

Financial Statements

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Directors' Report

for the year ended 31 December 2001

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	3,448	131

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 4% per ordinary share amounting to RM2,736,000 in respect of the financial year ended 31 December 2000.

The Directors now recommend a final tax exempt dividend of 3% per ordinary share less treasury shares amounting to RM2,024,000 in respect of the financial year ended 31 December 2001.

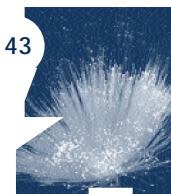
DIRECTORS OF THE COMPANY

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

Datuk Haji Sarip bin Hamid
 Tuan Haji Mohd Ali bin Bawal
 Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii
 Mamat @ Mohamed bin Hussain
 Md Yusof bin Hussin (appointed on 1.8.2001)
 Mohamad Ariff bin Puteh (appointed on 6.11.2001)
 Tuan Haji Rahim bin Kassim (resigned on 17.1.2002)

DIRECTORS' INTEREST

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Director's Shareholdings are as follows:-



Directors' Report

for the year ended 31 December 2001

DIRECTORS' INTEREST (continued)

	Number of Ordinary Shares of RM1 each			Balance at 31.12.2001
	Balance at 1.1.2001	Bought	Sold	
Shares in the Company				
Datuk Haji Sarip bin Hamid				
- direct interest	38,000	252,000	10,000	280,000
- indirect interest	16,032,166	-	300,000	15,732,166
Tuan Haji Mohd Ali bin Bawal				
- direct interest	2,940,000	-	-	2,940,000
Tuan Haji Rahim bin Kassim				
- direct interest	2,000	-	-	2,000
Prof. Madya Dato' Haji Mohd Mokhtar bin Haji Shafii				
- direct interest	20,000	-	-	20,000
Mohamad Ariff bin Puteh				
- direct interest	-	12,000	-	12,000
- indirect interest	16,262,832	150,000	300,000	16,112,832

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

	Number of Ordinary Shares of SGD0.05 each			Balance at 31.12.2001
	Balance at 1.1.2001/ Date of appointment	Bought	Sold	
Shares in Nucleus Electronics Ltd.				
Datuk Haji Sarip bin Hamid	140,000	-	-	140,000
Tuan Haji Mohd Ali bin Bawal	140,000	-	-	140,000
Mohamad Ariff bin Puteh	260,000	-	-	260,000

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

	Number of Ordinary Shares of RM1 each			Balance at 31.12.2001
	Balance at 1.1.2001	Bought	Sold	
Shares in:				
AIC Microelectronics Sdn Bhd	2,531,250	-	-	2,531,250
AIC Properties Sdn Bhd	1,229,917	-	-	1,229,917
AIC Semiconductor Sdn Bhd	27,343,250	777,000	-	28,120,250
AIC Technology Sdn Bhd	6,000,000	-	-	6,000,000
AIC Wafer Services Sdn Bhd	225,000	-	-	225,000
Alpha Mediatech Sdn Bhd	63,000	-	-	63,000
Custom Tooling (Kota Bahru) Sdn Bhd	1	-	-	1
Integral CAD Distribution Sdn Bhd	2	-	-	2
Integral CAD Technologies Sdn Bhd	1,800,000	-	-	1,800,000
Nucleus Electronics Sdn Bhd	1	-	-	1

Directors' Report

for the year ended 31 December 2001

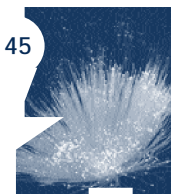
DIRECTORS' INTEREST (continued)

	Number of Ordinary Shares of SGD0.05 each			
	Balance at 1.1.2001	Bought	Sold	Balance at 31.12.2001
Nucleus Electronics Ltd.	67,184,700	-	-	67,184,700
	Number of Ordinary Shares of HKD1 each			
	Balance at 1.1.2001	Bought	Sold	Balance at 31.12.2001
Nucleus Electronics (Hong Kong) Limited	1	-	-	1
	Number of Ordinary Shares of NTD10 each			
	Balance at 1.1.2001	Bought	Sold	Balance at 31.12.2001
Neolec International Ltd.	-	10,491,429	-	10,491,429
	Number of Cumulative Preference Shares of RM 1 each			
	Balance at 1.1.2001	Bought	Sold	Balance at 31.12.2001
AIC Technology Sdn Bhd	4,838,035	-	-	4,838,035
	Number of Convertible Preference Shares of RM 1 each			
	Balance at 1.1.2001	Bought	Sold	Balance at 31.12.2001
AIC Semiconductor Sdn Bhd	18,578,000	-	-	18,578,000

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

	Number of Warrants			
	Balance at 1.1.2001	Bought	Sold	Balance at 31.12.2001
<i>Warrants in the Company</i>				
Datuk Haji Sarip bin Hamid - indirect interest	4,619,248	-	-	4,619,248
Mohamad Ariff bin Puteh - indirect interest	4,619,248	-	-	4,619,248

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



Directors' Report

for the year ended 31 December 2001

DIRECTORS' INTEREST (continued)

<i>Options over shares in the Company</i>	Number of Options over Ordinary Shares of RM1 each			Balance at 31.12.2001
	Balance at 1.1.2001	Granted	Exercised	
Datuk Haji Sarip bin Hamid	42,000	-	-	42,000
Tuan Haji Mohd Ali bin Bawal	86,000	-	-	86,000
Mohamad Ariff bin Puteh	42,000	-	12,000	30,000

<i>Options over shares in Nucleus Electronics Ltd.</i>	Number of Options over Ordinary Shares of SGD0.05 each			Balance at 31.12.2001
	Balance at 1.1.2001	Granted	Exercised	
Datuk Haji Sarip bin Hamid	-	200,000	-	200,000
Tuan Haji Mohd Ali bin Bawal	-	200,000	-	200,000
Mohamad Ariff bin Puteh	-	200,000	-	200,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and fees paid/payable to Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and consultancy and management fees payable to and rental payable to and receivable from companies in which certain Directors have significant financial interest, as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits (other than benefits given to Directors of the Company pursuant to the ESOS) by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

