statements). AICI subsequently transferred the AVCB Shares, at its cost to the Company. The quoted shares represent an effective equity interest of 17% (2007 - Nil) in AVCB as at 31 December 2008. An allowance for diminution in value of RM7,375,000 was made at 31 December 2008 to reflect the investment at its market value at 31 December 2008.

In 2007, other investment in unquoted shares of a subsidiary represented an investment in a wholly owned 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.

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables	10.1	29,319	44,903	-	-
Less: Allowance for doubtful debts		(2,760)	(13,474)	-	-
		26,559	31,429	-	-
Other receivables, deposits and prepayments	10.2	5,688	7,507	4,821	5,646
Amounts due from subsidiaries					
- non-trade	10.3	-	-	8,523	7,554
- trade	10.3	-	-	-	5,130
		32,247	38,936	13,344	18,330

10.1 Trade receivables

(i) Included in trade receivables of the Group is an amount of RM5,573,000 (2007 - RM7,436,000) due from a shareholder of a subsidiary. The trade receivable is subject to normal trade terms.

(ii) Analysis of foreign currency exposure for trade receivables

Trade receivables outstanding at year end that are not in the functional currency of the Group are as follows:

	Group	
	2008 RM'000	2007 RM'000
US Dollar	20,729	29,694
EURO	424	-
Yen	74	-

(iii) Credit terms of trade receivables ranges from 30 - 120 days.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

10.2 Other receivables, deposits and prepayments

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other receivables	1,889	2,504	1,539	1,116
Less: Allowance for doubtful debts	(280)	(187)	(93)	-
	1,609	2,317	1,446	1,116
Deposits	3,584	4,642	3,356	4,426
Prepayments	495	548	19	104
	5,688	7,507	4,821	5,646

10.3 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for RM8,514,000 (2007 - RM4,794,000) due from a subsidiary which bears interest at 5% (2007 - 5%) per annum.

11. INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
At cost		
Raw materials	8,554	9,857
Work-in-progress	3,475	2,350
Manufactured inventories	1,832	-
Consumable goods	3,397	3,165
	17,258	15,372
At net realisable value		
Raw materials	-	2,383
Manufactured inventories	-	1,308
	17,258	19,063

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. DISPOSAL GROUP HELD FOR SALE

In 2007, AICI entered into a sale and purchase agreement to dispose of its entire equity interest in Brimal and AVP. The disposal was completed during the year ended 31 December 2008.

As such, at 31 December 2007, Brimal and AVP, which collectively represented the electronics division of the Group, fell within the ambit of Discontinued Operations under FRS 5, Non-current Assets Held for Sale and Discontinued Operations.

The net assets of Brimal and AVP had been accounted for at their fair values less costs to sell and their total assets and total liabilities disclosed as 'Assets classified as held for sale' and 'Liabilities classified as held for sale' respectively in the consolidated balance sheet as at 31 December 2007.

At 31 December 2007, the assets and liabilities of the disposal group were as follows:

	Note	<u>Group 2007 RM'000</u>
Assets classified as held for sale		
Property, plant and equipment	12.1	5,271
Intangible assets		178
Deferred tax assets		460
Other investment		10
Receivables, deposits and prepayments	12.2	3,976
Inventories	12.3	2,891
Current tax assets		382
Cash and cash equivalents		2,649
		<u>15,817</u>
Liabilities classified as held for sale		
Borrowings		100
Deferred tax liabilities		94
Payables and accruals		3,081
Provision for warranties		52
		<u>3,327</u>

12.1 Property, plant and equipment

Property, plant and equipment of the disposal group in 2007 comprised the following:

	<u>Group 2007 RM'000</u>
Property, plant and equipment:	
Cost	20,379
Accumulated depreciation	(15,108)
	<u>5,271</u>

12.2 Receivables, deposits and prepayments

Receivables, deposits and prepayments of the disposal group in 2007 were stated at cost less allowance for doubtful debts of RM13,000.

12.3 Inventories

The inventories of the disposal group in 2007 comprised manufactured goods and were carried at fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits placed with licensed banks	13.1	11,107	1,810	100	-
Short term placement funds		-	3	-	-
Cash and bank balances		6,222	5,717	492	1,912
		17,329	7,530	592	1,912

13.1 Included in deposits placed with licensed banks of the Group is a deposit of RM907,000 (2007 - RM907,000) pledged for a bank facility granted to a subsidiary.

13.2 Analysis of foreign currency exposure for cash and cash equivalents

Cash and cash equivalents as at year end that are not in the functional currency of the Group are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
US Dollar	4,568	3,744	-	-
EURO	13	3	-	-
Others	-	1	-	-

14. SHARE CAPITAL

	Group		Company	
	Amount 2008 RM'000	Number of shares 2008 '000	Amount 2007 RM'000	Number of shares 2007 '000
Ordinary shares of RM1.00 each Authorised	500,000	500,000	500,000	500,000
Issued and fully paid				
At beginning of year	117,520	117,520	104,920	104,920
Shares issued	56,353	56,353	12,600	12,600
At end of year	173,873	173,873	117,520	117,520

During the financial year, the Company undertook the following:

- (i) 28,853,142 AIC Shares ("Right Shares") were issued and allotted pursuant to a rights issue ("Rights Issue") implemented by the Company (Note 35(i) to the financial statements); and
- (ii) 27,500,000 AIC Shares were issued and allotted pursuant to the acquisition of Prodelcon (Note 35(iv) to the financial statements).

In 2007, the Company issued 12,600,000 AIC Shares at an issue price of RM1.00 per share pursuant to the acquisition of the remaining equity interest in AICT.

14.1 Employee's Share Option Scheme ("ESOS")

No options were granted to any person to take up unissued shares of the Company during the year apart from options issued in prior years pursuant to the ESOS. Further details of the ESOS are disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14. SHARE CAPITAL (Cont'd)

14.2 Warrants

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

All the 25,893,096 outstanding Warrants B, which existed as at 31 December 2007, expired on 15 January 2008. Warrants B which were not exercised by the above expiry date lapsed and ceased to be exercisable.

As at 31 December 2008, 26,230,129 Warrants C remained unexercised.

15. RESERVE

15.1 Capital reserve

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

15.2 Revaluation reserve

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

15.3 Merger reserve

For subsidiaries acquired prior to 1 January 2006, acquisitions which satisfied the provisions of Section 60(4) of the Companies Act, 1965 were consolidated using the purchase method of accounting together with the merger relief provisions of the said section and the new shares issued for the acquisitions were recorded at their nominal value in the financial statements of the Company. On consolidation, the premium arising from the new shares issued were recorded as a merger reserve. The merger reserve was used to write off the goodwill arising on the acquisition of the said subsidiaries.

In line with the planned disposal of Brimal and AVP as mentioned in Note 12 to the financial statements, the merger reserve was transferred to the held for sale reserve in 2007.

