

The background of the page features a light blue, semi-transparent image of a ship's steering wheel and rigging. The steering wheel is prominent in the lower-left quadrant, and the rigging, including ropes and pulleys, extends across the upper and right portions of the frame. The overall aesthetic is clean and professional, with a nautical theme.

Financial Statements

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Directors' Report for the year ended 31 December 2007

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of its subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit attributable to:		
Shareholders of the Company	(4,231)	(40,233)
Minority interests	1,148	-
	<u>(3,083)</u>	<u>(40,233)</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

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

Datuk Goh Tian Chuan
Yahya bin Razali
Chen Heng Mun (*appointed on 1 August 2007*)
Ng Kok Hok (*appointed on 1 September 2007*)
Yap Fook Chin (*appointed on 1 October 2007*)
Yeow Ewe Chuan (*resigned on 15 January 2008*)
Yap Chi Keong (*resigned on 3 September 2007*)

Directors' Report for the year ended 31 December 2007 (cont'd)

DIRECTORS' INTERESTS

The holdings and deemed interests in 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:

	Balance at 1.1.2007/ Date of appointment	Number of ordinary shares of RM1 each		Balance at 31.12.2007
		Bought	Sold	

Shares in the Company

Datuk Goh Tian Chuan				
- direct interest	12,000,000	9,184,600	-	21,184,600
- indirect interest *	-	6,500,000	-	6,500,000
Chen Heng Mun	82,500	-	-	82,500

	Balance at 1.1.2007	Number of warrants		Balance at 31.12.2007
		Bought	Sold	

Warrants in the Company

Datuk Goh Tian Chuan				
- direct interest	5,600,000	-	(5,600,000)	-

* 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:-

	At date of appointment	Number of options over ordinary shares of RM1 each		Balance at 31.12.2007
		Granted	Exercised	

Options over shares in the Company

Chen Heng Mun	278,000	-	-	278,000
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By virtue of his interests 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 2007 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 2007 (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 or the fixed salary of a full time employee 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, the Company issued 12,600,000 ordinary shares of RM1.00 each in the Company pursuant to the Company's acquisition of the remaining 25% equity interest in its subsidiary, AIC Technology Sdn Bhd ("AICT").

Save as disclosed above, 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) 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.

ii) Warrants

On 15 October 2006, the exercise period of the Company's Warrants B was extended for one year up to and including 15 January 2008. As provided by the Supplemental Deed Poll of the Warrants B dated 23 December 2002, the extension was made as the weighted average market price of the Company's shares quoted on the Bursa Malaysia Securities Berhad for any 30 consecutive market days preceding 15 October 2006 did not represent a premium of more than twenty percent (20%) over the exercise price of Warrants B of RM2.53.

As at 31 December 2007, 25,893,096 of Warrants B remained unexercised. The warrants expired and lapsed on 15 January 2008 and ceased to be exercisable thereon.

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

Directors' Report for the year ended 31 December 2007 (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 inter-company debts written off by the Company totaling RM39,114,000 as disclosed in Note 22 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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

- i) The Company, Khazanah Nasional Berhad ("Khazanah") and AICT, a subsidiary, had, on 6 February 2007, executed a Deed of Revocation to mutually revoke and rescind a shareholders' agreement dated 9 September 1998, which was made between them to regulate their relationship as shareholders of AICT. The Deed of Revocation is a consequence of Khazanah divesting its entire 25% equity stake on even date, comprising 2 million ordinary shares of RM1.00 each in AICT ("AICT Shares") and 1,612,678 cumulative redeemable preference shares of RM1.00 each in AICT ("AICT CRPS") to Darulnas (M) Sdn Bhd ("Darulnas").
- ii) AICT had on 27 February 2007 entered into a sale and purchase agreement with Binary Technologies Ltd to dispose of 60.0 million ordinary shares or 27.3% equity interest in Nucleus Electronics Ltd ("Nucleus"), an investment which was classified as an asset held for sale in the prior year, for a cash consideration of SGD8.7 million ("Divestment"). The Divestment was completed on 5 March 2007. This disposal resulted in a loss of RM0.288 million to the Group.
- iii) On 12 March 2007, the Company disposed of its remaining 3,999,900 ordinary shares, representing 0.56% equity interest in Jotech Holdings Berhad ("Jotech"), classified as an other investment, for a total cash consideration of RM0.7 million in the open market. This disposal resulted in a gain of RM0.48 million to the Group.
- iv) Between 19 and 21 March 2007, AICT disposed of its remaining 29.6 million ordinary shares or 13.5% equity interest held in Nucleus for a total cash consideration of SGD4.292 million in the open market. This disposal resulted in a loss of RM0.145 million to the Group.
- v) On 2 April 2007, AICT redeemed 1.5 million of its cumulative redeemable preference shares of RM1.00 each ("AICT CRPS"), resulting in a net cash outflow of RM7.3 million to minority shareholders and the creation of a capital redemption reserve in AICT.
- vi) The Company had on 31 May 2007 entered into a sale and purchase agreement with Darulnas pursuant to the acquisition of the remaining 25% equity interest in AICT not held by the Company comprising 2,000,000 AICT Shares and 1,237,678 AICT CRPS from Darulnas for a total purchase consideration of RM14,000,000 to be satisfied by the issuance of 12,600,000 new ordinary shares of RM1.00 each in the Company ("AIC Shares") at an issue price of RM1.00 per AIC Share ("AICT Consideration Shares") and cash of RM1,400,000 ("Acquisition of AICT").

Directors' Report for the year ended 31 December 2007 (cont'd)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

Subsequently, the Company had on 11 October 2007 entered into a supplemental sale and purchase agreement with Darulnas whereby the parties agreed that the AICT Consideration Shares shall, upon allotment and issuance rank pari passu in all respects with the then existing AIC Shares except that the AICT Consideration Shares shall not be entitled to any rights, allotments and/or other distributions under and in respect of the rights issue announced by the Company on 19 September 2007 nor any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the allotment date of the AICT Consideration Shares.

The Acquisition of AICT was completed on 31 December 2007 and resulted in a negative goodwill amounting to RM3.5 million being recognised in the consolidated income statement during the financial year.

vii) Brimal Holdings Sdn Bhd ("Brimal"), a wholly owned subsidiary had on 16 July 2007 entered into a management agreement with AV Ventures Corporation Berhad ("AVC") whereby, AVC agreed to provide management services to Brimal's automotive parts business for a period of 3 years unless and until terminated. In consideration of the provision of the management services and for each year of the provision of the management services, Brimal shall pay AVC 30% of Brimal's audited profit before taxation within 1 month from the audited financial statements of Brimal being issued for the relevant financial year. AVC has agreed that such charges or payment shall be due and payable only if Brimal registers profit before taxation.

viii) Autovisor Plastics Sdn Bhd ("AVP"), a wholly owned subsidiary, had on 16 July 2007 entered into a management agreement with AVC whereby, AVC agreed to provide management services to AVP's automotive parts business for a period of 3 years unless and until terminated. In consideration of the provision of management services and for each year of the provision of management services, AVP shall pay AVC 30% of AVP's audited profit before taxation within 1 month from the audited accounts of AVP being issued for the relevant financial year. AVC has agreed that such charges or payment shall be due and payable only if AVP registers profit before taxation.

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ix) AIC Display Sdn Bhd ("AICD"), a wholly owned subsidiary, had on 1 August 2007 entered into a sale and purchase agreement with Khazanah to acquire the remaining 25% equity interest, comprising of 1,666,667 ordinary shares of RM1.00 each in AIC Microelectronics Sdn Bhd ("AICM"), for a cash consideration of RM1,688. Subsequently, AICM has become a wholly-owned subsidiary of AICD. Consequently, on even date, Khazanah, AICD and AICM had mutually agreed to revoke and rescind a shareholders' agreement dated 9 September 1998, which was made between them to regulate their relationship as shareholders of AICM.

x) The Company had on 19 September 2007 entered into a sale and purchase agreement with Jotech pursuant to the proposed acquisition of the entire equity interest, comprising 1,249,000 ordinary shares of RM1.00 each in Prodelcon Sdn Bhd ("Prodelcon"), a wholly owned subsidiary of Jotech ("Proposed Acquisition") for a purchase consideration of RM53,000,000 to be satisfied by the issuance of 27,500,000 AIC shares at an issue price of RM1.00 per share and the remaining RM25,500,000 in cash.

On 15 November 2007, the Company and Jotech entered into a supplemental sale and purchase agreement pursuant to the Proposed Acquisition whereby the profit warranty given by Jotech to the Company of not less than RM5 million shall be based on the audited profit after taxation and minority interest, after deducting the loss on disposal of investment of RM2.92 million, of Prodelcon for the financial year ended 31 December 2007.

Subsequently, the Company had on 2 January 2008 and 27 February 2008 received the Securities Commission's (via its letter dated 31 December 2007) and its shareholders' approval respectively for the Proposed Acquisition.

xi) AIC Inspirasi Sdn Bhd ("AICI"), a wholly owned subsidiary, had on 19 September 2007 entered into a sale and purchase agreement with AVC whereby AICI has agreed to sell to AVC:

(a) the entire equity interest in Brimal of 8,000,000 ordinary shares of RM1.00 each;

(b) the entire equity interest in AVP of 1,000,000 ordinary shares of RM1.00 each; and

(c) 2,500,000 new ordinary shares of RM1.00 each in AVP to be issued to AICI pursuant to a proposed capitalisation of advances from AICI.

The consideration for the said shares is RM12,291,684 to be satisfied by the issuance of 9,833,347 new ordinary shares of RM1.00 each in AVC ("AVC Shares") at an issue price of RM1.25 per AVC Share.

Directors' Report for the year ended 31 December 2007 (cont'd)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

xii) The Company had on 26 September 2007 entered into a novation agreement with Amanah Raya Berhad ("ARB") and CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad) (as Trustee for the Amanah Raya Real Estate Investment Trust) ("CIMB Trustee") whereby the Company consented to the assignment, transfer and substitution of ARB with CIMB Trustee pursuant to the sale and purchase agreement between ARB and CIMB Trustee with effect from the date of completion of the aforementioned sale and purchase agreement. Under the said sale and purchase agreement, ARB agreed to sell all pieces of land held under HS(D) 97328, Lot PT No.611 and HS(D) 97329, Lot PT No. 612, both of Seksyen 16 Bandar Shah Alam, District of Petaling, State of Selangor together with all erected buildings/structures on that land thereon but excluding all the plant and machinery installed/affixed/brought or to be installed/affixed/brought on those said land, together with all its contractual rights interests benefits, advantages, privileges, chooses in action and obligations under and pursuant to a lease agreement entered into between AIC and ARB in 2006, to CIMB Trustee.

xiii) On 18 December 2007, the shareholders of the Company had at an extraordinary general meeting approved a rights issue of up to 36,980,244 AIC Shares ("Rights Shares") together with up to 33,618,403 free new detachable warrants in the Company ("Warrants") attached on the basis of 11 Rights Shares with 10 Warrants for every 40 existing AIC Shares held ("Rights Issue").

Subsequently, the Company had on 27 January 2008 executed the Deed Poll governing the Warrants.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

i) The Company had on 29 January 2008 entered into an Underwriting Agreement with RHB Investment Bank Berhad and MIMB Investment Bank Berhad (collectively referred to as the "Underwriters") wherein the Underwriters have agreed to underwrite up to 12,739,877 Rights Shares for an underwriting commission of 1.5% of the value of the Rights Shares underwritten, payable in cash.

ii) The Company had on 18 March 2008 completed the Rights Issue with the listing of 28,853,142 Rights Shares and 26,230,129 Warrants.

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

.....
Chen Heng Mun

Shah Alam,
Date: 27 March 2008

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 30 to 80 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

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

.....
Datuk Goh Tian Chuan

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.....
Chen Heng Mun

Shah Alam,
Date: 27 March 2008

Statutory Declaration

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

I, **Chen Heng Mun**, the Director primarily responsible for the financial management of AIC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 80 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 27 March 2008.