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

Class of Shares	Number of Shares	Terms of Issue	Purpose of Issue
Ordinary shares of RM1 each	209,000	RM2.805 per ordinary share	Employees' Share Option Scheme

SHARE BUY BACK

During the financial year, the Company purchased 1,000,000 of its issued share capital from the open market. The average price paid for the shares purchase was RM3.809 per ordinary share. The share buy back transactions were financed by cash. The shares purchased are being held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held is 67,477,000 of RM1.00 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

Directors' Report

for the year ended 31 December 2001

OPTIONS GRANTED OVER UNISSUED SHARES OR WARRANTS

i) Employees' Share Option Scheme

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

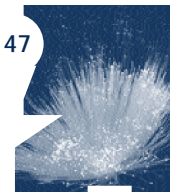
Date of offer	Option price	Balance at 1.1.2001	Offered and accepted	Options exercised	Lapse due to resignation	Balance at 31.12.2001
31.12.1998	5.61	282,000	-	51,000	8,000	223,000
2.1.1999	5.61	635,000	-	158,000	48,000	429,000
1.3.2000	20.50	688,000	-	-	270,000	418,000
3.5.2001	4.08	-	578,000	2,000	106,000	470,000

The salient features of the scheme are as follows:-

- eligible employees are Malaysian citizen employed by and on the payroll of the Group, whom are confirmed and have been in the employment of the Group for at least one (1) year prior or up to the date of offer and any non-Malaysian employee and technical staff who has served the Company on a full time basis and for a period of at least one year up to the date of offer.
- the maximum amount of the ordinary shares of the Company which may be subscribed shall not be more than ten percent (10%) of the issued share capital of the Company at any point of time during the existence of the ESOS which shall be in force for a period of 5 years from 23 December 1998.
- the options cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- the options price shall be determined based on the average of the mean market quotation of the Company's ordinary shares as shown in the Daily Official List issued by the KLSE for the five (5) trading days preceding the respective date of offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher.
- 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.
- the options granted may be exercised according to the following scale in respect of a maximum of the following:-

Number of shares in respect of Options granted

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



Directors' Report

for the year ended 31 December 2001

i) Employees' Share Option Scheme (continued)

Notes:

- (i) The percentage of the options exercisable but not exercised in a particular year can be carried forward to the subsequent years within the options period.
- (ii) For non-Malaysian Grantees, the options can only be exercised up to a maximum of 20% in each year. Any remaining unexercised percentage of the options can be exercised upon expiry of the employment contract should such expiry fall before the end of the options period.

Except for certain Directors and employees who are granted options in a foreign subsidiary, the other persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

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

ii) Warrants

On 18 May 1998, the Company issued RM50,000,000 nominal amount of 2.5% Redeemable Unsecured Bank Guaranteed Bonds 1998/2003 together with 9,203,002 detachable warrants at 100% of the nominal value of the bonds to a primary subscriber.

On 16 July 1998, the primary subscriber offered for sale 9,203,002 warrants at an offer price of RM1.70 per warrant on a renounceable basis to the shareholders of the Company on the basis of three warrants for every ten existing ordinary shares held after the Company's rights issue during the year.

These warrants confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1 each in the Company at an exercise price of RM9 for each new share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 21 April 1998, at any time during the year of four (4) years and six (6) months commencing from the date of the issuance of the warrants.

On 28 June 1999, the Company had announced its proposals to:

- a) issue Replacement Warrants ("RW") to holders of the Company's existing warrants at an issue price of RM0.20 per RW on the basis of one (1) RW in substitution and upon the surrender and cancellation of one (1) existing warrant held on a date to be determined and announced later;
- b) issue New Warrants ("NW") to the existing shareholders of the Company at an issue price of RM0.20 per NW on the basis of one (1) NW for every five (5) existing shares held on a date to be determined and announced later.

The Securities Commission ("SC") approved the proposed issue of the RW on 9 November 1999. The proposed issue of NW was not approved.

On 22 November 1999, the Company announced that the exercise price for the RW was fixed at RM7.60 on a non-renounceable basis. The shareholders' approval on the RW was obtained on 28 January 2000.

On 13 June 2000, the SC has approved certain revision to the proposed issue of RW as a result of the implementation of the Company's bonus issue on the basis of one (1) new ordinary share for every existing share held on 16 June 2000. This has resulted in the number of existing warrants being revised from 9,203,002 to 18,406,004. As a result, the proposed number and issue price of RW were revised to 18,406,004 and RM0.10 per RW respectively, of which 17,446,064 warrants had been cancelled in July 2000 and replaced with RW.

As at 31 December 2001, none of the warrants are yet to be converted to ordinary shares.

Directors' Report

for the year ended 31 December 2001

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 of the Company 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 the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and 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 the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and the Company misleading.

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

- i) any charge on the assets of the Group or 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 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 the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the Group's gain on disposal of an associate and loss on dilution of shareholding in a subsidiary as disclosed in Note 18 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2001 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.



