

Profile of Directors

DATUK GOH TIAN CHUAN

EXECUTIVE CHAIRMAN – MALAYSIAN, AGED 46

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, Kepyau, 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 Cepatawawasan Group Berhad. He was redesignated as Chief Executive Officer on 8 April 2005 and as Chairman of the company from 25 July 2005 to 31 October 2005. He was also an executive director of Nucleus Electronics Ltd, 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, a company listed on the Second Board of Bursa Securities Malaysia Berhad (“Bursa Malaysia”).

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 Nakamichi Corporation Berhad (“Nakamichi”) on 12 December 2007. He is presently the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of Nakamichi. He was also an Independent and Non-Executive Director of Liqua Health Corporation Berhad and RNC Corporation Berhad for the periods 2007 to 2008 and 1998 to 2004 respectively.

CHEN HENG MUN

EXECUTIVE DIRECTOR – MALAYSIAN, AGED 38

Chen Heng Mun was appointed to the Board on 1 August 2007 as an Executive Director. He is also the Group 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 was a Director of Jotech Holdings Berhad (“Jotech”) and Nucleus Electronics Ltd from 3 January 2007 to 2 July 2007 and 17 January 2005 to 1 June 2006 respectively.

NG KOK HOK

INDEPENDENT NON-EXECUTIVE DIRECTOR – MALAYSIAN, AGED 47

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 started his career as a marketing executive and subsequently held the position of 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.

YAP FOOK CHIN

INDEPENDENT NON-EXECUTIVE DIRECTOR – MALAYSIAN, AGED 41

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 Sandakan Turf Club. He is also currently holding several directorships in a few plantation companies.

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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 81 of the Annual Report, there are no material contracts of the Group, involving Directors and major Shareholders' interest.

Message from the Executive Chairman

OVERVIEW

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In 2007, the Group continues with its ongoing restructuring and turnaround plans which were initiated back in 2006. The plans that took place in 2007 include the disposal of our non-core businesses, namely our associate, Nucleus Electronics Ltd (“Nucleus”) and our Electronics Division. Apart from the divestment exercises, we embarked on strengthening our core Semiconductor business by acquiring Prodelcon Sdn Bhd (“Prodelcon”) from Jotech Holdings Berhad (“Proposed Acquisition”) and the implementation of a rights issue with free warrants (“Rights Issue”). The disposal of Nucleus was completed in March 2007 whereas the Rights Issue and the divestment of our Electronics Division were completed in March and April 2008 respectively. The Proposed Acquisition however is pending completion.

All these corporate exercises are aimed to streamline the business of the Group to focus on our core semiconductor business, strengthen the cash position and reduce bank borrowings and ultimately to return the Group to profitability.

Through the above restructuring efforts and the cash flow generated from our profitable divisions, our Group’s gearing fell from 1.46 times in 2006 to 0.84 times in 2007.

Message from the Executive Chairman (cont'd)

FINANCIAL REVIEW

The Group's net loss reduced by 93% from a staggering net loss of RM60.8 million in 2006 to a net loss of RM4.2 million in 2007.

The significant improvement in the results was mainly driven by the growth in profitability of our core Semiconductor Division which registered a profit before tax contribution of RM7.2 million which was 5 times higher than the profit before tax contribution for 2006, a negative goodwill of RM3.5 million recognised on acquisition of our remaining interest in the intermediate holding company of the Semiconductor Division and a substantially lower operational losses by the Display Division.

Included as well in the net loss of 2007 was a deferred tax expense of RM2.8 million recorded by the Semiconductor Division, a one-off loss on investment in unquoted subordinated bonds of RM2.9 million and goodwill of RM0.6 million being written off, in compliance with accounting standards.

Overall, the Group's revenue from continuing operations declined by 11% or RM17.9 million to RM141.3 million for the current year due mainly to a decrease of RM19.5 million or 83% in revenue contribution from our Display Division.