.....
Chen Heng Mun

Before me:

Report of the Auditors to the members of AIC Corporation Berhad

We have audited the financial statements set out on pages 30 to 80. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 6 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

KPMG

Firm Number: AF 0758
Chartered Accountants

FOONG MUN KONG

Partner
Approval Number: 2613/12/08(J)

Kuala Lumpur,
Date: 27 March 2008

Balance Sheets at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Assets					
Property, plant and equipment	3	96,441	104,556	105	147
Intangible assets	4	5,088	7,131	-	-
Prepaid lease payments	5	6,913	7,058	-	-
Investments in subsidiaries	6	-	-	75,312	77,443
Other investments	8	-	10	-	-
Total non-current assets		108,442	118,755	75,417	77,590
Prepaid lease payments	5	145	145	-	-
Other investments	8	45	4,782	-	4,737
Receivables, deposits and prepayments	9	38,936	41,013	18,330	61,237
Inventories	10	19,063	29,057	-	-
Current tax assets		892	1,617	816	761
Assets classified as held for sale	11	15,817	29,913	-	-
Cash and cash equivalents	12	7,530	10,070	1,912	772
Total current assets		82,428	116,597	21,058	67,507
Total assets		190,870	235,352	96,475	145,097
Equity					
Share capital	13	117,520	104,920	117,520	104,920
Reserves	14	15,673	23,259	6,333	6,302
Accumulated losses		(58,392)	(61,778)	(59,626)	(19,393)
Total equity attributable to shareholders of the Company		74,801	66,401	64,227	91,829
Minority interest	17	9,136	16,759	-	-
Total equity		83,937	83,160	64,227	91,829
Liabilities					
Borrowings	18	14,574	4,430	-	-
Redeemable preference shares		-	16,127	-	-
Government grant	19	1,582	2,269	-	-
Deferred tax liabilities	7	3,288	600	-	-
Payables and accruals	20	-	301	-	-
Total non-current liabilities		19,444	23,727	-	-
Provision for warranties	21	-	70	-	-
Government grant	19	1,444	859	-	-
Payables and accruals	20	34,559	35,079	4,748	8,268
Liabilities classified as held for sale	11	3,327	-	-	-
Borrowings	18	48,159	92,457	27,500	45,000
Total current liabilities		87,489	128,465	32,248	53,268
Total liabilities		106,933	152,192	32,248	53,268
Total equity and liabilities		190,870	235,352	96,475	145,097

The notes on pages 37 to 80 are an integral part of these financial statements.

Income Statements for the year ended 31 December 2007

	Note	2007 RM'000	Group 2006 RM'000 Restated	2007 RM'000	Company 2006 RM'000
Continuing operations					
Revenue					
- sale of goods		117,934	135,397	-	-
- dividend (gross)		-	-	-	445
- services		23,387	23,862	2,083	1,895
		141,321	159,259	2,083	2,340
Cost of sales		(108,959)	(141,092)	-	-
Other costs		(21,338)	(22,194)	-	-
		(130,297)	(163,286)	-	-
Gross profit/(loss)		11,024	(4,027)	2,083	2,340
Administrative expenses		(7,727)	(10,575)	(46,097)	(5,282)
Distribution costs		(2,884)	(2,614)	-	-
Other operating expenses		(8,563)	(41,299)	(6,039)	-
Other operating income		12,112	3,655	11,305	5,197
Results from operating activities	22	3,962	(54,860)	(38,748)	2,255
Interest income	23	694	74	718	1,133
Finance costs	24	(6,271)	(8,707)	(2,894)	(3,582)
Operating loss		(1,615)	(63,493)	(40,924)	(194)
Share of loss after tax of equity accounted associates		-	(3,492)	-	-
Loss before tax		(1,615)	(66,985)	(40,924)	(194)
Tax expense	27	(2,060)	358	691	354
(Loss)/Profit for the year from continuing operations		(3,675)	(66,627)	(40,233)	160
Discontinued operations					
Profit/(Loss) from discontinued operations, net of tax	28	592	(2,140)	-	-
(Loss)/Profit for the year		(3,083)	(68,767)	(40,233)	160
Attributable to:					
Shareholders of the Company		(4,231)	(60,752)	(40,233)	160
Minority interests		1,148	(8,015)	-	-
(Loss)/Profit for the year		(3,083)	(68,767)	(40,233)	160
Basic loss per ordinary share (sen):	29				
from continuing operations		(5)	(56)		
from discontinued operations		1	(2)		
		(4)	(58)		

The notes on pages 37 to 80 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

	Share capital		Treasury shares		Share premium		Capital reserve		Revaluation reserve		Merger reserve		Non distributable Held for sale reserve		Exchange fluctuation reserve		Equity compensation reserve		Statutory legal reserve		Accumulated losses		Total equity	
	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	104,920	(3,808)	7,597	16,398	1,302	1,997	-	516	134	-	(886)	128,170	25,700	153,870										
Currency translation differences	-	-	-	-	-	-	-	(1,994)	-	-	-	(1,994)	(664)	(2,658)										
Share of reserves of associates	-	-	-	-	7	-	-	(43)	-	37	-	1	30	31										
Realisation of reserve on disposal of associate	-	-	-	-	-	-	-	140	-	-	(140)	-	-	-										
Amount recognised directly in equity relating to the assets classified as held for sale	-	-	-	(9,945)	(7)	-	8,742	1,381	(134)	(37)	-	-	-	-										
Net gains and losses recognised directly in equity	-	-	-	(9,945)	-	-	8,742	(516)	(134)	-	(140)	(1,993)	(634)	(2,627)										
Loss for the year	-	-	-	-	-	-	-	-	-	-	(60,752)	(60,752)	(8,015)	(68,767)										
Total recognised income and expense for the year	-	-	-	(9,945)	-	-	8,742	(516)	(134)	-	(60,892)	(62,745)	(8,649)	(71,394)										
Share-based payments	-	-	-	-	-	-	-	-	328	-	-	328	-	328										
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(292)	(292)										
Treasury shares sold	-	3,808	(3,160)	-	-	-	-	-	-	-	-	648	-	648										
At 31 December 2006	104,920	-	4,437	6,453	1,302	1,997	8,742	-	328	-	(61,778)	66,401	16,759	83,160										

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007 (cont'd)

	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Non distributable					Accumulated losses RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
						Merger reserve RM'000	Held for sale reserve RM'000	Exchange fluctuation reserve RM'000	Equity compensation reserve RM'000	Statutory legal reserve 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 expense 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

The notes on pages 37 to 80 are an integral part of these financial statements.

Company Statement of Changes in Equity for the year ended 31 December 2007

Note	Share capital RM'000	Treasury shares RM'000	Non distributable				Accumulated losses RM'000	Total RM'000
			Share premium RM'000	Capital reserve RM'000	Equity compensation reserve RM'000			
At 1 January 2006	104,920	(3,808)	7,597	1,537	-	(19,553)	90,693	
Profit for the year	-	-	-	-	-	160	160	
Treasury shares sold	-	3,808	(3,160)	-	-	-	648	
Share-based payments	-	-	-	-	328	-	328	
At 31 December 2006/1 January 2007	104,920	-	4,437	1,537	328	(19,393)	91,829	
Loss for the year	-	-	-	-	-	(40,233)	(40,233)	
Shares issued	12,600	-	-	-	-	-	12,600	
Share-based payments	-	-	-	-	31	-	31	
At 31 December 2007	117,520	-	4,437	1,537	359	(59,626)	64,227	

The notes on pages 37 to 80 are an integral part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Cash flows from operating activities					
Loss before tax from continuing operations		(1,615)	(66,985)	(40,924)	(194)
Adjustments for:					
Allowance for doubtful debts		609	6,097	-	-
Amortisation of development expenditure		839	1,019	-	-
Amortisation of government grant		(7,120)	(859)	-	-
Amortisation of prepaid lease payments		145	157	-	-
Amount owing by subsidiaries written off		-	-	39,114	1,086
Bad debts written off		704	216	-	-
Depreciation		15,760	26,993	52	135
Development expenditure written off		355	-	-	-
Dividend income		-	-	-	(445)
Gain on redemption of preference shares in a subsidiary		-	-	(10,800)	-
Goodwill written off		623	-	-	-
Impairment loss on investment in an associate		-	19,407	-	-
Impairment loss on investment in subsidiary		-	-	4,881	-
Impairment losses on property, plant and equipment		-	474	-	-
Interest expense		6,110	8,465	2,889	3,578
Interest income		(694)	(74)	(718)	(1,133)
Inventories written down to net realisable value		2,754	4,708	-	-
Inventories written off		188	-	-	-
Loss/(Gain) on disposal of an associate		433	11,720	-	(4,997)
(Gain)/Loss on disposal of other investment		(479)	7	(479)	-
Loss on redemption of other investment		2,925	-	2,925	-
(Gain)/Loss on disposal of property, plant and equipment (net)		(56)	(379)	4	(188)
Negative goodwill arising from acquisition of remaining shares in a subsidiary		(3,548)	(8)	-	-
Property, plant and equipment written off		43	7	-	1
Reversal of inventories written down		(19)	(19)	-	-
Share-based payments		31	328	-	-
Share of results in associates		-	3,492	-	-
Unrealised foreign exchange gain		(626)	(1,470)	-	-
Operating profit/(loss) before changes in working capital		17,362	13,296	(3,056)	(2,157)
Changes in working capital:					
Inventories		4,150	12,002	-	-
Receivables, deposits and prepayments		(3,062)	(5,862)	3,833	(9,001)
Payables and accruals		6,570	2,903	(3,527)	2,139
Cash generated from/(used in) operations		25,020	22,339	(2,750)	(9,019)
Dividends received from subsidiaries		-	-	-	1,803
Income taxes paid		(17)	(17)	-	-
Income taxes refunded		676	154	636	-
Net cash generated from/(used in) operating activities		25,679	22,476	(2,114)	(7,216)

The notes on pages 37 to 80 are an integral part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2007 (cont'd)

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Cash flows from investing activities					
Acquisition of minority interest		(1,402)	(285)	(1,402)	(285)
Development expenditure incurred		(153)	(336)	-	-
Dividends received from associates		-	1,516	-	293
Interest received		694	74	718	1,133
Proceeds from disposal of an associate (net)		29,480	16,825	-	16,825
Proceeds from disposal of other investment		716	43	716	-
Proceeds from disposal of property, plant and equipment (net)		92	11,116	1	6,507
Proceeds from redemption of other investment		1,575	-	1,575	-
Purchase of property, plant and equipment		(14,824)	(3,248)	(15)	(23)
Redemption of preference shares in a subsidiary		(7,350)	-	22,050	-
Net cash generated from investing activities		8,828	25,705	23,643	24,450
Cash flows from financing activities					
Repayment of bank borrowings (net)		(33,979)	(39,818)	(17,500)	(14,000)
Interest paid		(6,110)	(8,465)	(2,889)	(3,578)
Proceeds from sale of treasury shares (net)		-	648	-	648
Government grant received		7,018	-	-	-
Repayment of finance lease and hire purchase liabilities		(35)	(259)	-	(144)
Net cash used in financing activities		(33,106)	(47,894)	(20,389)	(17,074)
Net cash flow from continuing operations		1,401	287	1,140	160
Net cash (used in)/generated from discontinued operations		(1,292)	1,545	-	-
Cash and cash equivalents at beginning of year	(i)	10,070	8,238	772	612
Cash and cash equivalents at end of year	(i)	10,179	10,070	1,912	772

(i) Cash and cash equivalents

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	6,981	5,440	1,912	712
Short term placement funds	6	145	-	60
Deposits placed with licensed banks	3,192	4,485	-	-
Total cash and cash equivalents	10,179	10,070	1,912	772
Cash and cash equivalents from discontinued operations	(2,649)	(3,941)	-	-
Cash and cash equivalents from continuing operations	7,530	6,129	1,912	772

The notes on pages 37 to 80 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 is listed on the Main Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is 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 2007 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 2007 do not include other entities.

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

The financial statements were approved by the Board of Directors on 27 March 2008.

1. BASIS OF PREPARATION

(a) 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.

(b) 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- *Note 4 - measurement of the recoverable amounts of cash-generating units*
- *Note 7 - recognition of unutilised tax losses and capital allowances*
- *Note 31 - provision and contingencies*

The revised FRS 116, *Property, Plant and Equipment* requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. During the year, the Group has reviewed and revised the estimated useful lives of its plant and equipment which have not been fully depreciated (for the semiconductor division) from eight years to ten years with effect from 1 January 2007. The revisions were accounted for prospectively as a change in accounting estimates in accordance with FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* and as a result, the depreciation charge of the Group for the current financial year has been reduced by RM3,962,000.

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 38). The comparatives for the consolidated income statement have been represented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see Note 28).