Directors' Report

for the year ended 31 December 2001

AUDITORS

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

Signed in accordance with a resolution of the Directors:

.....
DATUK HAJI SARIP BIN HAMID

.....
TUAN HAJI MOHD ALI BIN BAWAL

Shah Alam,

Date: 26 March 2002

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 52 to 89, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2001 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Datuk Haji Sarip bin Hamid

.....
Tuan Haji Mohd Ali bin Bawal

Shah Alam,

Date: 26 March 2002

Declaration

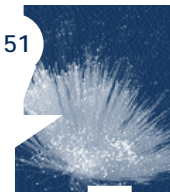
pursuant to Section 169(16) of the Companies Act, 1965

I, Chen Heng Mun, the officer primarily responsible for the financial management of AIC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 89, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 26 March 2002

.....
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 52 to 89. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2001 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

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

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

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

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

KPMG

Firm Number: AF 0758

Chartered Accountants

Hew Lee Lam Sang

Partner

Approval Number: 1862/10/03(J)

Kuala Lumpur,

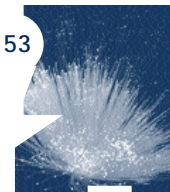
Date: 26 March 2002

Group Balance Sheet

at 31 December 2001

	Note	2001 RM'000	2000 RM'000
Property, plant and equipment	2	178,547	172,760
Property development expenditure	4	9,605	18,299
Investments in associates	5	27,817	30,561
Other investments	6	60	60
Intangible assets	7	39,963	38,659
Current assets			
Other investments	6	2,626	1,650
Inventories	8	29,546	26,969
Trade and other receivables	9	80,999	78,987
Cash and cash equivalents	10	73,495	84,450
		186,666	192,056
Current liabilities			
Trade and other payables	11	52,611	53,331
Borrowings (secured)	12	40,884	33,134
Taxation		3,828	6,384
		97,323	92,849
Net current assets		89,343	99,207
		345,335	359,546
Financed by:-			
Capital and reserves			
Share capital	13	68,477	68,268
Reserves		132,701	128,726
Treasury shares	14	(3,808)	-
		197,370	196,994
Minority shareholders' interests	15	69,109	63,930
Long term and deferred liabilities			
Borrowings (secured)	12	28,703	48,299
Redeemable unsecured bank guaranteed bonds	16	50,000	50,000
Deferred taxation	17	153	323
		345,335	359,546

The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.



Group Income Statement

for the year ended 31 December 2001

	Note	2001 RM'000	2000 RM'000
Revenue	18	321,672	322,808
Operating profit	18	10,383	53,553
Financing costs	20	(6,160)	(9,270)
Share of profits in associates		1,173	4,673
Interest income	21	1,882	2,593
Profit before taxation		7,278	51,549
Tax expense	22	(3,974)	(6,869)
Profit after taxation		3,304	44,680
Minority interest		144	(12,421)
Net profit for the year		3,448	32,259
Basic earnings per ordinary share (sen)	23	5.07	47.30
Diluted earnings per ordinary share (sen)	23	4.97	43.60
Dividends per ordinary share tax exempt (sen)	25	3.0	4.0

The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.

Group Statement of Changes in Equity

for the year ended 31 December 2001

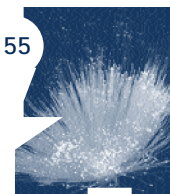
	Non-distributable						Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Reserve on consolidation RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000		
At 1 January 2000	32,765	62,341	2,014	6,114	2,592	1,531	52,081	159,438	
Currency translation differences	-	-	-	-	-	(1,963)	-	(1,963)	
Realisation of merger reserve	-	-	-	-	(595)	-	-	(595)	
Net gains and losses not recognised in the income statement	-	-	-	-	(595)	(1,963)	-	(2,558)	
Proceeds from issue of Replacement Warrants, net of expenses	-	-	1,537	-	-	-	-	1,537	
Net profit for the year	-	-	-	-	-	-	32,259	32,259	
Dividends paid	-	-	-	-	-	-	(1,364)	(1,364)	
Bonus issue/ (Capitalisation for bonus issue)	34,122	(31,672)	13,260	-	-	-	(15,710)	-	
Issue of share capital	1,381	6,301	-	-	-	-	-	7,682	
At 31 December 2000	68,268	36,970	16,811	6,114	1,997	(432)	67,266	196,994	

Note 13

	Non-distributable						Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Reserve on consolidation RM'000	Reserve on revaluation RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	
At 1 January 2001	68,268	36,970	16,811	6,114	-	1,997	(432)	67,266	196,994
Currency translation differences	-	-	-	-	-	-	(1,231)	-	(1,231)
Surplus on revaluation of property, plant and equipment	-	-	-	-	4,314	-	-	-	4,314
Net gains and losses not recognised in the income statement	-	-	-	-	4,314	-	(1,231)	-	3,083
Net profit for the year	-	-	-	-	-	-	-	3,448	3,448
Dividends paid	-	-	-	-	-	-	-	(2,731)	(2,731)
Interim dividends declared to minority shareholders	-	-	-	-	-	-	-	(200)	(200)
Dividend - underprovision in prior year	-	-	-	-	-	-	-	(5)	(5)
Issue of share capital	209	380	-	-	-	-	-	-	589
At 31 December 2001	68,477	37,350	16,811	6,114	4,314	1,997	(1,663)	67,778	201,178

Note 13

The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.



Group Cash Flow Statement

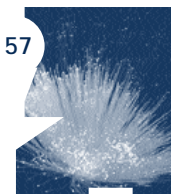
for the year ended 31 December 2001

	Note	2001 RM'000	2000 RM'000
Cash flows from operating activities			
Profit before taxation and minority shareholders' interests		7,278	51,549
Adjustments for:			
Allowance for doubtful debts written back		-	(14)
Allowance for doubtful debts		118	-
Amortisation of development expenditure		1,396	725
Amortisation of preliminary and pre-operating expenses		-	46
Bad debts written off		-	59
Depreciation		24,793	23,878
Dilution of interest		782	-
Exceptional income		-	(1,157)
Gain on disposal of an associate		(1,089)	-
Gain on disposal of subsidiary		-	(453)
Interest expense		5,867	9,134
Interest income		(1,882)	(2,593)
Inventories write down to net realisable value		2,707	88
Inventories written off		437	-
Loss/(Gain) on disposal of property, plant and equipment		225	(43)
Preliminary and pre-operating expenses written off		-	156
Property, plant and equipment written off		-	113
Reversal of inventories written down to net realisable value		(20)	-
Share of profits in associates		(1,173)	(4,673)
Unrealised foreign exchange loss		787	-
Operating profit before working capital changes		40,226	76,815
Changes in working capital:			
Inventories		(3,076)	(2,458)
Receivables		(2,914)	(16,018)
Payables		(1,466)	(5,670)
Cash generated from operations		32,770	52,669
Interest income received		1,305	2,300
Tax paid		(6,383)	(3,103)
Proceeds from joint venture development		9,092	4,340
Net cash generated from operating activities		36,784	56,206