The Electronics Division, which was in the process of being divested in 2007 fall within the ambit of Discontinued Operations in accordance with the Financial Reporting Standard ("FRS") 5, *Non-current Assets Held for Sale and Discontinued Operations* and as required by FRS 5, the consolidated income statements for 2007 and 2006 have been adjusted/restated to reflect the after-tax results of the discontinued operations as a single amount on the face of the consolidated income statements.

SEMICONDUCTOR DIVISION REVIEW

Despite facing many adverse economic challenges, including the continuous strengthening of the Ringgit Malaysia against the United States Dollar ("USD") and metal prices of gold and copper piercing its record high in 2007, our core business of the Group, the Semiconductor Division, managed to register a commendable growth in earnings. The profit before tax contribution increase by 5 fold to RM7.2 million and the Semiconductor Division's roll-out volume reached a record high of 875 million units, representing a yearly growth of 4%. However, the yearly revenue was rather flat which was compounded by the weakening of the USD.

The improvement in earnings was made possible with higher business volume, the shift of product mix towards the higher margin packages and efficient costs management. Since developing the QFN (Quad Flat No Lead) late of 2005, the Division continues to add more capacity during the year for its QFN packages to keep with its objective of investment for

growth via package migration to the fastest growing package in the industry. The Division's constant drive for cost control to bring down overheads and improve on efficiency and productivity has also attributed to the Division's improved margins during the year.

On the marketing front of our global offices, the Division managed to secure and qualify more new customers, mainly consisting of QFN base customers, bringing the total qualified customers list to date of approximately 50 customers. Through the efforts of increasing the level of customer service and marketing globally since 2005, our qualified customers has reached and increased by 10 fold during the year as compared to 2003. The increase customer base would put the Division in a better position to mitigate the risk of volatility in the semiconductor industry.

ELECTRONICS DIVISION REVIEW

The country's motor vehicle sales and production volume in 2007 fell by 0.7% and 12.2% as compared to 2006. This was mainly caused by the 'wait and see' attitude of the public pending the resolution of a strategic partner for Proton, the announcement of which was also delayed until end November 2007. Total production volume fell due also to cut backs in production in light of high inventory levels recorded in 2006. As such, it was not surprising that the Electronics Division registered a decline of RM3.4 million or 17% in its revenue contribution. However, despite the decrease in revenue, the Electronics Division managed to register a nominal profit before tax of RM74,000 for 2007 versus a loss before tax of RM3.8 million for the preceding year. The turnaround was mainly due to cost saving derived from improved productivity through lower headcount and the outsourcing of its plastic parts which was previously done in house.

DISPLAY DIVISION REVIEW

The display business persists to be competitive and challenging as can be seen from its decreasing revenue contribution from RM23.5 million in 2006 to RM4.0 million in 2007. However, it is worth noting that despite the substantial decrease in revenue, the Display Division's loss before tax decreased by RM22.9 million or 81% to post a loss before tax of RM5.2 million for 2007. This decrease was partly attributed by the amortisation of a government grant of RM6.3 million, which was received in the first quarter of 2007. Included in the losses for 2007 was an allowance for doubtful debts and an inventories write down amounting to RM0.5 million and RM2.8 million respectively. It is an inherent fact that there is a constant and immense pricing pressure in the display businesses which inadvertently results in loss of margin and volume. Hence, during the year, a lot of emphasis was placed on reorganising our customer portfolio and product offerings. Also, tough measures were taken to reduce overhead and trim the staff force to an optimum level and thus reduce operating losses and stabilising the operations.

Message from the Executive Chairman (cont'd)

OTHERS

The Proposed Acquisition of Prodelcon is expected to bring synergistic benefits to the combined entity of our Group and Prodelcon, upon completion of the Proposed Acquisition and the benefits are as follows:

- i) Prodelcon'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 out;
- ii) Greater opportunity to cross sell each other's capabilities leading to an enlarged customer base; and
- iii) The extensive management experience of Prodelcon's management team will help strengthen the management expertise of our Semiconductor Division.