15.4 Equity compensation reserve

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

15.5 Held for sale

The held for sale reserve on 1 January 2007 relates to the share of reserves of an associate which had been classified as assets held for sale in 2006. On classification as held for sale, all the reserves in relation to the associate, namely the capital reserve, revaluation reserve, exchange fluctuation reserve, equity compensation reserve and statutory legal reserve were transferred to held for sale reserve. The held for sale reserve was realised to the accumulated losses upon the disposal of the associate during the year ended 31 December 2007.

At 31 December 2007, the remaining held for sale reserve represented the merger reserve of a subsidiary which was classified as an asset held for sale. The held for sale reserve was realised and transferred to the accumulated losses upon the completion of the disposal of the discontinued operation during the year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16. EMPLOYEE BENEFITS

Share-based payments

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

Date of offer	Exercise price RM	Balance at 1.1.2008	Options expired	Lapsed due to resignation	Balance at 31.12.2008
3.9.2004	1.70	1,235,000	(342,000) ⁽ⁱ⁾	(519,000)	374,000
1.4.2005	1.42	2,167,000	-	(294,000)	1,873,000

⁽ⁱ⁾ The options expired due to the disposal of certain subsidiaries, namely, Brimal, AVP and the AICD Group.

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

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

ii) Eligible Directors are Directors who have been appointed as Directors within the AIC ESOS Group for at least 6 months.

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

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

iv) The number of AIC Shares allocated, in aggregate, to eligible Directors and senior management shall not exceed fifty percent (50%) of the total AIC Shares available under the ESOS.

v) The number of AIC Shares allocated to any individual eligible employee who, either singly or collectively through persons connected with the eligible employee, holds twenty percent (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total AIC Shares available under the ESOS.

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

vii) The exercise price shall be based on the 5 day weighted average market price of the Company's ordinary shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad at the time the option is offered with a discount of not more than 10%, if deemed appropriate, provided that the exercise price shall not be less than the par value of the ordinary shares of the Company.

viii) The options granted may be exercised at any time within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16. EMPLOYEE BENEFITS (Cont'd)

Share-based payments (Cont'd)

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

	Group		Company	
	2008 '000	2007 '000	2008 '000	2007 '000
Outstanding at 1 January	3,402	4,866	586	1,314
Lapsed due to resignation	(813)	(1,464)	(212)	(728)
Expired due to disposal of subsidiaries	(342)	-	-	-
Outstanding at 31 December	2,247	3,402	374	586
Exercisable at 31 December	2,223	2,750	374	514

There were no share options granted in 2008 and 2007.

No share options of the Group and of the Company were exercised in 2008 and 2007.

The options outstanding at 31 December 2008 have a remaining contractual life of 8 months.

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

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

Fair value of share options and assumptions

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

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Share options granted in 2005	54	31	-	-

17. MINORITY SHAREHOLDERS' INTERESTS

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. BORROWINGS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current				
Term loans - secured	11,802	10,659	4,717	-
Short term loan - secured	-	27,500	-	27,500
Revolving credit - unsecured	-	10,000	-	-
Finance lease liabilities - secured	683	-	-	-
	12,485	48,159	4,717	27,500
Non-current				
Term loans - secured	30,464	14,574	22,783	-
Finance lease liabilities - secured	2,418	-	-	-
	32,882	14,574	22,783	-
Total borrowings	45,367	62,733	27,500	27,500

Analysis of foreign currency exposure for borrowings

Borrowings outstanding at year end that are not in the functional currency of the Group are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
US Dollar	-	4,048	-	-

Terms and debt repayment schedule

2008	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	Over 5 years RM'000
Group						
Term loans - secured	42,266	11,802	8,441	9,230	8,861	3,932
Company						
Term loans - secured	27,500	4,717	5,355	6,111	7,385	3,932
2007						
Group						
Term loans - secured	25,233	10,659	6,951	2,951	2,951	1,721
Short term loan - secured	27,500	27,500	-	-	-	-
Revolving credit - unsecured	10,000	10,000	-	-	-	-
	62,733	48,159	6,951	2,951	2,951	1,721
Company						
Term loans - secured	27,500	27,500	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. BORROWINGS (Cont'd)

Group

Term loans - secured

The first secured term loan with an initial principal drawdown of USD15,000,000, which was fully repaid during the year ended 31 December 2008 was subject to an interest rate of 1.5% (2007 - 1.5%) per annum above the Singapore Interbank Offered Rate.

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

Both the first and second secured term loans are secured, ranking *pari passu* with one and another, by the following:

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

The third secured term loan with an initial principal drawdown of RM10,000,000 is subject to an interest rate of 8.75% (2007 - 8.75%) per annum and is repayable in five half yearly payments commencing 18 November 2007.

This third secured 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.

Revolving credit - unsecured

The unsecured revolving credit of RM10,000,000 of a subsidiary was subject to interest rates ranging from 4.23% to 4.62% (2007 - 4.49% to 4.62%) per annum. During the financial year, the unsecured revolving credit was restructured into a secured term loan and was classified as the second secured term loan of the Company.

Trade financing facilities - secured

The first secured trade financing facility of RM500,000 of a subsidiary was not utilised during the year. The first secured trade financing facility is:

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

The second secured trade financing facility of RM8,000,000 of a subsidiary was not utilised during the year. The second secured trade financing facility is supported by the corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. BORROWINGS (Cont'd)

Group (Cont'd)

Finance lease liabilities

At 31 December 2008, the Group has finance lease liabilities that are repayable as follows:

	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000	Minimum lease payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000
Less than one year	801	(118)	683	-	-	-
1 - 2 years	759	(115)	644	-	-	-
2 - 3 years	759	(115)	644	-	-	-
3 - 4 years	759	(115)	644	-	-	-
5 years and over	584	(98)	486	-	-	-
	3,662	(561)	3,101	-	-	-

The finance lease liabilities of the subsidiaries are subject to interest at flat rates varying from 2.34% to 3.75% (2007 - Nil) per annum.

Company

Term loans - secured

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

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

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

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

Short term loan - secured

The secured short term loan with an initial principal drawdown of RM27,500,000, which was fully repaid during the year ended 31 December 2008 was subject to an interest rate of 2.0% (2007 - 2.0%) per annum above the lending bank's cost of funds. This short term loan was secured by the following:

- i) a third party legal charge over a piece of leasehold land;
- ii) a third party memorandum of deposit of RM4 million placed with the lending bank; and
- iii) a personal guarantee from a Director.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. GOVERNMENT GRANT

	Group	
	2008 RM'000	2007 RM'000
At 1 January	3,026	3,128
Grant received during the year	-	7,018
Amortised during the year	(1,615)	(7,120)
At 31 December	1,411	3,026
Current portion	(859)	(1,444)
Non-current portion	552	1,582

In 2007, a former subsidiary received a government grant to compensate the former subsidiary for research and development ("R&D") expenses incurred and cost of plant and machinery purchased in relation to the development of the former subsidiary's flat panel display products. Grants that compensate the subsidiary for R&D expenses already incurred were fully recognised in the income statement whilst grants that compensate the subsidiary for the cost of plant and machinery were recognised in the income statement on a systematic basis over the useful life of the asset. There are no unfulfilled conditions or contingencies attached to the grant. The grant has been fully amortised during the year ended 31 December 2008, in tandem with the write down of the plant and machinery concerned.