Group Cash Flow Statement

for the year ended 31 December 2001 (continued)

	Note	2001 RM'000	2000 RM'000
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	(i)	4,003	-
Fixed deposits pledged to a licensed bank		(89)	(2,542)
Purchase of additional shares in an existing subsidiary		(2,447)	(217)
Purchase of investment		(976)	(1,650)
Proceeds from disposal of property, plant and equipment		860	403
Purchase of property, plant and equipment	(ii)	(26,678)	(27,209)
Purchase of intangible assets		(1,872)	(1,060)
Sale of subsidiary, net of cash disposed	(i)	-	(519)
Cash contribution in associate's rights issue		-	(1,699)
Dividend received from associate		680	1,200
Cash outflow in associate attributable to shares previously held and treated as subsidiary		-	(1,960)
Proceeds from disposal of investment in an associate		4,084	-
Net cash used in investing activities		(22,435)	(35,253)
Cash flows from financing activities			
Dividend paid		(2,736)	(1,364)
Drawdown of term loan/bank borrowings		39,871	7,905
Interest paid		(5,233)	(8,930)
Proceeds from issue of shares		589	7,682
Proceeds from issue of shares to minority shareholders' interests		-	10,576
Purchase of own shares		(3,808)	-
Repayment of term loan/bank borrowings		(50,005)	(33,643)
Repayment of lease and hire purchase		(3,100)	(2,814)
Proceeds from issuance of Replacement Warrants		-	1,745
Expenses for issuance of Replacement Warrants		-	(208)
Net cash used in financing activities		(24,422)	(19,051)
Net (decrease)/increase in cash and cash equivalents		(10,073)	1,902
Cash and cash equivalents at beginning of year	(iii)	71,825	71,886
Foreign exchange adjustments		(1,231)	(1,963)
		70,594	69,923
Cash and cash equivalents at end of year	(iii)	60,521	71,825



Group Cash Flow Statement

for the year ended 31 December 2001 (continued)

(i) *Summary of effects of acquisition and disposal of subsidiary*

(a) *Acquisition of subsidiary*

During the year, the Group acquired a subsidiary, Neolec International Inc. The fair values of assets and liabilities assumed were as follows:

	2001 RM'000
Non-current assets	
Property, plant and equipment	1,359
Current assets	17,218
Current liabilities	(6,242)
Minority interest	(6,045)
	6,290
Net assets	6,290
Goodwill on acquisition	23
	6,313
Purchase price paid	6,313
Less: Cash and cash equivalents of subsidiary	(10,316)
	(4,003)

(b) *Disposal of subsidiary*

In year 2000, the Group disposed of a subsidiary, Custom Tooling & Engineering (S) Pte. Ltd. The value of assets and liabilities disposed of were as follows:

	2001 RM'000	2000 RM'000
Non-current assets		
Property, plant and equipment	-	149
Current assets	-	2,563
Current liabilities	-	(224)
Minority interest	-	(1,208)
	-	1,280
Net assets disposed	-	1,280
Gain on disposal	-	453
Less: Cash and cash equivalents of subsidiary	-	(2,252)
	-	(519)

(ii) *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM26,678,000 (2000 - RM29,454,000) of which Nil (2000 - RM2,245,000) was acquired by means of finance lease and hire purchase arrangement.

(iii) *Cash and cash equivalents comprise:*

	2001 RM'000	2000 RM'000
Cash and bank balances	28,277	10,289
Fixed deposits with licensed banks	45,218	74,161
	73,495	84,450
Less: Fixed deposits pledged for banking facilities	(12,631)	(12,542)
	60,864	71,908
Overdrafts (secured)	(343)	(83)
	60,521	71,825

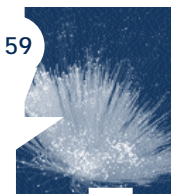
The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.

Company Balance Sheet

at 31 December 2001

	Note	2001 RM'000	2000 RM'000
Property, plant and equipment	2	8,915	7,972
Investment in subsidiaries	3	81,892	79,445
Investment in associates	5	12,064	12,064
Current assets			
Other receivables	9	44,095	55,863
Cash and cash equivalents	10	19,650	25,348
		63,745	81,211
Current liabilities			
Other payables	11	1,109	1,020
Borrowings (secured)	12	936	10,020
Taxation		17	17
		2,062	11,057
Net current assets		61,683	70,154
		164,554	169,635
Financed by:-			
Capital and reserves			
Share capital	13	68,477	68,268
Reserves		49,510	50,834
Treasury shares	14	(3,808)	-
		114,179	119,102
Long term and deferred liabilities			
Borrowings (secured)	12	375	533
Redeemable unsecured bank guaranteed bonds	16	50,000	50,000
		164,554	169,635

The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.