(a) Basis of measurement

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

As at 31 December 2007, the current liabilities of the Group and of the Company exceeded their current assets by RM5,061,000 and RM11,190,000 respectively and the Group and Company registered losses of RM4,231,000 and RM40,233,000 respectively for the year ended 31 December 2007.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of measurement (cont'd)

The continuation of the Group and Company as going concerns, on which basis the financial statements have been prepared, is based on the successful completion of the rights issue of 28,853,142 new shares in the Company for RM1.00 each share on 18 March 2008 which placed the Group and Company into net current asset positions.

(b) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007 or available for early adoption. In this set of financial statements, the Group and the Company have chosen to early adopt FRS 107, *Cash Flow Statements*, FRS 112, *Income Taxes*, FRS 118, *Revenue*, FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*, Amendment to FRS121, *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation* and FRS 137, *Provisions, Contingent Liabilities and Contingent Assets* which are effective for annual periods beginning on or after 1 July 2007. The early adoption of the above FRSs do not have any significant impact on the financial statements of the Group and the Company in the period of application.

However, the following are FRSs that have not been applied in preparing these financial statements.

FRSs/Interpretations	Effective date
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group and the Company plan to apply FRS 134 for its quarterly financial results for the period beginning 1 January 2008.

FRS 111 and all the Interpretations are not applicable to the Group and the Company whereas the effective date for FRS 139 has yet to be announced. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the 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.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements (cont'd)

(c) Basis of consolidation (cont'd)

(i) *Subsidiaries (cont'd)*

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

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group's financial statements. The excess of the acquisition cost over the fair values of the subsidiaries' net assets is reflected as goodwill. The excess of the fair values of the subsidiaries' net assets over the acquisition cost, after reassessment, is recognised immediately in the income statement.

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

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

(ii) *Associates*

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

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) *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 statement.

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 acquisition accounting 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)

(c) Basis of consolidation (cont'd)

(iv) *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 shareholders 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 shareholders 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.

(d) Property, plant and equipment

(i) *Recognition and measurement*

Leasehold buildings are stated at cost/valuation less accumulated depreciation and impairment losses. Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of other property, plant and equipment comprises their purchase cost and any incidental costs of acquisition.

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

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

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 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.

(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 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.

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	2 to 10 years
Furniture, fittings and office equipment	4 to 20 years
Motor vehicles	5 years

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iv) *Change in estimates*

Estimates of useful life in respect of plant and machinery in the Semiconductor division which have not been fully depreciated were revised in 2007. The effects of the change in estimates of property, plant and equipment are disclosed in Note 1(b).

(e) Leasehold land/Prepaid lease payments

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 that are amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land classified as investment property.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. The Group adopted FRS 117, *Leases*, in 2006. Consequently, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

Revalued leasehold land

The Group had previously revalued 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. Such prepaid lease payments are amortised over the lease term.

(f) Other investments

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

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

(g) Intangible assets

(i) *Goodwill*

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

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.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

(ii) *Research and development*

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Intangible assets (cont'd)

(ii) *Research and development (cont'd)*

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) *Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) *Amortisation*

Capitalised development expenditure is amortised from the date that they are available for use. Amortisation of capitalised development expenditure is charged to the income statements on a straight line basis over a period not more than ten (10) years.

(h) Inventories

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

(i) Receivables

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.

(j) Cash and cash equivalents

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

(k) 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)

(k) Non-current assets held for sale (cont'd)

Following the adoption of FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets held for sale (or disposal group) are classified separately as current assets/liabilities.

(l) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets, 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 and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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").

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.

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

An impairment loss 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.

(m) Share capital

(i) *Shares issue expenses*

Incremental costs directly attributable to issue of shares and share options classified as equity 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. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(n) 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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) 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.

(p) 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 Employee's 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 2006, share options granted to employees was not recognised as an employee cost. Following the adoption of FRS 2, *Share-based Payment*, 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 shares options granted after 31 December 2004 and have not vested as of 1 January 2006 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 historic 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.

(q) 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.

(i) Warranties

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

(ii) 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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

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 that are measured at fair value 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 statement.

(ii) Financial statements of foreign operations

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

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

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

1SGD	RM2.30	(2006:	1SGD	RM 2.30)
1USD	RM 3.31	(2006:	1USD	RM 3.53)
1HKD	RM0.42	(2006:	1HKD	RM 0.45)
1NTD	RM 0.10	(2006:	1NTD	RM 0.1 1)
1EUR	RM4.87	(2006:	1EUR	RM 4.66)
100YEN	RM2.95	(2006:	100YEN	RM 3.00)
1CHF	RM2.94	(2006:	1CHF	RM 2.89)

(s) Revenue

Revenue of the Company represents dividends received and receivable from subsidiaries and associates, rental income and management fees. Revenue for the Group represents the invoiced value of goods sold and services rendered, less sales tax, trade discounts and allowances. Sales between companies within the Group are excluded from the revenue of the Group.

(i) Goods sold

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 in the income statement 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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Revenue (cont'd)

(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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(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 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 period. 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 2006	50,351	3,183	257,064	22,955	1,857	335,410
Additions	-	318	3,156	461	-	3,935
Disposals/Write off	(15,538)	-	(3,801)	(25)	(1,060)	(20,424)
At 31 December 2006/1 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	34,357	-	257,123	20,305	307	312,092
Representing items at:						
Cost	20,357	-	257,123	20,305	307	298,092
Directors' valuation	14,000	-	-	-	-	14,000
	34,357	-	257,123	20,305	307	312,092
Depreciation and impairment losses						
At 1 January 2006						
Accumulated depreciation	3,939	1,734	163,536	17,010	1,145	187,364
Accumulated impairment losses	1,551	-	685	-	-	2,236
	5,490	1,734	164,221	17,010	1,145	189,600
Depreciation for the year	856	425	25,668	2,095	151	29,195
Disposals/Write off	(3,493)	-	(1,152)	(14)	(823)	(5,482)
Impairment losses	578	-	474	-	-	1,052
At 31 December 2006/1 January 2007						
Accumulated depreciation	3,431	2,159	188,052	19,091	473	213,206
Accumulated impairment losses	-	-	1,159	-	-	1,159
	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						
Accumulated depreciation	3,860	-	192,761	17,631	240	214,492
Accumulated impairment losses	-	-	1,159	-	-	1,159
	3,860	-	193,920	17,631	240	215,651
Carrying amounts						
At 1 January 2006	44,861	1,449	92,843	5,945	712	145,810
At 31 December 2006/1 January 2007	31,382	1,342	67,208	4,300	324	104,556
At 31 December 2007	30,497	-	63,203	2,674	67	96,441

Notes to the Financial Statements (cont'd)

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

Company	Leasehold building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/Valuation				
At 1 January 2006	8,271	975	898	10,144
Additions	-	23	-	23
Disposals/Write off	(8,271)	(18)	(898)	(9,187)
At 31 December 2006/1 January 2007	-	980	-	980
Additions	-	15	-	15
Disposals/Write off	-	(116)	-	(116)
At 31 December 2007	-	879	-	879
Depreciation and impairment losses				
At 1 January 2006				
Accumulated depreciation	930	771	732	2,433
Accumulated impairment losses	1,131	-	-	1,131
Charge for the year	2,061	771	732	3,564
Disposals/Write off	32	75	28	135
	(2,093)	(13)	(760)	(2,866)
At 31 December 2006/1 January 2007	-	833	-	833
Charge for the year	-	52	-	52
Disposals/Write off	-	(111)	-	(111)
At 31 December 2007	-	774	-	774
Carrying amounts				
At 1 January 2006	6,210	204	166	6,580
At 31 December 2006/1 January 2007 (at cost)	-	147	-	147
At 31 December 2007 (at cost)	-	105	-	105

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 2005, the Directors assessed the value in-use of the leasehold buildings of the Company and certain subsidiaries to be lower than their respective carrying amounts. Accordingly, impairment losses of RM1,551,000 and RM1,131,000 were recognised on the Group's and the Company's leasehold buildings respectively.

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	
	2007 RM'000	2006 RM'000
Leasehold buildings		
Cost	19,417	19,417
Accumulated depreciation	(2,095)	(1,950)
Net book value at the end of financial year	<u>17,322</u>	<u>17,467</u>

Security

Leasehold buildings of the Group with a carrying value totaling RM30,497,000 (2006 - RM31,124,000) are charged to financial institutions as security for borrowings (see Note 18).

Assets under hire purchase arrangements

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with net book value of RMNil (2006 - RM223,000).

Change in estimates

During the year ended 31 December 2007, a subsidiary of the Group changed the expected useful life of its plant and machinery which have not been fully depreciated from an estimated useful production life of 8 years from the date of purchase to 10 years from the date of purchase. The effects of the change on depreciation expense, recognised in cost of sales in the current and future periods are as follows:

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Later RM'000
(Decrease)/Increase in depreciation expense	(3,962)	(2,055)	(978)	(299)	1,016	6,278

4. INTANGIBLE ASSETS

Development expenditure

	Group	
	2007 RM'000	2006 RM'000
Cost		
At 1 January	3,615	3,266
Transferred to assets held for sale	(1,079)	-
Increase during the year	153	349
Written off during the year	(2,689)	-
At 31 December	<u>-</u>	<u>3,615</u>
Accumulated amortisation		
At 1 January	2,193	960
Transferred to assets held for sale	(698)	-
Charged during the year	839	1,233
Written off during the year	(2,334)	-
At 31 December	<u>-</u>	<u>2,193</u>
Carrying amounts		
At 31 December	<u>-</u>	<u>1,422</u>

Included in development expenditure incurred during the year are staff costs amounting to RM151,000 (2006 - RM253,000).

Notes to the Financial Statements (cont'd)

4. INTANGIBLE ASSETS (cont'd)

Goodwill on consolidation

	Group	
	2007 RM'000	2006 RM'000
At 1 January	5,709	5,709
Increased during the year	2	-
Written off during the year	(623)	-
At 31 December	5,088	5,709
Total intangible assets	5,088	7,131

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is substantially allocated to the business of the semiconductor division acquired at which the goodwill is monitored for internal management purposes.

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 budget.

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

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5. PREPAID LEASE PAYMENTS

Group	Prepaid lease/ Leasehold land		Total RM'000
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	
Cost			
At 1 January 2006, restated	8,000	8,176	16,176
Disposals	-	(8,176)	(8,176)
At 31 December 2006/1 January 2007/31 December 2007	8,000	-	8,000

Notes to the Financial Statements (cont'd)

5. PREPAID LEASE PAYMENTS (cont'd)

Group	Prepaid lease/ Leasehold land		Total RM'000
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	
Accumulated amortisation			
At 1 January 2006, restated	652	1,752	2,404
Amortisation for the year	145	12	157
Disposals	-	(1,764)	(1,764)
At 31 December 2006/1 January 2007	797	-	797
Amortisation for the year	145	-	145
At 31 December 2007	942	-	942
Carrying amounts			
At 1 January 2006, restated	7,348	6,424	13,772
Less: Current portion	(145)	(121)	(266)
Non-current portion	7,203	6,303	13,506
At 31 December 2006/1 January 2007	7,203	-	7,203
Less: Current portion	(145)	-	(145)
Non-current portion	7,058	-	7,058
At 31 December 2007	7,058	-	7,058
Less: Current portion	(145)	-	(145)
Non-current portion	6,913	-	6,913

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Security

Prepaid lease payments of the Group with a carrying value totaling RM7,058,000 (2006 - RM7,203,000) are charged to financial institutions as security for borrowings (see Note 18).