In 2005, a government grant was received by another 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.

20. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	20.1	7,783	18,009	-	-
Other payables and accruals	20.2	10,701	16,550	1,820	621
Subsidiaries - non-trade	20.3	-	-	-	4,127
		18,484	34,559	1,820	4,748

20.1 Trade payables

(i) Analysis of foreign currency exposure for trade payables

Trade payables outstanding at year end that are not in the functional currency of the Group are as follows:

	Group	
	2008 RM'000	2007 RM'000
US Dollar	5,263	8,088
Swiss Franc	-	219
Yen	30	-
Others	40	1,037

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. PAYABLES AND ACCRUALS (Cont'd)

20.2 Other payables and accruals

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other payables	8,389	11,429	1,694	420
Accruals	2,312	5,121	126	201
	10,701	16,550	1,820	621

In 2007, included in other payables of the Group was an amount of RM47,000 due to AICWS, a former subsidiary which was placed under members' voluntary liquidation on 3 November 2004.

20.3 Amounts due to subsidiaries

In 2007, the amounts due to subsidiaries were unsecured, interest free and had no fixed terms of repayment.

21. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Operating profit is arrived at after crediting:				
Amortisation of government grant	859	859	-	-
Amount owing to subsidiaries waived (net)	-	-	6,341	-
Dividend income from a subsidiary	-	-	3,108	-
Gain on disposal of other investment	-	479	-	479
Gain on disposal of property, plant and equipment (net)	113	61	6	-
Gain on redemption of preference shares	-	-	-	10,800
Management fees received/receivable	-	-	636	759
Negative goodwill arising from acquisition of remaining shares in a subsidiary	-	3,548	-	-
Negative goodwill arising from acquisition of a subsidiary	4,539	-	-	-
Other investment recovered	270	-	270	-
Rental of premises	1,221	134	1,647	1,323
Unrealised foreign exchange gain (net)	93	626	-	-
and after charging:				
Allowance for doubtful debts (net)	326	20	93	-
Allowance for diminution in value of investments in subsidiaries	-	-	2,802	4,881
Allowance for diminution in value of other investment	7,375	-	7,375	-
Amortisation of prepaid lease payments	154	145	-	-
Amount owing by subsidiaries written off	-	-	-	39,114
Assigned liabilities from subsidiaries (net)	-	-	6,324	-
Auditors' remuneration				
- Audit services by the holding company auditors				
- current year	99	95	35	30
- under provision in prior years	-	14	-	10
- Other services by the holding company auditors	65	30	61	30
- Audit services by other auditors	1	2	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. RESULTS FROM OPERATING ACTIVITIES (Cont'd)

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
and after charging (Cont'd):				
Bad debts written off	199	704	199	-
Depreciation of property, plant and equipment	12,746	13,009	34	52
Depreciation of investment properties	12	-	-	-
Goodwill written off	-	623	-	-
Inventories written off	46	188	-	-
Loss on disposal of an associate	-	433	-	-
Loss on disposal of property, plant and equipment	-	-	-	4
Loss on redemption of other investment	-	2,925	-	2,925
Management fees paid/payable to a former shareholder of certain subsidiaries	-	2	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	2,013	2,067	140	195
- Share-based payments	54	31	-	-
- Wages, salaries and others	23,339	22,784	1,309	1,819
Property, plant and equipment written off	37	42	-	-
Realised foreign exchange loss (net)	167	1,655	-	-
Rental of equipment	153	71	5	-
Rental of premises	1,458	1,537	1,330	1,330

22. INTEREST INCOME

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Interest income from:				
Subsidiaries	-	-	179	254
Deposits and short term placement funds	350	654	205	464
	350	654	384	718

23. FINANCE COSTS

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Interest expense on:				
Term loans	2,678	5,252	1,659	2,681
Short term loan	425	208	424	208
Trade financing facilities	-	160	-	-
Finance lease liabilities	12	-	-	-
	3,115	5,620	2,083	2,889
Others	112	137	6	5
	3,227	5,757	2,089	2,894

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors				
- Fees	61	46	61	46
- Remuneration	1,402	757	811	757
- Other short term employee benefits	-	5	-	5
	1,463	808	872	808
Other key management personnel:				
- Short-term employee benefits	1,094	1,424	110	412
- Estimated monetary value of benefits-in-kind	15	13	-	1
- Share-based payment	4	-	-	-
	1,113	1,437	110	413
	2,576	2,245	982	1,221

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

25. TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
Tax expense:				
Malaysian - current	(925)	7	-	-
- over provision in prior years	(245)	(770)	-	(691)
	(1,170)	(763)	-	(691)
Deferred tax expense:				
Origination of temporary differences	3,041	2,835	-	-
Crystallisation of deferred tax	(12)	(12)	-	-
Under provision in prior years	1	-	-	-
	3,030	2,823	-	-
Total tax	1,860	2,060	-	(691)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. TAX EXPENSE (Cont'd)

Reconciliation of tax expense

	Group		Company	
	2008 RM'000	2007 RM'000 Restated	2008 RM'000	2007 RM'000
(Loss)/Profit for the year	(1,211)	1,060	(11,436)	(40,233)
Total tax	1,860	2,060	-	(691)
Profit/(Loss) excluding tax	649	3,120	(11,436)	(40,924)
Income tax using Malaysian tax rates at 26% (2007: 27%)	169	842	(2,973)	(11,049)
Non-deductible expenses	2,672	2,165	6,091	13,640
Tax exempt income	(1,294)	(2,030)	(3,357)	(3,121)
Tax credit on pre-acquisition dividend	-	-	867	-
Tax incentives	(381)	-	-	-
Effect of change in tax incentive status	1,902	-	-	-
Effect of deferred tax assets not recognised	-	1,937	-	530
Recognition of previously unrecognised deferred tax assets	(632)	-	(628)	-
Effect of changes in tax rate *	(320)	-	-	-
Other items	-	(72)	-	-
	2,116	2,842	-	-
Under/(Over) provision in prior years of:				
- Tax expense	(245)	(770)	-	(691)
- Deferred tax expense	1	-	-	-
Crystallisation of deferred tax liability on revaluation surplus of property	(12)	(12)	-	-
Total tax	1,860	2,060	-	(691)

* The corporate tax rate is at 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

A subsidiary was given 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 subsidiary was granted 100% tax exemption of statutory income.