Company Income Statement

for the year ended 31 December 2001

	Note	2001 RM'000	2000 RM'000
Revenue	18	6,266	5,832
Operating profit/(loss)	18	436	(311)
Financing costs	20	(1,694)	(2,359)
Interest income	21	1,389	2,044
Profit/(Loss) before taxation		131	(626)
Tax expense	22	-	(377)
Profit/(Loss) after taxation		131	(1,003)

Company Statement of Changes in Equity

for the year ended 31 December 2001

	Non-distributable				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	
At 1 January 2000	32,765	62,754	-	3,387	13,344	112,250
Proceeds from issue of Replacement Warrants, net of expenses	-	-	1,537	-	-	1,537
Net gains and losses not recognised in the income statement	-	-	1,537	-	-	1,537
Net loss for the year	-	-	-	-	(1,003)	(1,003)
Dividends paid	-	-	-	-	(1,364)	(1,364)
Bonus issue/(Capitalisation for bonus issue)	34,122	(31,672)	-	-	(2,450)	-
Issue of share capital	1,381	6,301	-	-	-	7,682
Transfer from revaluation reserve to retained profit	-	-	-	(3,387)	3,387	-
At 31 December 2000/ 1 January 2001	68,268	37,383	1,537	-	11,914	119,102
Surplus on revaluation	-	-	-	901	-	901
Net gains and losses not recognised in the income statement	-	-	-	901	-	901
Net profit for the year	-	-	-	-	131	131
Issue of share capital	209	380	-	-	-	589
Dividends paid	-	-	-	-	(2,731)	(2,731)
Dividend - underprovision in prior year	-	-	-	-	(5)	(5)
At 31 December 2001	68,477	37,763	1,537	901	9,309	117,987

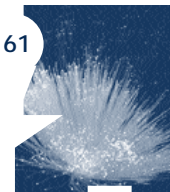
Note 13

The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.

Company Cash Flow Statement

for the year ended 31 December 2001

	Note	2001 RM'000	2000 RM'000
Cash flows from operating activities			
Profit/(Loss) before taxation		131	(626)
Adjustments for:			
Depreciation		511	499
Bad debts written off		-	59
Interest expense		1,694	2,359
Interest income		(1,389)	(2,044)
Dividend income		(4,280)	(3,200)
Gain on disposal of property, plant and equipment		(33)	-
Loss before working capital changes		(3,366)	(2,953)
Changes in working capital:			
Other receivables		13,003	(3,838)
Other payables		219	(371)
Cash generated from/(used in) operations		9,856	(7,162)
Interest income received		1,202	636
Dividend income received		2,500	2,000
Net cash generated from/(used in) operating activities		13,558	(4,526)
Cash flows from investing activities			
Fixed deposits pledged to a licensed bank		(89)	(2,542)
Purchase of additional shares in an existing subsidiary		(2,447)	-
Proceeds from disposal of property, plant and equipment		36	-
Purchase of property, plant and equipment	(i)	(556)	(70)
Cash contribution in associate's rights issue		-	(1,699)
Dividend received from an associate		680	1,200
Net cash used in investing activities		(2,376)	(3,111)
Cash flows from financing activities			
Dividend paid		(2,736)	(1,364)
Proceeds from issuance of Replacement Warrants		-	1,745
Expenses for issuance of Replacement Warrants		-	(208)
Purchase of own shares		(3,808)	-
Interest paid		(1,679)	(2,183)
Proceeds from issue of shares		589	7,682
Repayment of bank borrowings		(9,192)	(7,248)
Repayment of hire purchase		(143)	(123)
Net cash used in financing activities		(16,969)	(1,699)



Company Cash Flow Statement

for the year ended 31 December 2001 (continued)

	Note	2001 RM'000	2000 RM'000
Net decrease in cash and cash equivalents		(5,787)	(9,336)
Cash and cash equivalents at beginning of year	(ii)	12,806	22,142
Cash and cash equivalents at end of year	(ii)	7,019	12,806

(i) Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM556,000 (2000 - RM331,000) of which Nil (2000 - RM261,000) was acquired by means of finance lease and hire purchase arrangement.

(ii) Cash and cash equivalents comprise:

	2001 RM'000	2000 RM'000
Cash and bank balances	975	1,118
Fixed deposits with licensed banks	18,675	24,230
	19,650	25,348
Less: Fixed deposits pledged for banking facilities	(12,631)	(12,542)
	7,019	12,806

The notes set out on pages 62 to 89 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the early adoption of the accounting for proposed final dividends in accordance with MASB 19 on Events After the Balance Sheet Date.

(a) Basis of accounting

The financial statements of the Group and the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

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

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

The Group financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to 31 December 2001. The results of the subsidiaries are included in the consolidated financial statements from the date of acquisition. All material related company transactions and balances have been eliminated on consolidation.

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

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

(c) Property, plant and equipment and depreciation

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

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

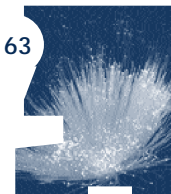
The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

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

Depreciation of other property, plant and equipment is provided on a straight line basis so as to write off the cost of the property, plant and equipment over their estimated useful lives.

The annual rates of depreciation adopted are as follows:-

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



Notes to the Financial Statements

(c) Property, plant and equipment and depreciation (continued)

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are not discounted to their present values. The impairment loss is charged to the income statement, unless it reverses a previous revaluation, in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(d) Investment in subsidiaries

Investment in unquoted subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost. An allowance is made when the Directors are of the view that there is a diminution in value of investments which is other than temporary.

(e) Associates

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

Investment in associates is stated in the Company's financial statements at cost. An allowance is made when the Directors are of the view that there is a diminution in value of investments which is other than temporary.

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

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

(f) Other investments

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

(g) Property development expenditure

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

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

(h) Goodwill or reserve arising on consolidation

Goodwill or reserve arising on consolidation represents the difference of the purchase price over the fair value of the net assets of the subsidiaries and associates at the date of acquisition and is taken up in the Consolidated Balance Sheet as a permanent item. Goodwill or reserve on consolidation is written down when the Directors consider that there is a diminution in value which is other than temporary.

(i) Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or

Notes to the Financial Statements

(i) Research and development (continued)

process is technically and commercially feasible and the Group has sufficient resources to complete 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 amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over a period of three (3) to ten (10) years or the period of the projects whichever is shorter, upon commencement of commercial production.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdraft and deposits pledged to financial institutions.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out ("FIFO") being the main basis for cost and includes all direct expenditure incurred in bringing the inventories to their present location and condition.

For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(l) Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An allowance for doubtful debts is made for based on a review of all outstanding amounts at the year end.