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares in Malaysia - at cost	95,384	92,634
Less: Accumulated impairment losses	(20,072)	(15,191)
	75,312	77,443

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

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2007 %	2006 %
AIC Inspirasi Sdn. Bhd. <i>and its subsidiaries</i>	Investment holding	Malaysia	100	100
Autovisor Plastics Sdn. Bhd.	Manufacturing of sunvisors and interior car lamps	Malaysia	100	100
Brimal Holdings Sdn. Bhd.	Design, manufacturing and assembly of automotive components and electronic products	Malaysia	100	100
Custom Tooling Holdings Sdn. Bhd. ⁽¹⁾ <i>and its subsidiaries</i>	Investment holding	Malaysia	100	100

Notes to the Financial Statements (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2007 %	2006 %
Custom Tooling (Malaysia) Sdn. Bhd. ⁽¹⁾	Dormant	Malaysia	100	100
Custom Tooling Engineering (Malaysia) Sdn. Bhd. ⁽¹⁾	Dormant	Malaysia	100	100
AIC Dotcom Sdn. Bhd. ⁽¹⁾	Dormant	Malaysia	100	100
AIC Technology Sdn. Bhd. ("AICT") and its subsidiary	Investment holding	Malaysia	100	75
AIC Semiconductor Sdn. Bhd.	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	Malaysia	94	75
AIC Properties Sdn. Bhd.	Dormant	Malaysia	100	100
Integral CAD Technologies Sdn. Bhd. ⁽¹⁾ and its subsidiaries	Dormant	Malaysia	100	100
Cadxccl Sdn. Bhd.	Dormant	Malaysia	100	100
Alpha Mediatech Sdn. Bhd.	Dormant	Malaysia	100	100
AIC Display Sdn. Bhd. ⁽¹⁾ and its subsidiaries	Design, development, manufacturing, marketing and sales of multimedia displays, products and all related peripherals	Malaysia	100	100
AIC Microelectronics Sdn. Bhd. ⁽¹⁾	Design and development of flat panel display products	Malaysia	100	75
AIC Display GmbH. ⁽²⁾	Inactive	Germany	100	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 of the Company and/or bankers in order to continue operating as going concerns.

⁽²⁾ The subsidiary was incorporated on 13 September 2005 and was consolidated based on its management accounts as at 31 December 2007. The subsidiary's financial results is deemed insignificant to the Group for the financial year ended 31 December 2007.

⁽³⁾ Subsidiaries audited by another firm of accountants.

On 2 April 2007, AICT redeemed 1.5 million of its cumulative redeemable preference shares of RM1.00 each ("AICT CRPS"), resulting in a net cash outflow of RM7.3 million to minority shareholders and the creation of a capital redemption reserve of RM1.1 million.

AIC Display Sdn Bhd ("AICD"), a wholly owned subsidiary, had on 1 August 2007 acquired the remaining 25% equity interest, comprising of 1,666,667 ordinary shares of RM1.00 each in AIC Microelectronics Sdn Bhd ("AICM"), for a cash consideration of RM1,688. Subsequently, AICM has become a wholly-owned subsidiary of AICD.

On 19 September 2007, AIC Inspirasi Sdn Bhd ("AICI"), a wholly owned subsidiary, of the Company had entered into a sale and purchase agreement to dispose of its entire equity interest in its wholly owned subsidiaries, Brimal Holdings Sdn Bhd ("Brimal") and Autovisor Plastics Sdn Bhd ("AVP"). The proposed disposal is pending completion as at 31 December 2007. As a result, Brimal and AVP fall within the ambit of Discontinued Operations under FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The Company had on 31 December 2007 acquired the remaining 25% equity interest in AICT not held by the Company comprising 2,000,000 ordinary shares of RM1.00 each in AICT ("AICT Shares") and 1,237,678 AICT CRPS for a total purchase consideration of RM14,000,000 to be satisfied by the issuance of 12,600,000 new ordinary shares of RM1.00 each in the Company ("AIC Shares") at an issue price of RM1.00 per AIC Share ("AICT Consideration Shares") and cash of RM1,400,000 ("Acquisition of AICT"). The acquisition of AICT resulted in a negative goodwill amounting to RM3.5 million being recognised in the consolidated income statement during the financial year.

Notes to the Financial Statements (cont'd)

7. DEFERRED TAX ASSETS AND LIABILITIES

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

	Group			
	Assets		Liabilities	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment				
- capital allowances in excess of depreciation	-	-	(3,711)	(152)
- revaluation	-	-	(453)	(465)
Allowances/Provisions	53	17	-	-
Unabsorbed capital allowances	172	-	-	-
Tax loss carry-forwards	700	-	-	-
Others	-	-	(49)	-
Tax assets/(liabilities)	925	17	(4,213)	(617)
Set off of tax	(925)	(17)	925	17
Net deferred tax liabilities	-	-	(3,288)	(600)

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.

No deferred tax has been recognised for the following items:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax loss carry-forwards	65,787	68,596	15,933	13,988
Unabsorbed capital allowances	21,399	14,450	3,476	3,450
Temporary differences				
- property, plant and equipment	2,198	2,413	(80)	(111)
- development expenditure	-	(1,041)	-	-
- provisions	3,234	2,096	-	-
- others	1,029	-	-	-
	93,647	86,514	19,329	17,327

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 subsidiaries will be available against which the Group and Company can utilise the benefits.

Movement in recognised deferred tax assets/liabilities during the year

Group	At	Recognised	Transferred	Recognised	At
	1.1.2006 RM'000	in income statement RM'000	At to assets held 31.12.2006 for sale RM'000	in income statement RM'000	31.12.2007 RM'000
Property, plant and equipment					
- capital allowance in excess of depreciation	(2,632)	2,480	(152)	152	(3,711)
- revaluation	(477)	12	(465)	-	12
Provisions	39	(22)	17	(17)	53
Unabsorbed capital allowances	1,026	(1,026)	-	-	172
Tax loss carry-forwards	102	(102)	-	-	700
Other items	-	-	-	-	(49)
	(1,942)	1,342	(600)	135	(2,823)

Notes to the Financial Statements (cont'd)

8. OTHER INVESTMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current				
Quoted investments in unit trusts and shares	-	10	-	-
Current				
Quoted shares	-	237	-	237
Unquoted subordinated bonds	-	4,500	-	4,500
Unquoted shares				
- subsidiary (Note (i))	45	45	-	-
- others (Note (ii))	-	1,650	-	-
Less: Allowance for diminution in value	-	(1,650)	-	-
	45	4,782	-	4,737
Market value of quoted investments	-	777	-	760

(i) Other investment in unquoted shares of a subsidiary represents an investment in a subsidiary, AIC Wafer Services Sdn Bhd ("AICWS"), which was placed under members' voluntary liquidation on 3 November 2004. Post acquisition reserves of AICWS were equity accounted up to the date of liquidation in the financial statements of the Group.

(ii) The details of the other investment written off during the year are as follows:

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Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2007 %	2006 %
MteX Corporation Sdn. Bhd.	Electronic commerce technology developer, trade portal and services provider	Malaysia	35	35

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	44,903	44,700	-	-
Less: Allowance for doubtful debts	(13,474)	(12,892)	-	-
	31,429	31,808	-	-
Other receivables, deposits and prepayments	7,507	9,205	5,646	4,593
Amount due from subsidiaries				
- non-trade	-	-	7,554	51,518
- trade	-	-	5,130	5,126
	38,936	41,013	18,330	61,237

Trade receivables of the Group include RM7,436,000 (2006 - RM1,975,000) due from a shareholder of a subsidiary.

Notes to the Financial Statements (cont'd)

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

Analysis of foreign currency exposure for trade receivables

	Group	
	2007 RM'000	2006 RM'000
Ringgit Malaysia	1,735	5,079
US Dollar	29,694	26,655
EURO Dollar	-	74
	<u>31,429</u>	<u>31,808</u>

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

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other receivables	2,317	3,559	1,116	1,010
Deposits	4,642	3,930	4,426	3,377
Prepayments	548	1,716	104	206
	<u>7,507</u>	<u>9,205</u>	<u>5,646</u>	<u>4,593</u>

ii) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for RM4,794,000 (2006-RM5,040,000) due from certain subsidiaries which bear interest at 5% (2006 - 5%) per annum.

10. INVENTORIES

	Group	
	2007 RM'000	2006 RM'000
At cost		
Raw materials	9,093	13,649
Work-in-progress	2,350	3,572
Finished goods	-	170
Consumable goods	3,312	3,915
	<u>14,755</u>	<u>21,306</u>
At net realisable value		
Raw materials	2,814	3,735
Finished goods	1,494	4,016
	<u>19,063</u>	<u>29,057</u>

Notes to the Financial Statements (cont'd)

11. DISPOSAL GROUP HELD FOR SALE

On 19 September 2007, AICI entered into a sale and purchase agreement to dispose of its entire equity interest in its wholly owned subsidiaries, Brimal and AVP. The proposed disposal is pending completion as at 31 December 2007. The planned disposal of Brimal and AVP, which collectively represent the electronics division of the Group, fall 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 have 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 are as follows:

	Note	Group 2007 RM'000
Assets classified as held for sale		
Property, plant and equipment	11.1	5,271
Intangible assets		178
Deferred tax assets		460
Other investment		10
Receivables, deposits and prepayments	11.2	3,976
Inventories	11.3	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>

11.1 Property, plant and equipment

Property, plant and equipment held for sale comprise the following:

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

11.2 Receivables, deposits and prepayments

Receivables, deposits and prepayments are stated at cost less an allowance for doubtful debts of RM13,000.

11.3 Inventories

The inventories held for sale comprise finished goods and are carried at fair value less costs to sell.

In 2006, the Directors identified and determined its investment in an associate, Nucleus Electronics Ltd ("Nucleus"), as an asset held for sale. The investment in Nucleus represented the Group's effective equity interest of 31% comprising of 89,600,000 ordinary shares held in Nucleus. Nucleus is a company incorporated in Singapore and is listed on the Main Board of the Singapore Stock Exchange.

Notes to the Financial Statements (cont'd)

11. DISPOSAL GROUP HELD FOR SALE (cont'd)

The carrying amount in 2006 was arrived at after accounting for an impairment loss of RM19,407,000 representing mainly the goodwill on acquisition of Nucleus being written off. The impairment was made to write down the carrying amount to its fair value which approximated the Group's share of its net tangible assets. The details of the carrying amount of the asset held for sale in 2006 were as follows:

	Group 2006 RM'000
Quoted shares outside Malaysia, at cost	29,062
Share of post acquisition reserves	20,258
Less: Impairment losses	<u>(19,407)</u>
	<u>29,913</u>

The disposal of Nucleus was completed during the year.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits placed with licensed banks	1,810	4,485	-	-
Short term placement funds	3	145	-	60
Cash and bank balances	5,717	5,440	1,912	712
	<u>7,530</u>	<u>10,070</u>	<u>1,912</u>	<u>772</u>

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	3,782	6,503	1,912	772
US Dollar	3,744	3,315	-	-
Euro Dollar	3	249	-	-
Others	1	3	-	-
	<u>7,530</u>	<u>10,070</u>	<u>1,912</u>	<u>772</u>

13. SHARE CAPITAL

	Group and Company			
	Amount	Number of Shares	Amount	Number of Shares
	2007 RM'000	2007 '000	2006 RM'000	2006 '000
Ordinary shares of RM1.00 each				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid				
At beginning of year	104,920	104,920	104,920	104,920
Shares issued	12,600	12,600	-	-
At end of year	<u>117,520</u>	<u>117,520</u>	<u>104,920</u>	<u>104,920</u>

During the year, the Company issued 12,600,000 AIC Shares at an issue price of RM1.00 per share pursuant to the Acquisition of AICT.

Notes to the Financial Statements (cont'd)

13. SHARE CAPITAL (cont'd)

i) 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.

ii) Warrants

On 15 October 2006, the exercise period of the Company's Warrants B was extended for one year up to and including 15 January 2008. As provided by the Supplemental Deed Poll of the Warrants B dated 23 December 2002, the extension was made as the weighted average market price of the Company's shares quoted on the Bursa Malaysia Securities Berhad for any 30 consecutive market days preceding 15 October 2006 did not represent a premium of more than twenty percent (20%) over the exercise price of Warrants B of RM2.53.

As at 31 December 2007, 25,893,096 of Warrants B remained unexercised. The warrants expired and lapsed on 15 January 2008 and ceased to be exercisable thereon.

14. RESERVES

Capital reserve

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

Revaluation reserve

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

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 acquisition method 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 11, the merger reserve has been transferred to held for sale reserve.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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.

Held for sale

The held for sale reserve in 2006 relates to the share of reserves of an associate which had been classified as assets held for sale. 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 asset held for sale.

In 2007, the additional held for sale reserve relates to the merger reserve on a subsidiary which is being disposed of and classified as an asset held for sale.

Notes to the Financial Statements (cont'd)

15. TREASURY SHARES

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

The details of the shares bought back as at 1 January 2006 are as follows:

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

In 2006, the Company resold all the 1,000,000 treasury shares in the open market. The resale price of the treasury shares was RM0.65 per share. The proceeds from the resale amounting to RM650,000 was utilised for working capital purposes. The difference between the proceeds and the carrying value of the treasury shares re-issued was set off against the share premium account.