Your Board firmly believes that the Proposed Acquisition will eventuate in long term growth and higher revenue and profitability to the Group.

Your Board wishes to highlight that the Group has improved its results and financial position in 2007 as compared to the preceding year. However, your Board acknowledges that further and urgent improvements need to be made to return the Group to long-term profitability. Hence, efforts to revitalise the Group has already been in place during the year and is currently ongoing until the Group strengthens its balance sheet and returns to profitability. These efforts, namely, the proposed divestment of the Electronics Division and the Rights Issue will help reduce our borrowings, improve our liquidity and together with the Proposed Acquisition of Prodelcon, help strengthen our financial position and enhance returns to the Group.

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

In keeping with the spirit as one of the past Corporate Excellence Award Winners by Bursa Malaysia Securities Berhad, 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 globally 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 electrical and electronics ("E&E") industry, the industry in which our core semiconductor business are in, continues to expand and reinvest, bringing in new technology and processes to move further up the value chain. Under the Ninth Malaysia Plan, the E&E industry has been targeted as one of the key industries to move towards higher level of technology adoption and to produce greater value-added outputs. In this regard, the E&E cluster in the Northern Corridor Economic Region comprising Penang and Kulim High Technology Park, where our Semiconductor Division is located will be further developed.

The semiconductor industry has grown at a compounded annual growth rate of 17% over the past 40 years from its beginning in the 1950s. From 2002 till now, the global semiconductor sales have grown year by year. It has been projected that worldwide sales will surpass USD321 billion in 2010 with a compound annual growth rate of 7.7% for the period of 2007-2010.

Notwithstanding the above, the prospects and sentiments are currently affected with the United States of America's economy, being the largest and dominant economic power falling into a devastating recession amid turmoil in the financial markets with escalating gold and crude oil prices. These scenarios do not fare well for all the businesses in our Group like wise for any other organisation.

The only way, we can handle this is to obviously continue to provide the best products possible, ensure our quality is at the right level and our employees follow a clear grounded strategy.

Our Group had since 2006 commenced the implementation of strategic plans to streamline our businesses through divestments of our non-core assets and investments, which includes our interest in precision stamping and electronics components distribution businesses. Our Group intends to focus our resources primarily in the semiconductor-related businesses. As part of our strategic plans, we have also undertaken the Proposed Acquisition of Prodelcon to strengthen our semiconductor business. The proceeds from the Rights Issue, which was completed recently, were used to repay our Group's borrowings and reduce gearing, which would then assist our Group in achieving sustainable levels of profits in the future.

Message from the Executive Chairman (cont'd)

We intend to reap the benefits from our preset strategies of our Semiconductor Division by continuously enhancing our business model and expanding our customer base. More capacity will be added to expand our QFN packages. The successful expansion of the QFN business will firmly position our Semiconductor Division within the industry for the years to come and move in line with the packaging technology. We are also gearing up to maximize our capacity utilisation for our smart card module assembly business in 2008 with the inception of new customers and package enhancement which will in turn improve our profitability.

Your Board acknowledges that the Group's profitability plan may continue to be hindered by the discouraging performance of the Display Division. As such, our Group has also revised the business strategy of our Display Division to include being an OEM (Original Equipment Manufacturer), where we will concentrate on providing manufacturing and assembly expertise to selective large customers. The OEM model will significantly reduce the risks associated with inventory carry, thus reducing the working capital requirement as well as improving the cash conversion cycle of the Display Division.

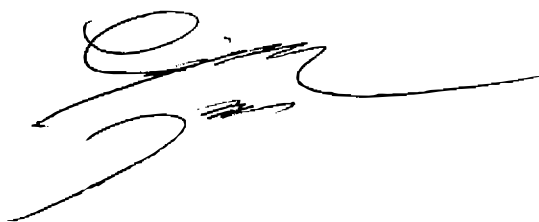
With the ongoing efforts to improve profitability, we hope to improve our bottom line of the Group for 2008. We are hopeful that our corporate restructuring exercise would result in costs savings to the Group and transform it into a more efficient, leaner and agile entity, which could respond better to the ever-changing business environment that we operate in. With this, a new and exciting journey begins for your Group.