(m) Accounting for hire purchases and leasing

Property, plant and equipment held under hire purchase and leasing arrangements are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are treated as a liability. Financing charges for hire purchases and leasing are charged to the income statement over the period of the primary hire purchase or leasing using the sum of digits method.

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

(n) Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as costs and set off against equity.

(o) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

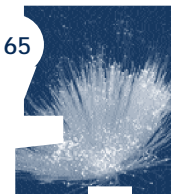
Deferred taxation is provided under the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

Where there is intention to dispose of revalued assets, the deferred tax relating to such assets is recognised through a transfer from the related revaluation surplus. No provision is made of this effect where the Group intends to hold such assets for the foreseeable future.

(p) Foreign currency

i) Transactions in foreign currencies

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling on balance sheet date. Transactions during the year are converted at rates ruling on the transaction dates. Gains or losses in exchange are



Notes to the Financial Statements

i) Transactions in foreign currencies (continued)

dealt with through the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

ii) Financial statements of foreign operations

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

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

1SGD	RM2.06	(2000: 1SGD	RM2.18)
1USD	RM3.80	(2000: 1USD	RM3.80)
1HKD	RM0.49	(2000:	Nil)
1NTD	RM0.11	(2000:	Nil)

(q) Revenue

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

i) Goods sold and services rendered

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

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the services at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

ii) Dividend income

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

iii) Progressive payments received from joint venture development

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

(r) Interest income

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

(s) Expenses

i) Operating lease payments

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

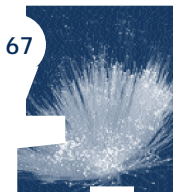
ii) Financing costs

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

Notes to the Financial Statements

2. PROPERTY, PLANT AND EQUIPMENT

<i>Group</i>	Freehold land and buildings	Leasehold land and buildings	Dies and moulds	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction in progress	Total
<i>Cost/Valuation</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2001	5,062	40,828	1,114	159,220	18,282	3,436	2,071	230,013
Exchange differences	3	(378)	-	-	(123)	(64)	-	(562)
Additions	-	836	129	7,921	3,906	89	13,797	26,678
Acquisition of subsidiary	558	435	-	-	275	399	-	1,667
Disposals	(561)	(437)	-	(1,355)	(194)	(262)	-	(2,809)
Write off	-	-	-	-	-	(63)	-	(63)
Revaluation adjustments	371	2,142	-	-	-	-	-	2,513
Reclassification	-	(573)	-	-	-	-	573	-
At 31 December 2001	5,433	42,853	1,243	165,786	22,146	3,535	16,441	257,437
Representing items at Cost	972	1,355	1,243	165,786	22,146	3,535	16,441	211,478
Director's valuation	4,461	41,498	-	-	-	-	-	45,959
	5,433	42,853	1,243	165,786	22,146	3,535	16,441	257,437
Depreciation								
At 1 January 2001	874	2,872	556	44,787	6,900	1,264	-	57,253
Exchange differences	-	(17)	-	-	(48)	(24)	-	(89)
Charge for the year	99	771	176	20,122	2,952	673	-	24,793
Acquisition of subsidiary	-	39	-	-	49	162	-	250
Disposals	-	(44)	-	(500)	(59)	(166)	-	(769)
Write off	-	-	-	-	-	(63)	-	(63)
Revaluation adjustments	-	(2,485)	-	-	-	-	-	(2,485)
At 31 December 2001	973	1,136	732	64,409	9,794	1,846	-	78,890
Net book value								
At 31 December 2001	4,460	41,717	511	101,377	12,352	1,689	16,441	178,547
At 31 December 2000	4,188	37,956	558	114,433	11,382	2,172	2,071	172,760
Depreciation charge for the year ended 31 December 2000	99	727	126	19,795	2,729	684	-	24,160



Notes to the Financial Statements

2. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>Company</i>		Furniture, fittings and office equipment	Motor vehicles	Total
<i>Cost</i>	Buildings RM'000	RM'000	RM'000	RM'000
At 1 January 2001	7,433	843	1,172	9,448
Additions	511	45	-	556
Disposals	-	(3)	(64)	(67)
Write off	-	-	(63)	(63)
Revaluation adjustments	108	-	-	108
At 31 December 2001	8,052	885	1,045	9,982
<i>Representing items at:</i>				
Cost	228	885	1,045	2,158
Valuation	7,824	-	-	7,824
	8,052	885	1,045	9,982
<i>Depreciation</i>				
At 1 January 2001	716	422	338	1,476
Charge for the year	157	121	233	511
Disposal	-	-	(64)	(64)
Write off	-	-	(63)	(63)
Revaluation adjustments	(793)	-	-	(793)
At 31 December 2001	80	543	444	1,067
<i>Net book value</i>				
At 31 December 2001	7,972	342	601	8,915
At 31 December 2000	6,717	421	834	7,972
Depreciation charge for the year ended 31 December 2000	155	115	229	499

The Group and Company's land and buildings were last revalued in June/July 2001 using an open market value basis by the following independent qualified valuers using the comparison method to reflect fair value:

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

Deferred taxation on revaluation of the Group and Company's freehold and leasehold land and building of RM265,000 (2000 - Nil) and RM5,000 (2000 - Nil)) respectively are not provided for in the financial statements as it is not the intention of the Directors to dispose these properties.

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

Notes to the Financial Statements

2. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group	
	2001 RM'000	2000 RM'000
Freehold land and buildings		
Cost	1,244	1,244
Accumulated depreciation	(568)	(546)
Net book value at the end of financial year	676	698
Leasehold land and buildings		
Cost	39,751	40,828
Accumulated depreciation	(2,767)	(2,872)
Net book value at the end of financial year	36,984	37,956
	Company	
	2001 RM'000	2000 RM'000
Buildings		
Cost	7,944	7,433
Accumulated depreciation	(873)	(716)
Net book value at the end of financial year	7,071	6,717

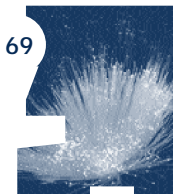
The freehold land together with the attached buildings costing RM5,433,000 are charged to a financial institution to secure credit facilities for the Company.