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

At 31 December 2007 and 31 December 2006, the Company did not hold any treasury shares.

16. EMPLOYEE BENEFITS

Share-based payments

Under the Company's ESOS which became effective on 3 September 2004, options to subscribe for unissued new ordinary shares of RM1.00 each in the Company ("AIC Shares") were made available to eligible Directors and employees (who are confirmed with more than 6 months of service) of the Group as follows:

Date of offer	Exercise price RM	Balance at 1.1.2007	Offered and accepted	Options exercised	Lapsed due to resignation	Balance at 31.12.2007
3.9.2004	1.70	1,875,000	-	-	(640,000)	1,235,000
1.4.2005	1.42	2,991,000	-	-	(824,000)	2,167,000

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.

Notes to the Financial Statements (cont'd)

16. EMPLOYEE BENEFITS (cont'd)

- v) The number of AIC Shares allocated to any individual eligible employee who, either singly or collectively through persons connected with the eligible employee, holds twenty percent (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total AIC Shares available under the ESOS.
- vi) The options cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- vii) The exercise price shall be based on the 5 day weighted average market price of the Company's ordinary shares as shown in the daily official list issued by 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.

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

	Group		Company	
	2007 '000	2006 '000	2007 '000	2006 '000
Outstanding at 1 January	4,866	6,544	1,314	1,518
Lapsed due to resignation	(1,464)	(1,678)	(728)	(204)
Outstanding at 31 December	3,402	4,866	586	1,314
Exercisable at 31 December	2,750	2,738	514	852

There were no share options granted in 2007 and 2006.

No share options of the Group and of the Company were exercised in 2007 and 2006.

The options outstanding at 31 December 2007 have a remaining contractual life of 1.7 years.

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 option 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Share options granted in 2005	31	328	-	-

17. MINORITY SHAREHOLDERS' INTERESTS

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

Notes to the Financial Statements (cont'd)

18. BORROWINGS

		Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current					
Term loans	- secured	10,659	1,861	-	-
	- unsecured	-	61,538	-	45,000
Short term loan	- secured	27,500	15,317	27,500	-
Revolving credit	- unsecured	10,000	10,000	-	-
Trade financing facilities	- secured	-	3,688	-	-
Finance lease and hire purchase liabilities	- secured	-	53	-	-
		<u>48,159</u>	<u>92,457</u>	<u>27,500</u>	<u>45,000</u>
Non-current					
Term loans	- secured	14,574	-	-	-
	- unsecured	-	4,308	-	-
Finance lease and hire purchase liabilities	- secured	-	122	-	-
		<u>14,574</u>	<u>4,430</u>	<u>-</u>	<u>-</u>
Total borrowings		<u>62,733</u>	<u>96,887</u>	<u>27,500</u>	<u>45,000</u>

The currency exposure profile of borrowings is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	58,685	76,407	27,500	45,000
US Dollar	4,048	20,480	-	-
	<u>62,733</u>	<u>96,887</u>	<u>27,500</u>	<u>45,000</u>

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Terms and debt repayment schedule

2007		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	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	-	-	-	-
		<u>62,733</u>	<u>48,159</u>	<u>6,951</u>	<u>2,951</u>	<u>2,951</u>	<u>1,721</u>
Company							
Term loans	- secured	27,500	27,500	-	-	-	-
2006							
Group							
Term loans	- secured	1,861	1,861	-	-	-	-
	- unsecured	65,846	61,538	4,308	-	-	-
Short term loan	- secured	15,317	15,317	-	-	-	-
Revolving credit	- unsecured	10,000	10,000	-	-	-	-
Trade financing facilities	- secured	3,688	3,688	-	-	-	-
Finance lease and hire purchase liabilities	- secured	175	53	54	48	20	-
		<u>96,887</u>	<u>92,457</u>	<u>4,362</u>	<u>48</u>	<u>20</u>	<u>-</u>
Company							
Term loans	- unsecured	45,000	45,000	-	-	-	-

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 is subject to interest rate of 1.50% (2006 - Nil) per annum above the Singapore Interbank Offered Rate and is repayable monthly over a remaining period of 3 months.

The second secured term loan with an initial principal drawdown of RM14,755,000 is subject to interest rate of 1.50% (2006 - Nil) 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 loan are secured, ranking parri passu with one another, by the following:

- i) first and second legal charge over the lease of the landed properties of a subsidiary;
- ii) first and second debenture incorporating fixed and floating charges over the present and future assets of the subsidiary; and
- iii) corporate guarantees 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% (2006 - Nil) per annum and is repayable in 5 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.

The fourth secured term loan with an initial principal drawdown of RM6,330,000, which was fully repaid during the year, was subject to an interest rate of 7.30% (2006 - 7.30%) per annum and was repayable in 48 monthly installments commencing 1 January 2005.

This fourth secured term loan was 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.

Term loans - unsecured

The first unsecured term loan with an initial principal drawdown of RM7,471,000 was subject to interest rate of 1.25% (2006 - 1.25%) per annum above the lending bank's cost of funds and was repayable in 36 monthly instalments commencing 1 April 2004. This first unsecured term loan was fully repaid during the year.

The second unsecured term loan with an initial principal drawdown of USD15,000,000 was subject to interest rate of 1.5% (2006 - 1.5%) per annum above the Singapore Interbank Offered Rate and was repayable in tranches over a period of 3 years, commencing 25 February 2005. During the financial year, the repayment term of this unsecured term loan was restructured and extended for a further 12 months with the last principal repayment ending 25 March 2008. This loan became secured in 2007 and accordingly was reclassified as the first secured term loan.

Short term loan - secured

The short term loan of RMNil (2006 - RM15,317,000), which was fully repaid during the year was subject to an interest rate of 10% per annum and was 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 is subject to interest rates ranging from 4.49% to 4.62% (2006 - 4.40% to 4.62%) per annum.

Trade financing facilities - secured

The first secured trade financing facilities, which were fully repaid during the year, were subject to interest rates varying between 4.77% and 4.78% (2006 - 3.95% and 5.15%) per annum, and were secured by the following:

- i) first legal charge over the lease of the landed properties of a subsidiary;
- ii) first debenture incorporating fixed and floating charge over the present and future assets of a subsidiary; and

Notes to the Financial Statements (cont'd)

18. BORROWINGS (cont'd)

Trade financing facilities - secured (cont'd)

iii) corporate guarantee by the Company.

The second secured trade financing facilities, which were fully repaid during the year, were subject to interest rates varying between 9.75% and 10.25% (2006 - 9.75% and 10.25%) per annum and were 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.

Company

Short term loan - secured

The secured short term loan with an initial principal drawdown of RM27,500,000 is subject to interest rate of 2.0% (2006 - Nil) per annum above the lending bank's cost of funds. The principal sum is repayable in one lump sum on the earlier of 27 November 2008 or on the completion of the Company's rights issue (as further described in Note 36). This short term loan is 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.

Term loan - unsecured

The unsecured term loan of RM45,000,000 represents a primary collateralised loan obligation entered into by the Company on 18 November 2002. The borrowing was for 5 years with interest to be serviced semi-annually at a fixed interest rate of 6.5% per annum and the principal sum was repayable in one lump sum on 29 November 2007. This term loan was fully repaid during the year.

Finance lease and hire purchase liabilities

As at 31 December 2007, the Group has finance lease and hire purchase liabilities that are repayable as follows:

Group	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2007	2007	2007	2006	2006	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than one year	-	-	-	59	(6)	53
1 - 2 years	-	-	-	59	(5)	54
2 - 3 years	-	-	-	53	(5)	48
3 - 4 years	-	-	-	23	(3)	20
	-	-	-	194	(19)	175

In 2006, finance lease and hire purchase liabilities of the Group were subject to interest at flat rates of 3.30% to 4.55% per annum and are repayable over 60 monthly installments.

19. GOVERNMENT GRANT

	Group	
	2007	2006
	RM'000	RM'000
At 1 January	3,128	3,987
Grant received during the year	7,018	-
Amortised during the year	(7,120)	(859)
At 31 December	3,026	3,128
Current portion	(1,444)	(859)
Non-current portion	1,582	2,269

Notes to the Financial Statements (cont'd)

19. GOVERNMENT GRANT (cont'd)

During the financial year, a subsidiary received a government grant to compensate the subsidiary for research and development ("R&D") expenses incurred and cost of plant and equipment purchased in relation to the development of the subsidiary's flat panel display products. Grants that compensate the subsidiary for R&D expenses already incurred have been fully recognised in the income statement whilst grants that compensate the subsidiary for the cost of plant and machinery are 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.

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

20. PAYABLES AND ACCRUALS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current				
Other payable	-	301	-	-
Current				
Trade payables	18,009	14,871	-	-
Other payables and accrued expenses	16,550	20,208	621	523
Subsidiaries - non-trade	-	-	4,127	7,745
	<u>34,559</u>	<u>35,079</u>	<u>4,748</u>	<u>8,268</u>

Analysis of foreign currency exposure for trade payables

	Group	
	2007 RM'000	2006 RM'000
Ringgit Malaysia	8,665	9,944
US Dollar	8,088	4,744
Swiss Franc	219	-
Japanese Yen	-	183
Others	1,037	-
	<u>18,009</u>	<u>14,871</u>

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

i) Other payables and accrued expenses of the Group and the Company comprise of the following:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other payables				
- current	11,429	13,410	420	200
- non-current	-	301	-	-
Accrued expenses	5,121	6,798	201	323
	<u>16,550</u>	<u>20,509</u>	<u>621</u>	<u>523</u>

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

- an amount of RM47,000 (2006 - RM47,000) due to AICWS, a former subsidiary which was placed under members' voluntary liquidation on 3 November 2004.
 - management fees payable to a former shareholder of a subsidiary of RMNil (2006 - RM48,000). The amount due to the former shareholder was unsecured, interest free and had no fixed terms of repayment.
- ii) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements (cont'd)

21. PROVISION FOR WARRANTIES

	Group	
	2007 RM'000	2006 RM'000
Balance at 1 January	70	91
Transferred to liabilities held for sale	(70)	-
Provision made during the year	-	60
Provision used during the year	-	(81)
Balance at 31 December	-	70

The provision for warranties relates to manufactured parts as well as automotive components sold by subsidiaries classified as held for sale at year end. The provision is based on estimates made from historical warranty data associated with similar parts.

22. RESULTS FROM OPERATING ACTIVITIES

	2007 RM'000	Group	Company	
		2006 RM'000 Restated	2007 RM'000	2006 RM'000

Operating profit is arrived at after crediting:

Allowance for doubtful debts no longer required	27	-	-	-
Amortisation of government grant	7,120	859	-	-
Dividend income from				
- unquoted subsidiaries	-	-	-	37
- quoted associate	-	-	-	408
Gain on disposal of an associate	-	-	-	4,997
Gain on disposal of other investment	479	-	479	-
Gain on disposal of property, plant and equipment - net	56	379	-	188
Gain on redemption of preference shares	-	-	10,800	-
Management fees received/receivable	-	-	759	879
Negative goodwill arising from acquisition of remaining shares in a subsidiary	3,548	8	-	-
Rental of premises	134	202	1,323	1,016
Reversal of inventories written down	19	19	-	-
Unrealised foreign exchange gain - net	626	1,470	-	-

and after charging:

Allowance for doubtful debts	609	6,097	-	-
Amortisation of development expenditure	839	1,019	-	-
Amortisation of prepaid lease payments	145	157	-	-
Amount owing by subsidiaries written off	-	-	39,114	1,086
Auditors' remuneration				
- Audit services by the holding company auditors				
- current year	116	105	30	22
- under provision in prior years	14	1	10	-
- Other services by the holding company auditors	55	20	30	-
- Audit services by other auditors	2	2	-	-
Bad debts written off	704	216	-	-
Consultancy fees paid to a director of a subsidiary	-	60	-	-
Depreciation	15,760	26,993	52	135
Development expenditure written off	355	-	-	-
Goodwill written off	623	-	-	-

Notes to the Financial Statements (cont'd)

22. RESULTS FROM OPERATING ACTIVITIES (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
and after charging (cont'd):				
Directors' emoluments				
- Fees	46	57	46	57
- Remuneration	757	577	757	577
- Other emoluments	5	11	5	11
Impairment loss on investment in an associate	-	19,407	-	-
Impairment loss on investment in a subsidiary	-	-	4,881	-
Impairment losses on property, plant and equipment	-	474	-	-
Inventories written down to net realisable value	2,754	4,708	-	-
Inventories written off	188	-	-	-
Loss on disposal of an associate	433	11,720	-	-
Loss on disposal of other investment	-	7	-	-
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	24	-	-
Property, plant and equipment written off	43	7	-	1
Realised foreign exchange loss - net	1,655	883	-	1
Rental of equipment	89	81	-	-
Rental of motor vehicles	3	4	-	-
Rental of premises	1,966	480	1,330	399

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23. INTEREST INCOME

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Interest income from:				
Subsidiaries	-	-	254	1,105
Deposits and short term placement funds	694	74	464	28
	694	74	718	1,133

24. FINANCE COSTS

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Interest expense on:				
Term loans	5,292	5,911	2,681	3,574
Short term loan	208	1,002	208	-
Revolving credit	449	443	-	-
Trade financing facilities	160	1,096	-	-
Finance lease and hire purchase liabilities	1	13	-	4
	6,110	8,465	2,889	3,578
Letter of credit and commitment fees	22	30	-	-
Others	139	212	5	4
	6,271	8,707	2,894	3,582

Notes to the Financial Statements (cont'd)

25. EMPLOYEE INFORMATION

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Staff costs				
- charged to income statement	16,958	25,352	2,014	2,312
- capitalised in development expenditure (Note 4)	151	253	-	-
	<u>17,109</u>	<u>25,605</u>	<u>2,014</u>	<u>2,312</u>

The number of employees of the Group and the Company (including Executive Directors) at the end of the year was 934 (2006 - 1,035) and 11 (2006 - 18) respectively.