On 28 August 2007, the subsidiary's application to surrender its Pioneer Status was approved effective from 1 January 2006. This enables the subsidiary to claim Re-Investment Allowances for qualifying plant and machinery purchased from the date of surrender. Re-Investment Allowances are utilised for up to 70% of the subsidiary's statutory income.

The subsidiary's application in 2007 to back date the surrender of its Pioneer Status to 1 September 2003 has been rejected during the current financial year.

26. DISCONTINUED OPERATIONS

In 2007, AICI entered into a sale and purchase agreement to dispose of its entire equity interest in Brimal and AVP. As such, the Company's investments in Brimal and AVP, which collectively represented the electronics division of the Group, were classified as discontinued operations in 2007. The disposal of Brimal and AVP was completed during the year ended 31 December 2008.

The Company had during the current financial year entered into a sale and purchase agreement and divested its entire equity interest in AICD Group, which represented the display division of the Group. Accordingly, the results of AICD Group have been classified as discontinued operations during the year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. DISCONTINUED OPERATIONS (Cont'd)

As a result of the above:

- (i) the consolidated income statement for the current year has been adjusted to reflect the after-tax results of the discontinued operations as a single amount on the face of the consolidated income statement;
- (ii) the after-tax results of the discontinued operations for the preceding year have been restated to include the after-tax results of the display division and disclosed as a single amount on the face of the consolidated income statement;
- (iii) the consolidated cash flow statement for the current year has been adjusted to reflect the net cash flow of the discontinued operations as a single amount on the face of the consolidated cash flow statement; and
- (iv) the net cash flow of the discontinued operations for the preceding year has been restated to include the net cash flow of the display division and shown as a single amount on the face of the consolidated cash flow statement.

The results attributable to the discontinued operations were as follows:

Results of discontinued operations

	Note	Group	
		2008 RM'000	2007 RM'000 Restated
Revenue		4,428	20,319
Expenses		(13,470)	(30,532)
Other operating income		1,739	5,817
Results from operating activities		(7,303)	(4,396)
Interest income		27	256
Finance costs		(335)	(521)
Loss before tax		(7,611)	(4,661)
Tax expense		360	518
Loss for the year		(7,251)	(4,143)
Gain on disposal of subsidiaries	26 (a)	1,102	-
		(6,149)	(4,143)

Included in results from operating activities of the discontinued operations are:

Allowance for doubtful debts (net)		(39)	(589)
Amortisation of development expenditure		(53)	(1,053)
Amortisation of government grant		756	6,262
Depreciation of property, plant and equipment		(1,751)	(4,598)
Development expenditure written off		-	(355)
Impairment loss on property, plant and equipment	3	(799)	-
Inventories written down to net realisable value		(3,770)	(2,754)
Loss on disposal of property, plant and equipment		-	(5)
Property, plant and equipment written off		(598)	(117)
Provision for warranty		(17)	(66)

Cash flows from discontinued operations

Net cash generated from/(used in) operating activities	1,331	(4,580)
Net cash used in investing activities	(42)	(700)
Net cash (used in)/generated from financing activities	(345)	2,948
Net cash generated from/(used in) discontinued operations	944	(2,332)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. DISCONTINUED OPERATIONS (Cont'd)

(a) Effects of disposal on the financial position of the Group

	Group 2008 RM'000
Property, plant and equipment	5,899
Deferred tax assets	460
Development expenditure	125
Other investment	10
Inventories	2,677
Receivables, deposits and prepayments	4,453
Cash and cash equivalents	3,810
Current tax assets	240
Borrowings	(90)
Payables and accruals	(4,065)
Deferred tax liabilities	(94)
Net carrying amount of identifiable assets and liabilities	13,425
Total disposal consideration	(13,292)
Realisation of merger reserve	(1,997)
Goodwill disposed	762
Gain on disposal of subsidiaries	(1,102)
Consideration received, satisfied in cash	1,000
Cash disposed of	(3,810)
Net cash outflow	(2,810)

27. LOSS PER ORDINARY SHARE - GROUP

i) Basic loss per ordinary share

	Group	
	2008	2007
Basic loss per ordinary share (sen)		
Continuing operations	0.9	0.1
Discontinued operations	4.1	3.9
Total	5.0	4.0

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

	Group	
	2008 RM'000	2007 RM'000
Loss attributable to ordinary shareholders of the Company		
Continuing operations	1,392	88
Discontinued operations	6,149	4,143
Total	7,541	4,231

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27. LOSS PER ORDINARY SHARE - GROUP (Cont'd)

i) Basic loss per ordinary share (Cont'd)

	Group and Company	
	2008	2007
	'000	'000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	117,520	104,920
Add: Ordinary shares issued during the year	33,325	35
Weighted average number of ordinary shares	150,845	104,955

ii) Diluted earnings per ordinary share

As the assumed conversion of the employee share options granted and any warrants outstanding would be anti-dilutive, diluted earnings per share have not been presented.

28. SEGMENT 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.

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, interest-bearing loans, borrowings and expenses, corporate assets and expenses and tax assets and liabilities.

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.

Inter-segment pricing is determined based on negotiated terms.

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.
Precision tooling and automation	Manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures and the design and manufacture of turnkey automation systems.
Electronics	Manufacturing, assembly and sales of automotive components.
Display	Design, development, manufacturing, marketing and sales of multimedia displays products and all related peripherals.

The precision tooling and automation division was acquired, whereas the electronics and display divisions were sold during the year ended 31 December 2008.

Geographical segments

The business segment 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 (Cont'd)

28. SEGMENT REPORTING (Cont'd)

	Test and assembly and other semiconductor related activities		Precision tooling and automation		Electronics (Discontinued)		Display (Discontinued)		Others		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business segments												
Total revenue	112,939	137,185	12,567	-	3,928	16,317	500	4,022	5,391	2,083	135,325	159,607
Inter segment revenue	-	-	(186)	-	-	-	-	(20)	(4,239)	(1,949)	(4,425)	(1,969)
Continuing operations	112,939	137,185	12,381	-	-	-	-	-	1,152	134	126,472	137,319
Discontinued operations	-	-	-	-	3,928	16,317	500	4,002	-	-	4,428	20,319
Revenue from external customers	112,939	137,185	12,381	-	3,928	16,317	500	4,002	1,152	134	130,900	157,638
Segment result	7,336	11,476	1,698	-	(355)	33	(6,948)	(4,429)	1,152	134	2,883	7,214
Unallocated corporate expenses											(6,660)	(3,387)
Less: Results from discontinued operations											7,303	4,396
Financing costs											(3,227)	(5,757)
Interest income											350	654
Profit before tax											649	3,120
Tax expense											(1,860)	(2,060)
(Loss)/Profit for the year											(1,211)	1,060
Loss from discontinued operations, net of tax											(6,149)	(4,143)
Minority interests											(181)	(1,148)
Loss attributable to equity holders of the Company											(7,541)	(4,231)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. SEGMENT REPORTING (Cont'd)