The leasehold land together with the attached buildings costing RM43,426,000 are charged to financial institutions to secure credit facilities for the Company and certain subsidiaries.

The net book value of the Group's property, plant and equipment acquired under hire purchase and finance lease arrangements as at 31 December 2001 amounted to RM7,093,000 (2000 - RM8,522,000).

The net book value of the Company's property, plant and equipment acquired under hire purchase and finance lease arrangements as at 31 December 2001 amounted to RM717,000 (2000 - RM834,000).

	2001 RM'000	2000 RM'000
Depreciation charge for the year	24,793	24,160
Less: Depreciation capitalised in development expenditure (Note 7)	-	(282)
Depreciation charged to income statement	24,793	23,878



Notes to the Financial Statements

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2001 RM'000	2000 RM'000
Unquoted shares - at cost	81,892	79,445

The details of the subsidiaries are as follows :-

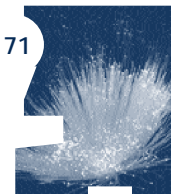
Name	Principal activities	Effective equity interest		Place of incorporation
		2001 %	2000 %	
*AIC Inspirasi Sdn. Bhd. <i>and its subsidiaries</i>	Investment holding	100	100	Malaysia
Autovisor Plastics Sdn. Bhd.	Manufacturing of sunvisors and interior car lamps	100	100	Malaysia
*Brimal Holdings Sdn. Bhd.	Design and distribution of electronic products and assembly of automotive accessories	100	100	Malaysia
CustomTooling Holdings Sdn. Bhd. <i>and its subsidiaries</i>	Investment holding	100	100	Malaysia
Custom Tooling (Malaysia) Sdn. Bhd.	Manufacturing and fabrication of high precision engineering plastics and moulding for the automotive, telecommunication and electronics industries	100	100	Malaysia
Custom Tooling Engineering (Malaysia) Sdn. Bhd.	Fabrication of tools, dies and moulds	100	100	Malaysia
Custom Tooling (Kota Bahru) Sdn. Bhd.	Dormant	51	51	Malaysia
CTMS Sdn. Bhd.	Dormant	100	100	Malaysia
AIC dotCom Sdn. Bhd.	Investment holding	100	100	Malaysia
AIC Technology Sdn. Bhd. <i>and its subsidiaries</i>	Investment holding	75	75	Malaysia
AIC Semiconductor Sdn. Bhd.	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	74	74	Malaysia

Notes to the Financial Statements

3. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Effective equity interest		Place of incorporation
		2001 %	2000 %	
Nucleus Electronics Ltd.	Distribution of electronic components for industrial applications	41	41	Singapore
<i>and its subsidiaries</i>				
Nucleus Electronics Sdn. Bhd.	Trading and distribution of electronic components	41	41	Malaysia
Nucleus Electronics (Hong Kong) Limited	Distribution and marketing of electronic components and acting as sales representative for principals	41	41	Hong Kong
Neolec International Inc.	Trading of electronic business and is an authorised bidding agent	21	-	Taiwan
AIC Microelectronics Sdn. Bhd.	Research and design of integrated circuit chips and provision of system solutions	56	56	Malaysia
AIC Wafer Services Sdn. Bhd.	Provision of marketing services and the development of semiconductor and wafer related businesses	75	75	Malaysia
AIC Properties Sdn. Bhd.	Property development, management and other ancillary activities	61	61	Malaysia
*Inmode Venture Sdn. Bhd.	Providing project management and consultancy services, sub-contractor of general works and property investment	100	100	Malaysia
Integral CAD Technologies Sdn. Bhd.	Providing information technology solutions and services	90	90	Malaysia
<i>and its subsidiaries</i>				
Integral CAD Distribution Sdn. Bhd.	Sales, support and services of computer aided design technologies, hardware and software systems	90	90	Malaysia
Alpha Mediatech Sdn. Bhd.	Provision of electronic and robotic teaching aids to educational institutions	63	63	Malaysia

* Company of which KPMG have not acted as auditors



Notes to the Financial Statements

4. PROPERTY DEVELOPMENT EXPENDITURE

	Group	
	2001 RM'000	2000 RM'000
Freehold land, at cost	7,565	14,620
Development expenditure	2,040	3,679
	<u>9,605</u>	<u>18,299</u>

Included in development expenditure is finance cost capitalised during the year amounting to Nil (2000 - RM95,000).

The freehold land is charged as a security for banking facilities granted to the Company.

5. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Quoted shares, at cost	13,934	13,934	12,064	12,064
Unquoted shares, at cost	-	3,206	-	-
Share of post acquisition retained profits	13,883	13,421	-	-
	<u>27,817</u>	<u>30,561</u>	<u>12,064</u>	<u>12,064</u>
Market value of quoted shares	22,032	23,528	22,032	23,528

This is represented by:-

	Group	
	2001 RM'000	2000 RM'000
Group's share of net assets other than goodwill	22,006	24,750
Group's share of goodwill in associates' own consolidated financial statements	5,811	5,811
	<u>27,817</u>	<u>30,561</u>

The details of the associates are as follows:-

Name	Principal activities	Effective equity interest		Place of incorporation
		2001 %	2000 %	
Jotech Holdings Berhad	Investment holding	34	34	Malaysia
<i>and its subsidiaries</i>				
Jotech Metal Fabrication Industries Sdn. Bhd.	Manufacture and fabrication of tools and dies and stamped metal components for electrical, consumer electronics and automotive industries	34	34	Malaysia