Staff costs of the Group and the Company include contributions to the Employees' Provident Fund of RM2,200,000 (2006 - RM2,573,000) and RM195,000 (2006 - RM237,000) respectively.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors				
- Fees	46	57	46	57
- Remuneration	757	577	757	577
- Other short term employee benefits	5	11	5	11
- Estimated monetary value of benefits-in-kind	-	8	-	8
	<u>808</u>	<u>653</u>	<u>808</u>	<u>653</u>
Other key management personnel:				
- Short-term employee benefits	1,424	1,957	412	624
- Estimated monetary value of benefits-in-kind	13	33	1	8
- Termination benefits	-	11	-	-
	<u>1,437</u>	<u>2,001</u>	<u>413</u>	<u>632</u>
	<u>2,245</u>	<u>2,654</u>	<u>1,221</u>	<u>1,285</u>

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

27. TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Tax expense:				
Malaysian - current	7	2	-	-
- over provision in prior years	(689)	(346)	(691)	(354)
	<u>(682)</u>	<u>(344)</u>	<u>(691)</u>	<u>(354)</u>
Deferred tax expense:				
Origination/(Reversal) of temporary differences	2,835	(800)	-	-
Crystallisation of deferred tax	(12)	(12)	-	-
(Over)/Under provision in prior years	(81)	798	-	-
	<u>2,060</u>	<u>(358)</u>	<u>(691)</u>	<u>(354)</u>
Share of tax of equity accounted associates	-	881	-	-
Total tax	<u>2,060</u>	<u>523</u>	<u>(691)</u>	<u>(354)</u>

Notes to the Financial Statements (cont'd)

27. TAX EXPENSE (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Reconciliation of tax expense				
(Loss)/Profit for the year	(3,675)	(66,627)	(40,233)	160
Total tax	2,060	523	(691)	(354)
Loss excluding tax	(1,615)	(66,104)	(40,924)	(194)
Income tax using Malaysian tax rates	(436)	(18,509)	(11,049)	(54)
Effect of different tax rates in foreign jurisdiction	-	1,344	-	-
Non-deductible expenses	17,131	10,468	13,629	1,160
Tax exempt income	(15,707)	(1,850)	(3,121)	(1,401)
Tax incentives	-	64	-	-
Crystallisation of deferred tax liability on revaluation surplus of property	(12)	(12)	-	-
Effect of prior year income now brought to tax	-	1,833	-	691
Effect of deferred tax assets not recognised	1,926	7,329	541	(396)
Effect of profit taxed at concessionary tax rate	-	(264)	-	-
Other items	(72)	(332)	-	-
(Over)/Under provision in prior years	2,830 (770)	71 452	- (691)	- (354)
Total tax	2,060	523	(691)	(354)

* The corporate tax rate are at 27% for year assessment of 2007, 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 is 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 is applying for the surrender (of the Pioneer Status) to be back dated to 1 September 1998. The application is pending approval from the authorities.

28. DISCONTINUED OPERATIONS

On 19 September 2007, AICI entered into a sale and purchase agreement to dispose of its entire equity interest in its wholly owned subsidiaries, Brimal and AVP. The proposed disposal is pending completion as at 31 December 2007. The planned disposal of Brimal and AVP, which collectively represent the electronics division of the Group, fall within the ambit of Discontinued Operations under FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and thus:

- (i) the consolidated income statements for the current and preceding year 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; and
- (ii) the consolidated cash flow statements for the current and preceding year have been adjusted/restated to reflect the net cash flow of the discontinued operations as a single amount on the face of the consolidated cash flow statements.

Notes to the Financial Statements (cont'd)

28. DISCONTINUED OPERATIONS (cont'd)

Profit/(Loss) attributable to the discontinued operations was as follows:

	Group	
	2007 RM'000	2006 RM'000
Results of discontinued operations		
Revenue	16,317	19,757
Expenses	(16,284)	(23,085)
Results from operating activities	33	(3,328)
Interest income	48	10
Finance costs	(7)	(135)
Profit/(Loss) before tax	74	(3,453)
Tax expense	518	1,313
Profit/(Loss) for the year	592	(2,140)
Included in results from operating activities are:		
Depreciation of property, plant and equipment	1,847	2,202
Cash flows from discontinued operations		
Net cash used in operating activities	(1,150)	(4,332)
Net cash (used in)/generated from investing activities	(97)	9,500
Net cash used in financing activities	(45)	(3,623)
Net cash (used in)/generated from discontinued operations	(1,292)	1,545

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29. EARNINGS PER ORDINARY SHARE - GROUP

i) Basic loss per ordinary share

The calculation of basic loss per ordinary share is based on the Group's loss attributable to shareholders of the Company of RM4,231,000 (2006 - RM60,752,000) and the weighted average number of ordinary shares outstanding during the year of 104,955,000 (2006 - 103,967,000).

	2007 '000	2006 '000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	104,920	104,920
Add: Ordinary shares issued during the year	35	-
Less: Treasury shares up to date of resale	-	(953)
Weighted average number of ordinary shares	104,955	103,967

ii) Diluted loss per ordinary share

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

Notes to the Financial Statements (cont'd)

30. 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. Inter-segment pricing is determined based on negotiated terms.

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

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

Business segments

The Group comprises the following major business segments:

Test and assembly and other semiconductor related activities

Development, procurement, sales, assembly and test of integrated circuit chips and other semiconductor ancillary activities.

Electronics

Manufacturing, assembly and sales of automotive components.

Display

Design, development, manufacturing, marketing and sales of multi-media displays products and all related peripherals.

Geographical segments

The business segments activities are all based in Malaysia.

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

Notes to the Financial Statements (cont'd)

30. SEGMENT REPORTING (cont'd)

	Test and assembly and other semiconductor related activities											
	2007		2006		2007		2006		2007		2006	
	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	137,185	135,534	16,317	20,614	4,022	27,565	2,083	2,340	159,607	186,053		
Inter segment revenue	-	-	-	(857)	(20)	(4,042)	(1,949)	(2,138)	(1,969)	(7,037)		
	137,185	135,534	-	-	4,002	23,523	134	202	141,321	159,259		
Continuing operations	-	-	16,317	19,757	-	-	-	-	16,317	19,757		
Discontinued operations												
Revenue from external customers	137,185	135,534	16,317	19,757	4,002	23,523	134	202	157,638	179,016		
Segment result	011,476	3,956	33	(3,664)	(3,727)	(24,468)	134	202	7,916	(23,974)		
Unallocated corporate expenses									(3,921)	(34,214)		
Less: Results from discontinued operations									(33)	3,328		
Financing costs									(6,271)	(8,707)		
Interest income									694	74		
Share of results in associates									-	(3,492)		
Loss before tax									(1,615)	(66,985)		
Tax expense									(2,060)	358		
Loss for the year									(3,675)	(66,627)		
Profit/(Loss) from discontinued operations, net of tax									592	(2,140)		
Minority interests									(1,148)	8,015		
Loss attributable to equity holders of the Company									(4,231)	(60,752)		

Notes to the Financial Statements (cont'd)

30. SEGMENT REPORTING (cont'd)

	Test and assembly and other semiconductor related activities									
	Group		Electronics		Display		Others		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets										
Assets classified as held for sale	151,471	150,236	-	12,671	9,988	24,591	-	-	161,459	187,498
Unallocated corporate assets									15,817	29,913
Goodwill on consolidation									8,506	12,232
									5,088	5,709
Total assets									190,870	235,352
Segment liabilities										
Borrowings	36,006	28,681	-	4,510	3,764	4,463	-	-	39,770	37,654
Unallocated corporate liabilities									62,733	96,887
Liabilities classified as held for sale									1,103	17,651
									3,327	-
Total liabilities									106,933	152,192
Capital expenditure	14,378	3,105	-	686	429	121	17	23	14,824	3,935
Depreciation and amortisation	13,087	23,190	-	2,415	3,605	4,816	52	164	16,744	30,585

	Geographical segments									
	Group		Malaysia		Korea		Singapore		United States	
	2007	2006	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	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers by location of customers										
Segment assets by location of assets	12,405	12,253	12,253	-	20	71,519	29,487	15,547	141,321	161,459
Capital expenditure by location of assets	161,459	-	-	-	-	-	-	-	-	14,824
Segment liabilities by location of liabilities	14,824	-	-	-	-	-	-	-	-	39,770
	39,770	-	-	-	-	-	-	-	-	-
2007										
Revenue from external customers by location of customers										
Segment assets by location of assets	23,628	17,985	17,985	-	15,916	59,257	35,333	7,140	159,259	187,498
Capital expenditure by location of assets	185,582	-	-	-	-	-	-	-	1,916	3,935
Segment liabilities by location of liabilities	3,935	-	-	-	-	-	-	-	-	-
	37,654	-	-	-	-	-	-	-	-	37,654
2006										

Notes to the Financial Statements (cont'd)

31. CONTINGENT LIABILITIES - UNSECURED

The Company has executed corporate guarantees in favour of licensed banks for credit facilities of up to a limit of RM51.6 million (2006 - RM83 million) and USD15.2 million (2006 - USD15 million) granted to its subsidiaries.

32. CAPITAL COMMITMENTS

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

	Group	
	2007 RM'000	2006 RM'000
Approved and contracted for	53,013	115
Approved but not contracted for	12,163	19,410
	65,176	19,525

33. RELATED PARTIES

Controlling related party relationships are as follows:

- i) Subsidiaries as disclosed in Note 6.
- ii) Khazanah Nasional Berhad ("Khazanah"), a former substantial shareholder of AICT and AICM subsidiaries.
- iii) Atmel Corporation ("AC"), a substantial shareholder of AIC Semiconductor Sdn. Bhd. ("AICS"), a subsidiary.
- iv) Companies in which certain ex-Directors who are also shareholders are deemed to have substantial financial interest in the previous year:
 - Asteria Manufacturing Sdn. Bhd. ("AMSB")
 - Brimal Stampress Engineering Sdn. Bhd. ("BSE")
- v) Key management personnel. Key management personnel compensation is disclosed in Note 26. There are no other transactions, other than compensation with key management personnel.

Significant related party transactions are as follows:

Rendering of services	2007 RM'000	2006 RM'000
a) Transactions with subsidiaries:		
Management fees charged by the Company	759	879
Rental charged by the Company	1,189	814
Interest charged by the Company	254	1,105
Provision of networking facilities by the Company and sharing of software maintenance costs	36	36
b) Transaction with Khazanah:		
Management fees charged to the Group	2	24
c) Transactions with ACSB:		
Rental income receivable by the Company	-	9
Provision of networking facilities by the Company and sharing of software maintenance costs	-	2
d) Transactions with AISB:		
Rental income receivable by the Company	-	137
Provision of networking facilities by the Company and sharing of software maintenance cost	-	15
e) Transaction with a director of a subsidiary:		
Consultancy fee payable	-	60

Notes to the Financial Statements (cont'd)

33. RELATED PARTIES (cont'd)

	2007 RM'000	Group 2006 RM'000
Sale of goods by the Group to:		
AMSB	-	332
AC	29,337	34,710
Purchase of goods by the Group from:		
AMSB	-	863
BSE	-	83
Prodelcon Sdn. Bhd., a former associate of the Group	-	666
JP Metal Sdn. Bhd., a former associate of the Group	-	188
Others		
Disposal of property, plant and equipment by the Company to subsidiaries	-	6,178

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

The non-trade balances with subsidiaries and trade balance with AC are as disclosed in Note 9 and Note 20 to the financial statements.