	Test and assembly and other semiconductor related activities		Precision tooling and automation		Electronics (Discontinued)		Display (Discontinued)		Others		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	134,253	151,471	41,983	-	-	-	9,988	-	-	-	176,236	161,459
Assets classified as held for sale											-	15,817
Unallocated corporate assets											11,826	8,506
Goodwill on consolidation											4,326	5,088
Total assets	134,253	151,471	41,983	-	-	-	9,988	-	-	-	192,388	190,870
Segment liabilities	20,633	36,006	6,541	-	-	-	3,764	-	-	-	27,174	39,770
Borrowings											45,367	62,733
Unallocated corporate liabilities											2,197	1,103
Liabilities classified as held for sale											-	3,327
Total liabilities	20,633	36,006	6,541	-	-	-	3,764	-	-	-	74,738	106,933
Capital expenditure	7,614	14,378	1,017	-	-	-	429	54	17	8,685	14,824	
Depreciation and amortisation	11,962	13,087	915	-	-	-	-	35	67	12,912	13,154	

	Malaysia		Korea		Singapore		Taiwan		United States of America		Others		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Geographical segments														
2008														
Revenue from external customers by location of customers	17,377		4,191		88		50,953		30,498		23,365		126,472	
Segment assets by location of assets	176,236		-		-		-		-		-		176,236	
Capital expenditure by location of assets	8,685		-		-		-		-		-		8,685	
Segment liabilities by location of liabilities	27,174		-		-		-		-		-		27,174	
2007														
Revenue from external customers by location of customers	8,493		12,253		20		71,519		29,487		15,547		137,319	
Segment assets by location of assets	161,459		-		-		-		-		-		161,459	
Capital expenditure by location of assets	14,824		-		-		-		-		-		14,824	
Segment liabilities by location of liabilities	39,770		-		-		-		-		-		39,770	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. CONTINGENT LIABILITIES - UNSECURED

The Company has executed corporate guarantees in favour of licensed banks for credit facilities of up to a limit of RM29.9 million (2007 - RM51.6 million) and USD0.2 million (2007 - USD15.2 million) granted to its subsidiaries.

30. CAPITAL COMMITMENTS

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

	Group	
	2008	2007
	RM'000	RM'000
Approved and contracted for	620	53,013
Approved but not contracted for	3,138	12,163
	3,758	65,176

31. RELATED PARTIES

31.1 Identity of related parties

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

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

31.2 Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 24 to the financial statements. There are no other transactions, other than compensation with key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. RELATED PARTIES (Cont'd)

31.3 Other related party transactions

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

	2008 RM'000	2007 RM'000
Company		
<i>Transactions with subsidiaries:</i>		
Management fees charged by the Company	636	759
Rental charged by the Company	495	1,189
Interest charged by the Company	179	254
Provision of networking facilities and allocation of software maintenance costs by the Company	39	36
Dividend income received from a subsidiary	3,108	-
<i>Transaction with a company in which the Company is a substantial shareholder and a Director of the Company is also a director:</i>		
- Rental charged by the Company	367	-
Group		
Sales to a substantial shareholder of a subsidiary	29,420	29,337
Sales to a company in which a person related to a Director of the Company has interest	62	-

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

The trade and non-trade balances with subsidiaries and trade balance with a substantial shareholder of the subsidiary are as disclosed in Note 10 and Note 20 to the financial statements.

There are no allowances for doubtful debts in respect of the balances outstanding at year end and no allowances for doubtful debts made during the years ended 31 December 2007 and 2008.

32. ACQUISITION OF A SUBSIDIARY

In August 2008, the Group acquired all the shares in Prodelcon for a nominal value of RM53 million. Prodelcon is involved in the manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures and the design and manufacture of turnkey automation systems. In the 4 months to 31 December 2008, Prodelcon contributed net profit of RM1,514,000. If the acquisition had occurred on 1 January 2008, management estimates that consolidated revenue would have been RM156,662,000 and consolidated net loss for the year would have been RM1,782,000.

The effects of the acquisition at acquisition date were as follows:

	RM'000	RM'000
Cash paid		25,500
Value of AIC Shares issued	27,500	
Fair value adjustment	(13,337)	
Fair value of shares issued		14,163
Fair value of total consideration		39,663
Fair value of net identifiable assets acquired		44,202
Negative goodwill		4,539

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

The fair value of the net identifiable assets and liabilities at the acquisition date comprised the following:

	Pre- acquisition carrying amounts RM'000	Fair value adjustments RM'000	Recognised values on acquisition RM'000
Property, plant and equipment	16,675	-	16,675
Investment property	1,590	-	1,590
Prepaid lease payments	1,234	-	1,234
Inventories	5,952	(72)	5,880
Receivables, deposits and prepayments	20,913	-	20,913
Cash and cash equivalents	6,354	-	6,354
Loans and borrowings	(570)	-	(570)
Tax liabilities	(974)	(352)	(1,326)
Deferred tax liabilities	(2,148)	-	(2,148)
Payables and accruals	(4,400)	-	(4,400)
Net identifiable assets	44,626	(424)	44,202

The cash outflow on acquisition date was as follows:

	RM'000
Purchase consideration satisfied by cash	25,500
Cash and cash equivalents of subsidiary acquired	(6,354)
Net cash outflow to the Group	19,146

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency exchange risk

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. FINANCIAL INSTRUMENTS (Cont'd)

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.

At balance sheet date, the Group has no significant concentration of credit risk other than 60% (2007 - 70%) of its trade receivables due from companies in the semiconductor industry.

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

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.

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 interest rate obligations.

Effective interest rate and repricing analysis

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

2008	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
Group				
<i>Financial assets</i>				
Deposits placed with licensed banks	2.23	11,107	11,107	-
Cash and bank balances	0.15	2	2	-
<i>Financial liabilities</i>				
Term loans - secured	8.04	42,266	11,802	30,464
Finance lease liabilities	3.68	3,101	683	2,418
Company				
<i>Financial assets</i>				
Deposits placed with licensed banks	2.50	100	100	-
Amounts due from subsidiaries	5.00	8,514	8,514	-
<i>Financial liability</i>				
Term loans - secured	8.00	27,500	4,717	22,783

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. FINANCIAL INSTRUMENTS (Cont'd)

Effective interest rate and repricing analysis (Cont'd)

2007	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
Group				
<i>Financial assets</i>				
Deposits placed with licensed banks	3.83	1,810	1,810	-
Short term placement funds	0.15	3	3	-
Cash and bank balances	0.50	1,889	1,889	-
<i>Financial liabilities</i>				
Term loans - secured	8.12	25,233	10,659	14,574
Short term loan - secured	6.90	27,500	27,500	-
Revolving credit - unsecured	4.55	10,000	10,000	-
Company				
<i>Financial assets</i>				
Amount due from subsidiaries	5.00	4,794	4,794	-
Short term placement fund	0.15	3	3	-
Cash and bank balances	0.50	1,881	1,881	-
<i>Financial liability</i>				
Short term loan - secured	6.90	27,500	27,500	-