APPRECIATION

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 further 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 Goh Tian Chuan
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 six (6) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:-

Name	Meetings attended
Datuk Goh Tian Chuan	6/6
Yahya Bin Razali	5/6
Chen Heng Mun (appointed on 1 August 2007)	3/3
Ng Kok Hok (appointed on 1 September 2007)	2/2
Yap Fook Chin (appointed on 1 October 2007)	1/1
Yeow Ewe Chuan (resigned on 15 January 2008)	6/6
Yap Chi Keong (resigned on 1 September 2007)	4/4
Mohamad Ariff bin Puteh (resigned on 31 March 2007)	1/1

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 five members, comprising of two (2) Executive Directors 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 page 5.

Datuk Goh Tian Chuan is the Executive Chairman of the Board while Yeow Ewe Chuan acted as the Executive Director, Group Chief Executive Officer ("CEO"). There was a clear division of responsibility between these two roles to ensure balance of power and authority. Yeow Ewe Chuan resigned on 15 January 2008 and the Group CEO position is currently vacant. Pending the appointment of a Group CEO, the Executive Chairman and the Executive Director are currently responsible for the day-to-day management of the Group. Ng Kok Hok, the Audit Committee Chairman, is the Independent Non-Executive Director to whom concerns may be conveyed.

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

Corporate Governance Statement (cont'd)

SECTION 1 : DIRECTORS (cont'd)

SUPPLY OF INFORMATION

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

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

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans, acquisitions and disposals of assets that are material to the Group, major investments and changes to 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 Secretary 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 candidates 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 (Appointed on 1 September 2007)
- Yap Chi Keong (Resigned on 1 September 2007)

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.

The Committee had a total of three (3) meetings since the last Annual Report and which were attended by all of the members.

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)

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:-

- Datuk Goh Tian Chuan (Article 101)
- Chen Heng Mun (Article 106)
- Ng Kok Hok (Article 106)
- Yap Fook Chin (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.

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) (Appointed on 1 September 2007)
- Yahya bin Razali
- Datuk Goh Tian Chuan
- Yap Chi Keong (Resigned on 1 September 2007)

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 individual 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.

The Committee had one (1) meeting since the last Annual Report, which was attended by all of the members.

DIRECTORS' REMUNERATION

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

	Executive		Non- Executive	
	2007	2006	2007	2006
RM300,000 – RM349,000	1	-	-	-
RM250,000 – RM299,000	1	1	-	-
RM200,000 – RM249,000	-	1	-	-
RM100,000 – RM149,000	1	-	-	-
RM 50,000 – RM 99,000	-	1	-	-
Below RM50,000	1	1	4	6

Corporate Governance Statement (cont'd)

SECTION 2 - DIRECTORS' REMUNERATION (cont'd)

DIRECTORS' REMUNERATION (cont'd)

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

RM'000	Executive		Non-Executive	
	2007	2006	2007	2006
Salaries				
- the Company	757	577	-	-
- associated company	-	123	-	-
Fees				
- the Company	-	-	46	57
- associated companies	-	75	-	15
Meeting allowances				
- the Company	-	-	5	11
- associated companies	-	3	-	2
Benefits-in-kind (based on estimated monetary value)	-	4	-	4

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

SECTION 3 : SHAREHOLDERS

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

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

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

AGM

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

Corporate Governance Statement (cont'd)

SECTION 4: ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Directors have:-

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

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the 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.

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 to 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.

Corporate Governance Statement (cont'd)

SECTION 5: CORPORATE SOCIAL RESPONSIBILITY (cont'd)

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.

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 Prioritise 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 above statement is made in accordance with the resolution of the Board of Directors dated 27 March 2008.