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34. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The Group maintains a natural hedge, whenever possible, by borrowing in and buying materials in currencies other than their functional currency. Material foreign currency transaction exposures were hedged with forward foreign exchange contracts.

	Currency	Notional amount maturity within 1 year RM'000
At 31 December 2007		
Forward contracts used to hedge trade receivables	USD'000	1,100
At 31 December 2006		
Forward contracts used to hedge trade receivables		Nil

Notes to the Financial Statements (cont'd)

34. 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.

The Group generally has no significant exposure to any individual customers or counterpart nor does it have any major concentration of credit risk other than 87% of its trade receivables due from companies in the semiconductor industry.

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

Interest rate risk

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

Effective interest rate and repricing analysis

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

2007	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
Group				
Financial assets				
Deposits placed with licensed banks	3.84	1,810	1,810	-
Short term placement funds	3.39	3	3	-
Cash and bank balances	0.50	5,717	5,717	-
Financial liabilities				
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				
Financial assets				
Amount due from subsidiaries	5.00	4,794	4,794	-
Cash and bank balances	0.50	1,912	1,912	-
Financial liability				
Short term loan - secured	6.90	27,500	27,500	-

Notes to the Financial Statements (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

2006		Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000
Group					
Financial assets					
Unquoted subordinated bonds		0.00	4,500	4,500	-
Deposits placed with licensed banks		4.03	4,485	4,485	-
Short term placement funds		2.95	145	145	-
Cash and bank balances		0.36	1,326	1,326	-
Financial liabilities					
Term loans	- secured	7.30	1,861	1,861	-
	- unsecured	6.61	65,846	61,538	4,308
Short term loan	- secured	10.00	15,317	15,317	-
Revolving credit	- unsecured	4.62	10,000	10,000	-
Trade financing facilities	- secured	9.13	3,688	3,688	-
Company					
Financial assets					
Unquoted subordinated bonds		0.00	4,500	4,500	-
Amount due from subsidiaries		5.00	5,040	5,040	-
Short term placement funds		2.95	60	60	-
Cash and bank balances		0.50	712	712	-
Financial liability					
Term loan	- unsecured	6.50	45,000	45,000	-

Liquidity and cash flow risk

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

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

Notes to the Financial Statements (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

Fair values

The carrying amount of financial assets and liabilities carried at the balance sheet date approximate their fair values due to the relatively short term nature of these financial instruments except as set out below:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2007				
Financial assets				
Assets held for sale (net of merger reserve)	10,493	12,292	-	-
Financial liabilities				
Term loans - secured	25,233	25,233	-	-
2006				
Financial assets				
Assets held for sale	29,913	29,913	-	-
Other investments:				
Quoted investments in unit trusts and shares	247	777	237	760
Unquoted subordinated bonds	4,500	4,500	4,500	4,500
Financial liabilities				
Term loans - secured	1,861	1,861	-	-
Term loans - unsecured	65,846	65,846	45,000	45,000

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

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

	Company	
	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
2007		
Contingent liabilities	102,542	*
2006		
Contingent liabilities	137,000	*

* 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 credit lines is remote.

Notes to the Financial Statements (cont'd)

35. OPERATING LEASE

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
Less than one year	1,330	1,330
Between one and five years	5,637	5,538
More than five years	5,510	7,382
	<u>12,477</u>	<u>14,250</u>

The Company leases two factory facilities under operating leases. The leases typically run for a period of 10 years, with 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.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- i) The Company, Khazanah and AICT had, on 6 February 2007, executed a Deed of Revocation to mutually revoke and rescind a shareholders' agreement dated 9 September 1998, which was made between them to regulate their relationship as shareholders of AICT. The Deed of Revocation is a consequence of Khazanah divesting its entire 25% equity stake on even date, comprising 2 million AICT Shares and 1,612,678 AICT CRPS to Darulnas (M) Sdn. Bhd. ("Darulnas").
- ii) AICT had on 27 February 2007 entered into a sale and purchase agreement with Binary Technologies Ltd to dispose of 60.0 million ordinary shares or 27.3% equity interest in Nucleus, an investment which was classified as an asset held for sale in the prior year, for a cash consideration of SGD8.7 million ("Divestment"). The Divestment was completed on 5 March 2007. This disposal resulted in a loss of RM0.288 million to the Group.
- iii) On 12 March 2007, the Company disposed of its remaining 3,999,900 ordinary shares, representing 0.56% equity interest in Jotech Holdings Berhad ("Jotech"), classified as an other investment, for a total cash consideration of RM0.7 million in the open market. This disposal resulted in a gain of RM0.48 million to the Group.
- iv) Between 19 and 21 March 2007, AICT disposed of its remaining 29.6 million ordinary shares or 13.5% equity interest held in Nucleus for a total cash consideration of SGD4.292 million in the open market. This disposal resulted in a loss of RM0.145 million to the Group.
- v) On 2 April 2007, AICT redeemed 1.5 million of its AICT CRPS, resulting in a net cash outflow of RM7.3 million to minority shareholders and the creation of a capital redemption reserve in AICT.
- vi) The Company had on 31 May 2007 entered into a sale and purchase agreement with Darulnas pursuant to the Acquisition of AICT.

Subsequently, the Company had on 11 October 2007 entered into a supplemental sale and purchase agreement with Darulnas whereby the parties agree that the AICT Consideration Shares shall, upon allotment and issuance rank pari passu in all respects with the then existing AIC Shares except that the AICT Consideration Shares shall not be entitled to any rights, allotments and/or other distributions under and in respect of the rights issue announced by the Company on 19 September 2007 nor any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the allotment date of the AICT Consideration Shares.

The Acquisition of AICT was completed on 31 December 2007 and resulted in a negative goodwill amounting to RM3.5 million being recognised in the consolidated income statement during the financial year.

- vii) Brimal had on 16 July 2007 entered into a management agreement with AVC whereby, AVC agreed to provide management services to Brimal's automotive parts business for a period of 3 years unless and until terminated. In consideration of the provision of the management services and for each year of the provision of the management services, Brimal shall pay AVC 30% of Brimal's audited profit before taxation within 1 month from the audited financial statements of Brimal being issued for the relevant financial year. AVC has agreed that such charges or payment shall be due and payable only if Brimal registers profit before taxation.

Notes to the Financial Statements (cont'd)

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

viii) AVP had on 16 July 2007 entered into a management agreement with AVC whereby, AVC agreed to provide management services to AVP's automotive parts business for a period of 3 years unless and until terminated. In consideration of the provision of management services and for each year of the provision of management services, AVP shall pay AVC 30% of AVP's audited profit before taxation within 1 month from the audited accounts of AVP being issued for the relevant financial year. AVC has agreed that such charges or payment shall be due and payable only if AVP registers profit before taxation.

ix) AICD had on 1 August 2007 entered into a sale and purchase agreement with Khazanah to acquire the remaining 25% equity interest, comprising of 1,666,667 ordinary shares of RM1.00 each in AICM, for a cash consideration of RM1,688. Subsequently, AICM has become a wholly-owned subsidiary of AICD. Consequently, on even date, Khazanah, AICD and AICM had mutually agreed to revoke and rescind a shareholders' agreement dated 9 September 1998, which was made between them to regulate their relationship as shareholders of AICM.

x) The Company had on 19 September 2007 entered into a sale and purchase agreement with Jotech pursuant to the proposed acquisition of the entire equity interest, comprising 1,249,000 ordinary shares of RM1.00 each in Prodelcon, a wholly owned subsidiary of Jotech ("Proposed Acquisition") for a purchase consideration of RM53,000,000 to be satisfied by the issuance of 27,500,000 new AIC Shares at an issue price of RM1.00 per AIC Share and the remaining RM25,500,000 in cash.

On 15 November 2007, the Company and Jotech entered into a supplemental sale and purchase agreement pursuant to the Proposed Acquisition whereby the profit warranty given by Jotech to the Company of not less than RM5 million shall be based on the audited profit after taxation and minority interest, after deducting the loss on disposal of investment of RM2.92 million, of Prodelcon for the financial year ended 31 December 2007.

Subsequently, the Company had on 2 January 2008 and 27 February 2008 received the Securities Commission's (via its letter dated 31 December 2007) and its shareholders' approval respectively for the Proposed Acquisition.

xi) AICI had on 19 September 2007 entered into a sale and purchase agreement with AVC whereby AICI has agreed to sell to AVC:

(a) the entire equity interest in Brimal of 8,000,000 ordinary shares of RM1.00 each;

(b) the entire equity interest in AVP of 1,000,000 ordinary shares of RM1.00 each; and

(c) 2,500,000 new ordinary shares of RM1.00 each in AVP to be issued to AICI pursuant to a proposed capitalisation of advances from AICI.

The consideration for the said shares is RM12,291,684 to be satisfied by the issuance of 9,833,347 AVC Shares at an issue price of RM1.25 per AVC Share.

xii) The Company had on 26 September 2007 entered into a novation agreement with Amanah Raya Berhad ("ARB") and CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad) (as Trustee for the Amanah Raya Real Estate Investment Trust) ("CIMB Trustee") whereby the Company consented to the assignment and transfer and substitution of ARB with CIMB Trustee pursuant to the sale and purchase agreement between ARB and CIMB Trustee with effect from the date of completion of the aforementioned sale and purchase agreement. Under the said sale and purchase agreement, ARB agreed to sell all pieces of land held under HS(D) 97328, Lot PT No.611 and HS(D) 97329, Lot PT No.612, both of Seksyen 16 Bandar Shah Alam, District of Petaling, State of Selangor together with all erected buildings/structures on that land thereon but excluding all the plant and machinery installed/affixed/brought or to be installed/affixed/brought on those said land, together with all its contractual rights interests benefits, advantages, privileges, chooses in action and obligations under and pursuant to a lease agreement entered into between AIC and ARB in 2006, to CIMB Trustee.

xiii) On 18 December 2007, the shareholders of the Company had at an extraordinary general meeting approved a rights issue of up to 36,980,244 AIC Shares ("Rights Shares") together with up to 33,618,403 free new detachable warrants in the Company ("Warrants") attached on the basis of 11 Rights Shares with 10 Warrants for every 40 existing AIC Shares held ("Rights Issue").

Subsequently, the Company had on 27 January 2008 executed the Deed Poll governing the Warrants.

Notes to the Financial Statements (cont'd)

37. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- i) The Company had on 29 January 2008 entered into an Underwriting Agreement with RHB Investment Bank Berhad and MIMB Investment Bank Berhad (collectively referred to as the "Underwriters") wherein the Underwriters have agreed to underwrite up to 12,739,877 Rights Shares for an underwriting commission of 1.5% of the value of the Rights Shares underwritten, payable in cash.
- ii) 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.

38. COMPARATIVE FIGURES

Certain comparative figures of the Group on the income statement have been represented as if an operation discontinued during the current year had been discontinued from the start of the comparative period (see Note 28).

	Group	
	As restated RM'000	As previously stated RM'000
Income statement		
Revenue		
- sale of goods	135,397	155,154
Cost of sales	(141,092)	(157,932)
Administrative expenses	(10,575)	(13,606)
Distribution costs	(2,614)	(3,353)
Other operating expenses	(41,299)	(44,254)
Other operating income	3,655	4,153
Interest income	74	84
Finance costs	(8,707)	(8,842)
Loss before tax	(66,985)	(70,438)
Tax expense	358	1,671

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

No options or warrants were issued or exercised during the financial year.

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 RM55,000.

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 Group during the financial year.

PROFIT GUARANTEE

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

REVALUATION POLICY

The revaluation policy on landed properties are as disclosed in the Financial Statements, on pages 40 and 41 of the Annual Report.

MATERIAL CONTRACTS

Save as disclosed below and for those disclosed in Note 33 of the Financial Statements, there were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year ended 31 December 2007 or entered into since the end of the previous financial year.