Fair values

In respect of cash and cash equivalents, trade and other receivables, and trade and other payables, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

The aggregate fair value of other financial assets and liabilities carried on balance sheet as at 31 December 2008 is shown below:

2008	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<i>Financial asset</i>				
Investment in quoted shares	4,917	4,917	4,917	4,917
<i>Financial liabilities</i>				
Term loans - secured	42,266	42,266	27,500	27,500
Finance lease liabilities	3,101	3,101	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. FINANCIAL INSTRUMENTS (Cont'd)

Fair values (Cont'd)

2007	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<i>Financial assets</i>				
Assets held for sale (net of merger reserve)	10,493	12,292	-	-
<i>Financial liabilities</i>				
Term loans - secured	25,233	25,233	-	-

- i) The fair value of long term investment in quoted securities is based on the market value of the shares at year end.
- ii) In respect of the long-term borrowings with variable interest rates, the carrying amounts approximate fair values as they are on floating rates and reprice to market interest rates for liabilities with similar risk profiles. As for other long-term borrowings with fixed interest rates, the Directors are of the opinion that the fair values approximate the carrying amounts.

Fair values of unrecognised financial instruments

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

Company 2008	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
Contingent liabilities - Corporate guarantee	30,640	*
2007		
Contingent liabilities - Corporate guarantee	102,542	*

* The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit facilities is remote.

Group	Currency	Notional amount RM'000	Net fair value RM'000
At 31 December 2008			
Forward contracts used to hedge trade receivables	USD	1,043	(21)
At 31 December 2007			
Forward contracts used to hedge trade receivables	USD	3,650	(47)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Company	
	2008	2007
	RM'000	RM'000
Less than one year	1,362	1,330
Between one and five years	5,732	5,637
More than five years	4,053	5,510
	11,147	12,477

The Company leases two factory facilities under operating leases. The leases typically run for a period of 10 years, with a remaining period of 8 years as at end of year and an option to renew the lease after that date. Lease payments are increased every 3 to 4 years to reflect market rentals. None of the leases includes contingent rentals.

Leases as lessor

A subsidiary leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2008	2007
	RM'000	RM'000
Less than one year	204	-
Between one and five years	68	-
	272	-

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- i) The Company had on 18 March 2008 completed the Rights Issue with the listing of the 28,853,142 Rights Shares and 26,230,129 Warrants C.
- ii) On 14 April 2008, AICI divested its entire equity interests in Brimal and AVP to AVCB for a total consideration of RM12,291,684, satisfied via the issuance of 9,833,347 AVCB Shares at an issue price of RM1.25 per AVCB Share.

The divestment was completed on 14 April 2008 with the listing of and quotation for the 9,833,347 AVCB Shares issued pursuant to the divestment, on the Second Board of Bursa Malaysia Securities Berhad.

- iii) On 1 August 2008, the Company divested its entire equity interest in AICD. Consequently, AICD Group ceased to be subsidiaries of the Company on the even date.
- iv) The Company had on 20 August 2008 completed its acquisition of Prodelcon. The acquisition entails acquiring from Jotech Holdings Berhad, the entire equity interest, comprising of 1,249,000 ordinary shares of RM1.00 each in Prodelcon for a purchase consideration of RM53,000,000 satisfied by the issuance of 27,500,000 AIC Shares and cash of RM25,500,000.
- v) On 24 November 2008, AICI transferred the 9,833,347 AVCB Shares to the Company at its cost of RM12,291,684. An allowance for diminution in value of RM7,375,010 was subsequently made to the investment to reflect its fair value of RM4,916,674 as at 31 December 2008.
- vi) On 31 December 2008, Custom Tooling (Malaysia) Sdn. Bhd. and Custom Tooling Engineering (Malaysia) Sdn. Bhd. changed from wholly owned sub-subsidiaries to wholly owned direct subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. COMPARATIVE FIGURES

Certain comparative figures of the Group's income statement have been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative period (see Note 26 to the financial statements).

	Group	
	As restated RM'000	As previously stated RM'000
Income statement		
Revenue		
- sale of goods	113,931	117,933
- services	23,388	23,388
Total revenue	137,319	141,321
Cost of sales	(98,343)	(108,959)
Other costs	(20,182)	(21,338)
Total cost of sales	(118,525)	(130,297)
Administrative expenses	(6,016)	(7,727)
Distribution costs	(2,866)	(2,884)
Other operating expenses	(7,851)	(8,563)
Other operating income	6,162	12,112
Interest income	654	694
Finance costs	(5,757)	(6,271)
Profit/(Loss) before tax	3,120	(1,615)
Cash flow statement		
Net cash generated from operating activities	29,178	25,679
Net cash generated from investing activities	8,474	8,828
Net cash used in financing activities	(36,118)	(33,106)
Net cash generated from continuing operations	1,534	1,401
Net cash used in discontinued operations	(2,332)	(1,292)

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 26 to 81 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

.....
Datuk Goh Tian Chuan

.....
Ooi Boon Pin

Shah Alam,
Date: 14 April 2009

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Chen Heng Mun, the Director primarily responsible for the financial management of AIC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 26 to 81 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 14 April 2009.

.....
Chen Heng Mun

Before me:

P. Thurirajoo
Commissioner for Oaths (W 438)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIC CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of AIC Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 81.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIC CORPORATION BERHAD (Cont'd)

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong

Approval Number: 2613/12/10(J)
Chartered Accountant

Petaling Jaya, Malaysia
Date: 14 April 2009

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 page 24 of the Annual Report.

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

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

Imposition of sanctions and penalties

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

Non-audit fees

Non-audit fees paid/payable to the external auditors by the Group and by the Company for the financial year amounted to RM65,000 and RM61,000 respectively.

Profit estimate, forecast and projection

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

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

Profit guarantee

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

Revaluation policy

The revaluation policy on landed properties are as disclosed in the Financial Statements, on pages 36 to 37 of the Annual Report.

Utilisation of proceeds from proposals

AIC had on 18 March 2008 completed a rights issue of 28,853,142 new AIC Shares together with 26,230,129 free new detachable warrants in the Company (“Rights Issue”). The proceeds from the Rights Issue have been fully utilised as at 30 June 2008 and the utilisation were as follows:

Purpose	Actual utilisation RM'000	Proposed utilisation RM'000	Balance RM'000	Expected time frame for utilisation of proceeds raised from the Rights Issue
Repayment of a term loan	27,500	27,500	-	Within 1 month upon completion of the Rights Issue
To defray estimated expenses of the Rights Issue	658	658 *	-	Within 1 month upon completion of the Rights Issue
Working capital of our Group	695	695 *	-	Within 6 months upon completion of the Rights Issue
Total	28,853	28,853	-	

Note

* As approved by the shareholders of the Company on 18 December 2007, as the actual expenses for the Rights Issue was lower than initially budgeted, the excess was utilised for working capital purposes.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA (Cont'd)

Material contracts

Save for those disclosed in Note 31 of the Financial Statements, there were no material contracts entered into by the Company and its subsidiaries ("AIC Group") involving Directors and substantial shareholders either subsisting at the end of the financial year ended 31 December 2008 or entered into since the end of the previous financial year.

Nature of recurrent related party transactions contemplated

On 21 May 2008, AIC obtained the approvals from the shareholders for a mandate for its subsidiary to enter into recurrent transactions in its ordinary course of business with a related party in order to comply with paragraph 10.09 of the Bursa Malaysia Securities Berhad's Listing Requirements.

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

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

Details of the recurrent related party transactions of a revenue or trading nature and in the normal course of business of the Group, pursuant to the aforesaid shareholders' mandate, for the year ended 31 December 2008 are as follows:-

Transaction	Provider	Purchaser	Aggregated value from 1 January 2008 to 31 December 2008 RM'000
Assembly and testing of integrated circuit chips	AICS	Atmel	29,420

STATISTICS ON SHAREHOLDINGS

AS AT 1 APRIL 2009

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

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	82	5.01	2,761	0.00
100 - 1,000	112	6.84	87,121	0.05
1,001 - 10,000	1,080	65.93	4,227,995	2.43
10,001 - 100,000	288	17.58	8,431,497	4.85
100,001 to less than 5% of issued shares	71	4.33	88,666,995	51.00
5% and above of issued shares	5	0.31	72,457,290	41.67
Total	1,638	100.00	173,873,659	100.00

LIST OF TOP 30 SHAREHOLDERS

No. Name	Shares Held	% of Issued Capital
1. JOTECH HOLDINGS BERHAD	27,500,000	15.82
2. TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	13,892,070	7.99
3. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DARULNAS (M) SDN BHD</i>	12,600,000	7.25
4. GOH TIAN CHUAN	9,755,695	5.61
5. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	8,709,525	5.01
6. INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CARA KAYA SDN BHD</i>	8,287,500	4.77
7. EMPLOYEES PROVIDENT FUND BOARD	7,772,350	4.47
8. OSK NOMINEES (ASING) SDN BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR WENCASTLE HOLDINGS LIMITED</i>	7,289,000	4.19
9. HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR RBS COUTTS BANK LTD (HK BRANCH)</i>	6,000,000	3.45
10. TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GEORGE CHEE TAT MIN</i>	5,773,200	3.32
11. TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN</i>	5,469,700	3.15
12. HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR RBS COUTTS BANK LTD (SG BRANCH)</i>	5,243,159	3.02
13. LOKE MEI LING	4,717,372	2.71
14. AIBB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	3,153,075	1.81

STATISTICS ON SHAREHOLDINGS

AS AT 1 APRIL 2009 (Cont'd)

LIST OF TOP 30 SHAREHOLDERS (Cont'd)

No.	Name	Shares Held	% of Issued Capital
15.	INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ANTARA REKA SDN BHD</i>	2,664,750	1.53
16.	KONG KOK KEONG	2,500,000	1.44
17.	PERMODALAN NASIONAL BERHAD	2,430,251	1.40
18.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KONG KOK KEONG</i>	2,348,100	1.35
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR JASEN VUN VUI FEN</i>	2,266,003	1.30
20.	AL-KABIR BIN MOHD ALI	1,971,300	1.13
21.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUEK YONG WAH</i>	1,702,000	0.98
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>ARAB-MALAYSIAN CREDIT BERHAD FOR AL-MEIRAJ BIN MOHD ALI</i>	1,574,499	0.91
23.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIEW CHENG YORK</i>	1,500,000	0.86
24.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOKE MEI PING</i>	1,118,200	0.64
25.	CIMSEC NOMINEES (ASING) SDN BHD <i>ING ASIA PRIVATE BANK LTD FOR TJIN TJU SUSANTO</i>	1,110,000	0.64
26.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR ASBI DANA AL-MUBIN</i>	799,000	0.46
27.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK</i>	670,050	0.39
28.	AL-KABIR BIN MOHD ALI	640,000	0.37
29.	OOI ENG GEOK @ NG ENG GEOK	561,000	0.32
30.	PRB NOMINEES (TEMPATAN) SDN BHD <i>RUBBER INDUSTRY SMALLHOLDERS DEVELOPMENT AUTHORITY</i>	537,750	0.31
		150,555,549	86.59

STATISTICS ON SHAREHOLDINGS

AS AT 1 APRIL 2009 (Cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 1 APRIL 2009

	Direct interest		Indirect interest	
	No. of Shares held	%	No. of Shares held	%
Datuk Goh Tian Chuan	35,510,365	20.42	8,287,500	4.77 ⁽¹⁾
Jotech Holdings Berhad	27,500,000	15.82	-	-
George Chee Tat Min	5,773,200	3.32	12,600,000	7.25 ⁽²⁾
Jasen Yun Vui Fen	2,306,003	1.33	12,600,000	7.25 ⁽²⁾
Darulnas (M) Sdn Bhd	12,600,000	7.25	-	-

Notes:

- ⁽¹⁾ Deemed interest by virtue of his interest in Cara Kaya Sdn Bhd
⁽²⁾ Deemed interest by virtue of his interest in Darulnas (M) Sdn Bhd

DIRECTORS' SHAREHOLDINGS AS AT 1 APRIL 2009

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

Note:

- ⁽¹⁾ Deemed interest by virtue of his interest in Cara Kaya Sdn Bhd

STATISTICS ON WARRANTHOLDINGS

AS AT 1 APRIL 2009

ANALYSIS BY SIZE OF WARRANTHOLDINGS - WARRANTS C

Size of Holdings	No. of Warrantholders	%	No. of Warrants	%
1 - 99	6	3.26	241	0.00
100 - 1,000	129	70.11	36,706	0.14
1,001 - 10,000	25	13.59	95,940	0.37
10,001 - 100,000	11	5.98	262,641	1.00
100,001 to less than 5% of issued warrants	6	3.26	2,488,411	9.49
5% and above of issued warrants	7	3.80	23,346,190	89.00
Total	184	100.00	26,230,129	100.00

LIST OF TOP 30 WARRANTHOLDERS - WARRANTS C

No. Name	Warrants Held	% of Issued Warrants
1. GOH TIAN CHUAN	5,952,323	22.69
2. HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR RBS COUTTS BANK LTD (HK BRANCH)</i>	5,454,545	20.79
3. TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	4,723,700	18.01
4. HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR RBS COUTTS BANK LTD (SG BRANCH)</i>	2,277,872	8.68
5. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	1,707,750	6.51
6. INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CARA KAYA SDN BHD</i>	1,625,000	6.20
7. KONG KOK KEONG	1,605,000	6.12
8. LOKE MEI LING	924,975	3.53
9. AIBB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	618,250	2.36
10. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR JASEN VUN VUI FEN</i>	360,086	1.37
11. WONG JIN FAH	290,000	1.11
12. MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUEK YONG WAH</i>	195,000	0.74
13. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW WUI LI</i>	100,100	0.38
14. ANG KIAN TIAM	55,000	0.21
15. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR WONG CHEE HSIUNG</i>	50,025	0.19