AIC Corporation Berhad ("AIC") had on 19 September 2007 entered into a sale and purchase agreement ("SPA") with Jotech Holdings Berhad ("Jotech") to acquire the entire equity interest, comprising 1,249,000 ordinary shares of RM1.00 each in Prodelcon Sdn Bhd ("Prodelcon") for a purchase consideration of RM53 million to be satisfied by the issuance of 27.5 million new ordinary shares of RM1.00 each in AIC ("AIC Shares") at an issue price of RM1.00 each and the remaining RM25.5 million in cash ("Proposed Acquisition") Datuk Goh Tian Chuan ("Datuk Goh") who is a director and major shareholder of AIC is also a director and substantial shareholder of Jotech whereas Cara Kaya Sdn Bhd ("Cara Kaya") is a substantial shareholder of AIC and Datuk Goh has interest in the shares of Cara Kaya. As such, Datuk Goh and Cara Kaya is deemed interested in the Proposed Acquisition and the Proposed Acquisition is thus, a related party transaction.

Subsequently, on 15 November 2007, AIC and Jotech have entered into a supplemental sale and purchase agreement pursuant to the Proposed Acquisition whereby the profit warranty given by Jotech to AIC of not less than RM5 million shall be based on the audited profit after taxation and minority interest, after deducting the loss on disposal of investment of RM2.92 million, of Prodelcon for the financial year ended 31 December 2007.

On 28 March 2008, AIC had announced that AIC and Jotech have mutually agreed to an extension of time of 3 months up to 18 June 2008 for the following:-

- i) to fulfill the conditions precedent as required under the SPA; and
- ii) for AIC to make the necessary arrangements with the relevant financial institutions to relinquish Jotech's obligations under the corporate guarantees given for the benefit of Prodelcon, under the terms of the SPA.

Other Information Required by the Listing Requirements of Bursa Malaysia (cont'd)

UTILISATION OF PROCEEDS

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 status of the utilisation of proceeds from the Rights Issue as at 31 March 2008 are as follows:-

PURPOSE	ACTUAL UTILISATION RM'00	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	608	1,000	392	Within 1 month upon completion of the Rights Issue
Working capital of AIC Group	197	353	156	Within 6 months upon completion of the Rights Issue
TOTAL	28,305	28,853	548	

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NATURE OF RECURRENT RELATED PARTY TRANSACTIONS CONTEMPLATED

On 21 June 2007, 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 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 2007 are as follows:-

TRANSACTION	PROVIDER	PURCHASER	AGGREGATED VALUE FROM 1 JANUARY 2007 TO 31 DECEMBER 2007 RM'000
Assembly and testing of integrated circuit chips	AICS	Atmel	29,337

Statistics on Shareholdings

as at 2 April 2008

Authorised share capital	:	RM500,000,000
Issued and fully paid-up share capital	:	RM146,373,659
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	77	4.44	2,442	0.00
100 - 1000	113	6.52	88,970	0.06
1,001 - 10,000	1,134	65.44	4,499,028	3.07
10,001 - 100,000	330	19.04	9,644,047	6.59
100,001 to less than 5% of issued shares	73	4.21	70,622,032	48.25
5% and above of issued shares	6	0.35	61,517,140	42.03
TOTAL	1,733	100.00	146,373,659	100.00

LIST OF TOP 30 SHAREHOLDERS

NAME	SHARES HELD	% OF ISSUED CAPITAL
1. TA NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Datuk Goh Tian Chuan</i>	13,892,070	9.49
2. DARULNAS (M) SDN BHD	12,600,000	8.61
3. DATUK GOH TIAN CHUAN	9,755,695	6.66
4. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account For Datuk Goh Tian Chuan</i>	8,709,525	5.95
5. INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Cara Kaya Sdn Bhd</i>	8,287,500	5.66
6. EMPLOYEES PROVIDENT FUND	8,272,350	5.65
7. WENCASTLE HOLDINGS LIMITED	7,289,000	4.98
8. HSBC NOMINEES (ASING) SDN BHD <i>Exempt AN for RBS Coutts Bank Ltd (Hk Branch)</i>	6,000,000	4.10
9. HSBC NOMINEES (ASING) SDN BHD <i>Exempt AN for RBS Coutts Bank Ltd (Sg Branch)</i>	5,183,059	3.54
10. TA NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Juddy Chu Yen Tien</i>	5,125,600	3.50
11. TA NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for George Chee Tat Min</i>	5,073,200	3.47
12. LOKE MEI LING	4,717,372	3.22
13. AIBB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Datuk Goh Tian Chuan</i>	3,153,075	2.15

Statistics on Shareholdings

as at 2 April 2008 (cont'd)

LIST OF TOP 30 SHAREHOLDERS (cont'd)

NAME	SHARES HELD	% OF ISSUED CAPITAL
14. INNOSABAH NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Antara Reka Sdn Bhd</i>	2,664,750	1.82
15. PERMODALAN NASIONAL BERHAD	2,430,251	1.66
16. AL-KABIR BIN MOHD ALI	2,228,000	1.52
17. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB Bank for Jasen Yun Vui Fen</i>	1,823,703	1.25
18. MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Quek Yong Wah</i>	1,700,000	1.16
19. AMSEC NOMINEES (TEMPATAN) SDN BHD <i>Arab-Malaysian Credit Berhad for Al- Meiraj Bin Mohd Ali</i>	1,574,499	1.08
20. A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Liew Cheng York</i>	1,500,000	1.02
21. OSK NOMINEES (ASING) SDN BERHAD <i>DMG & Partners Securities Pte Ltd for Cube Capital Group Limited</i>	1,130,000	0.77
22. RC NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Yap Terng Sheng</i>	1,118,200	0.76
23. TSEN THAU MIN	1,114,300	0.76
24. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Mayban Trustees Berhad for Asbi Dana Al-Mubin</i>	849,000	0.58
25. KUAN YUEN SOONG @ KUAN CHU TENG	800,000	0.55
26. SIRI ANJUNG SDN BHD	758,100	0.52
27. LOW KIA KHOON	730,000	0.50
28. HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak</i>	670,050	0.46
29. AL-KABIR BIN MOHD ALI	640,000	0.44
30. HDM NOMINEES (TEMPATAN) SDN BHD <i>UOB Kay Hian Pte Ltd for Ooi Jon Wei @ Ng Jon Wei</i>	561,000	0.38
TOTAL	120,350,299	82.22

Statistics on Shareholdings

as at 2 April 2008 (cont'd)

Substantial Shareholders' Shareholdings

AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 2 APRIL 2008

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
Datuk Goh Tian Chuan	35,510,365	24.26	8,287,500 ⁽¹⁾	5.66
Darulnas (M) Sdn Bhd	12,600,000	8.61	-	-
Cara Kaya Sdn Bhd	8,287,500	5.66	-	-
Employees Providend Fund Board	8,272,350	5.65	-	-
Abdul Rashid Bin Mohamad Isa	-	-	12,600,000 ⁽²⁾	8.61
Faidzan Bin Hassan	-	-	12,600,000 ⁽²⁾	8.61

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 PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 2 APRIL 2008

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
Datuk Goh Tian Chuan	35,510,365	24.26	8,287,500 ⁽¹⁾	5.66
Chen Heng Mun	105,187	0.07	-	-
Yahya bin Razali	-	-	-	-
Ng Kok Hok	-	-	-	-
Yap Fook Chin	-	-	-	-

Note:

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

Statistics on Warrantholdings as at 2 April 2008

ANALYSIS BY SIZE OF WARRANTHOLDINGS - WARRANT C

Size of holdings	No. of warrantholders	%	No. of warrants	%
1 - 99	7	3.84	327	0.00
100 - 1000	127	69.78	34,806	0.13
1,001 - 10,000	25	13.74	92,840	0.36
10,001 - 100,000	11	6.04	291,641	1.11
100,001 to less than 5% of issued warrants	6	3.30	4,069,325	15.51
5% and above of issued warrants	6	3.30	21,741,190	8.89
TOTAL	182	100.00	26,230,129	100.00

LIST OF TOP 30 WARRANTHOLDERS - WARRANT C

NAME	WARRANTS HELD	% OF ISSUED WARRANTS
1. DATUK 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 Datuk 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 Datuk 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. LOKE MEI LING	924,975	3.53
8. JASEN VUN VUI FEN	901,200	3.44
9. KUAN YUEN SOONG @ KUAN CHU TENG	669,900	2.55
10. AIBB NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Datuk Goh Tian Chuan</i>	618,250	2.36
11. SIRI ANJUNG SDN BHD	605,000	2.31
12. LOW KIA KHOON	350,000	1.33
13. ANG KIAN TIAM	55,000	0.21

Statistics on Warrantholdings as at 2 April 2008 (cont'd)

LIST OF TOP 30 WARRANTHOLDERS - WARRANT C (cont'd)

NAME	WARRANTS HELD	% OF ISSUED WARRANTS
14. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB Bank for Wong Chee Hsiung</i>	50,025	0.19
15. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Ten Kam Weng (Mutiara Branch)</i>	30,000	0.11
16. HLG NOMINEE (TEMPATAN) SDN BHD <i>Pledged Securities Account for Wong Khie Meng</i>	25,455	0.10
17. CHUAN HOOI KEAT	25,000	0.10
18. SOUTHERN INVESTMENT BANK BERHAD <i>Kumpulan Wang Simpanan Pekerja for Liew Cheng York</i>	22,500	0.09
19. JF APEX NOMINEES (TEMPATAN) SDN BHD <i>AISB for Leong Lup Yan</i>	21,582	0.08
20. CHEN HENG MUN	20,625	0.08
21. NG KIAT GUAN	20,000	0.08
22. SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Liew Pak Chin</i>	10,909	0.04
23. SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Yap Keng Fatt</i>	10,545	0.04
24. PUA ENG CHEONG	10,000	0.04
25. NG WENG HANG	10,000	0.04
26. MOHD MOKHTAR BIN SHAFII	8,182	0.03
27. THENG SAU PAK @ THENG KHEW TET	7,500	0.03
28. GAN KIM SUNG	5,000	0.02
29. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB Bank for Wong Chee Kiong</i>	4,000	0.02
30. SJ SEC NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Lee Yuen Ling</i>	3,818	0.01
TOTAL	26,150,656	99.70

Directors' Warrantholdings

AS PER THE REGISTER OF DIRECTORS' WARRANTHOLDINGS AS AT 2 APRIL 2008

	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
Chen Heng Mun	20,625	0.08	-	-
Yahya bin Razali	-	-	-	-
Ng Kok Hok	-	-	-	-
Yap Fook Chin	-	-	-	-

Note:

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

Property of the Group

Location/Address	Lot 26 & 27, Zone Perindustrian Phase 1, Kulim Hi-tech Industrial Park 09000, Kedah
Description and existing use	Office and factory building: Assembly and test of integrated circuit chips
Approximate age of building (years)	Plant 1 : 10.5 Plant 2 : 6.5
Land area (sq. ft.)	513,140
Built up area (sq. ft.)	Plant 1 : 95,000 Plant 2 : 89,000
Tenure of land	Lease over 60 years expiring in year 2056
Net book value as at 31 December 2007	RM37,558,086
Latest date of revaluation	December 2006

Notice of Eighteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at Orchid Room, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 21 May 2008 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 2007 together with the Directors' and Auditors' Reports thereon. **RESOLUTION 1**
2. To re-elect Datuk Goh Tian Chuan retiring in accordance with Article 101 of the Company's Articles of Association. **RESOLUTION 2**
3. To re-elect the following Directors retiring in accordance with Article 106 of the Company's Articles of Association:-
 - (i) Chen Heng Mun **RESOLUTION 3**
 - (ii) Ng Kok Hok **RESOLUTION 4**
 - (iii) Yap Fook Chin **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 24 April 2008 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 Eighteenth 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

24 April 2008

NOTES:-

(I) PROXY

1. A member of the Company entitled to present and to vote at the Eighteenth 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, G-01, Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 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 24 April 2008, which is despatched together with the Company's Annual Report 2007.

Statement Accompanying Notice Of Eighteenth Annual General Meeting

1. Directors who are standing for election are as follows:-
 - (a) Datuk Goh Tian Chuan - Article 101
 - (b) Chen Heng Mun - Article 106
 - (c) Ng Kok Hok - Article 106
 - (d) Yap Fook Chin - Article 106

2. Further details of the abovementioned directors seeking re-election are set out on page 5 of this Annual Report.