STATISTICS ON WARRANTHOLDINGS

AS AT 1 APRIL 2009 (Cont'd)

LIST OF TOP 30 WARRANTHOLDERS - WARRANTS C

No.	Name	Warrants Held	% of Issued Warrants
16.	HLG NOMINEE (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG KHIE MENG</i>	25,455	0.10
17.	SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>AMARA INVESTMENT MANAGEMENT SDN BHD FOR LIEW CHENG YORK</i>	22,500	0.09
18.	JF APEX NOMINEES (TEMPATAN) SDN BHD <i>AISB FOR LEONG LUP YAN</i>	21,582	0.08
19.	CHEN HENG MUN	20,625	0.08
20.	NG KIAT GUAN	20,000	0.08
21.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HO CHWEE LAN</i>	13,000	0.05
22.	KHOO POH IM	13,000	0.05
23.	SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIEW PAK CHIN</i>	10,909	0.04
24.	SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP KENG FATT</i>	10,545	0.04
25.	PUA ENG CHEONG	10,000	0.04
26.	NG WENG HANG	10,000	0.04
27.	MOHD MOKHTAR BIN SHAFII	8,182	0.03
28.	THENG SAU PAK @ THENG KHEW TET	7,500	0.03
29.	KOO YAT CHING	7,100	0.03
30.	GAN KIM SUNG	5,000	0.02
		26,145,024	99.68

STATISTICS ON WARRANTHOLDINGS

AS AT 1 APRIL 2009 (Cont'd)

DIRECTORS' WARRANTHOLDINGS AS AT 1 APRIL 2009

	Direct interest		Indirect interest	
	No. of Warrants held	%	No. of Warrants held	%
Datuk Goh Tian Chuan	13,002,023	49.57	1,625,000	6.20 ⁽¹⁾
Ooi Boon Pin	-	-	-	-
Chen Heng Mun	20,625	0.08	-	-
Yahya Bin Razali	-	-	-	-
Ng Kok Hok	-	-	-	-
Yap Fook Chin	-	-	-	-
Liew Cheng York	22,500	0.09	-	-

Note:

⁽¹⁾ Deemed interest by virtue of his interest in Cara Kaya Sdn Bhd

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2008

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 December 2008 (RM)	Latest date of revaluation /date of purchase*
Lot 26 & 27, Zone Perindustrian Phase 1 Kulim Hi-tech Industrial Park 09000, Kedah	Office and factory building: assembly and test of integrated circuit chips	Plant 1 : 11.5 Plant 2 : 7.5	513,140	95,000 89,000	Lease over 60 years expiring in year 2056	36,794,018	December 2006
Plot 78, Lintang Bayan Lepas 7 Phase IV, Kawasan Perindustrian Bayan Lepas, 11900 Pulau Pinang	Office and factory building: Manufacture of semiconductor tooling products, automation systems and precision machining	13	66,000	51,000	60 years leasehold land expiring in year 2056	6,332,986	June 1996*
Lot 7, Lintang Bayan Lepas 2 Phase IV, Kawasan Perindustrian Bayan Lepas, 11900 Pulau Pinang	Office and factory building: Leased out for rental Income	9	16,458	5,856	60 years leasehold land expiring in year 2058	1,008,907	March 2003*
Lot 9, Lintang Bayan Lepas 2 Phase IV, Kawasan Perindustrian Bayan Lepas, 11900 Pulau Pinang	Office and factory building: Leased out for rental Income	9	16,254	5,856	60 years leasehold land expiring in year 2058	1,047,623	February 2005*

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at Concorde III, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 26 May 2009 at 10.00 a.m. for the following businesses:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon. RESOLUTION 1

2. To re-elect the following Directors retiring in accordance with Article 101 of the Company's Articles of Association:-
 - (i) Chen Heng Mun RESOLUTION 2
 - (ii) Yahya Bin Razali RESOLUTION 3

3. To re-elect the following Directors retiring in accordance with Article 106 of the Company's Articles of Association:-
 - (i) Ooi Boon Pin RESOLUTION 4
 - (ii) Liew Cheng York RESOLUTION 5

4. To appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. RESOLUTION 6

5. As Special Business to consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

AS ORDINARY RESOLUTION 1

- AUTHORITY TO ISSUE SHARES

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

RESOLUTION 7

AS ORDINARY RESOLUTION 2

- PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ATMEL CORPORATION

"THAT approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders dated 30 April 2009 with Atmel Corporation ("Atmel"), provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders; AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this ordinary resolution;

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING (Cont'd)

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

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

RESOLUTION 8

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

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
Secretaries

Selangor Darul Ehsan
30 April 2009

NOTES:-

(i) PROXY

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

(ii) EXPLANATORY NOTE ON SPECIAL BUSINESS

• RESOLUTION 7

The proposed Ordinary Resolution 7, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next AGM of the Company.

• RESOLUTION 8

The proposed Ordinary Resolution 8, if passed, will allow the Group to enter into recurrent related party transactions pursuant to paragraph 10.09 of the Listing Requirements. Further information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions is set out in the Circular to Shareholders dated 30 April 2009, which is despatched together with the Company's Annual Report 2008.

STATEMENT ACCOMPANYING NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

Directors who are standing for election are as follows:-

- (a) Chen Heng Mun - Article 101
- (b) Yahya Bin Razali - Article 101
- (c) Ooi Boon Pin - Article 106
- (d) Liew Cheng York - Article 106

Further details of the abovementioned directors seeking re-election are set out on pages 5, 6, 89 and 92 of this Annual Report.

I/We _____ (BLOCK LETTERS)

NRIC No./Company No. _____ of

being (a) Member(s) of **AIC CORPORATION BERHAD (194514-M)** hereby appoint *the Chairman of the meeting or _____ of

or failing him, _____ of

as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Concorde III, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 26 May 2009 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:-

RESOLUTION NO.	FOR	AGAINST
1		
2		
3		
4		
5		
6		
7		
8		

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

Signed this day of, 2009

Signature / Seal of Member

* Delete if not applicable

Notes:-

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

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**AFFIX
STAMP**

AIC CORPORATION BERHAD
(194514-M)

C/O EPSILON REGISTRATION SERVICES SDN BHD
Level 17 The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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AIC CORPORATION BERHAD
(194514-M)

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

**Tel : 603 - 5543 1413
Fax : 603 - 5543 2045
Website: www.aic.com.my**