Notes to the Financial Statements

5. INVESTMENTS IN ASSOCIATES (continued)

Name	Principal activities	Effective equity interest		Place of incorporation
		2001 %	2000 %	
Prodelcon Sdn. Bhd.	Manufacture of high precision tooling, die sets, semiconductor moulds and parts and high precision jigs and fixtures and the design and manufacture of turnkey automation system	34	34	Malaysia
Multimatic Systems Sdn. Bhd.	Design, fabrication and commissioning of automatic handling equipment/ systems for electronic and semiconductor industries	34	34	Malaysia
Custom Tooling & Engineering (S) Pte. Ltd.	Consultation, design and development of plastic products and plastic injection moulding for the manufacturing industry	-	50	Singapore

6. OTHER INVESTMENTS

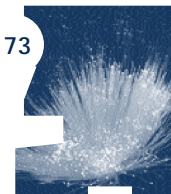
	Group	
	2001 RM'000	2000 RM'000
Long term		
Quoted in Malaysia		
Investments in unit trusts and shares	87	87
Allowance for diminution in value	(27)	(27)
	<hr/> 60	<hr/> 60
Market value of quoted investment	<hr/> 60	<hr/> 56
Short term		
Unquoted shares in Malaysia	1,650	1,650
Quoted debt securities - overseas	976	-
	<hr/> 2,626	<hr/> 1,650
Market value of quoted debts securities - overseas	<hr/> 984	<hr/> -

The details of the short term investment is as follows:-

Name	Principal activities	Effective equity interest		Place of incorporation
		2001 %	2000 %	
MteX Corporation Sdn. Bhd.	Electronic commerce technology developer, trade portal and services provider	35	35	Malaysia

The investment in this company has not been equity accounted for as the Company intends to dispose the investment in the near future.

Notes to the Financial Statements



7. INTANGIBLE ASSETS

	Group	
	2001 RM'000	2000 RM'000
Development expenditure		
At 1 January	2,250	535
Increase during the year	1,872	1,342
Transferred from property, plant and equipment	-	1,098
Amortised during the year	(1,396)	(725)
At 31 December	2,726	2,250
Preliminary and pre-operating expenses		
At 1 January	-	202
Amortised during the year	-	(46)
Written off during the year	-	(156)
At 31 December	-	-
Goodwill on consolidation		
At 1 January	36,409	36,415
Arising from additional investment	856	-
Decrease during the year	(28)	(6)
At 31 December	37,237	36,409
Total intangible assets	39,963	38,659

Included in development expenditure incurred during the year is depreciation and staff costs amounting to Nil and RM1,023,000 (2000 - RM282,000 and RM255,000) respectively.

8. INVENTORIES

	Group	
	2001 RM'000	2000 RM'000
<i>At cost</i>		
Raw materials	4,479	3,771
Work in progress	833	972
Goods in transit	1,647	4,048
Finished goods	16,738	18,178
	23,697	26,969
<i>At net realisable value</i>		
Finished goods	5,849	-
	29,546	26,969
Reversal of inventory written down to net realisable value	20	-

The reversal arose in respect of part of inventory written down made in prior years that was subsequently not required.

Notes to the Financial Statements

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade receivables	72,487	59,120	-	-
Less: Allowance for doubtful debts	(182)	(64)	-	-
	72,305	59,056	-	-
Other receivables, deposits and prepayments	8,393	19,483	966	1,888
Subsidiaries	-	-	42,828	53,527
Associates	301	448	301	448
	80,999	78,987	44,095	55,863

Included in trade receivables of the Group are:

- i) Amount owing by substantial shareholders of a subsidiary amounting to RM11,138,000 (2000 - RM12,805,000).
- ii) Amount of RM1,985,000 (2000 - RM2,907,000) owing by related parties (companies with common shareholders).

Included in other receivables, deposits and prepayments of the Group are:-

	2001 RM'000	2000 RM'000
Other receivables	4,255	3,756
Deposits	2,952	7,726
Prepayments	1,186	8,001
	8,393	19,483

Included in other receivables, deposits and prepayments of the Company are amounts due from related parties (companies with common Directors) amounting to RM49,000 (2000 - RM350,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

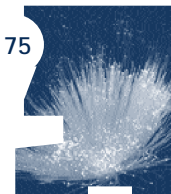
Subsidiaries

The amount due from subsidiaries is unsecured, interest free and has no fixed term of repayment except for amounts due from certain subsidiaries amounting to RM23,654,000 (2000 - RM31,984,000) which bear interest at 2.6% to 9.5% (2000 - 2.6% to 10%) per annum.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Cash and bank balances	28,277	10,289	975	1,118
Fixed deposits with licensed banks	45,218	74,161	18,675	24,230
	73,495	84,450	19,650	25,348

Included in fixed deposits of the Group and the Company is an amount of RM12,631,000 (2000 - RM12,542,000) which is pledged to a licensed bank to secure banking facilities for the Company.



Notes to the Financial Statements

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade payables	39,176	33,237	-	-
Other payables and accruals	13,435	20,094	895	1,020
Subsidiaries	-	-	214	-
	<u>52,611</u>	<u>53,331</u>	<u>1,109</u>	<u>1,020</u>

Included in other payables and accruals of the Group are:

	2001 RM'000	2000 RM'000
Other payables	5,385	12,748
Accrued expenses	8,050	5,434
Profit sharing provision	-	1,912
	<u>13,435</u>	<u>20,094</u>

Included in other payables and accruals of the Group are amount due to an associate and management fees payable to a shareholder of RM114,000 (2000 - RM280,000) and RM12,000 (2000 - RM36,000), respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.

Included in other payables and accruals of the Company are amounts due to related parties (companies with common Directors) amounting to RM74,000 (2000 - RM87,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

Subsidiaries

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

12. BORROWINGS (SECURED)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Current				
Overdrafts	343	83	-	-
Trade financing facilities	20,122	2,970	-	-
Finance lease and hire purchase liabilities	1,453	3,103	158	150
Term loans	18,188	17,108	-	-
Revolving credit facilities	778	9,870	778	9,870
	<u>40,884</u>	<u>33,134</u>	<u>936</u>	<u>10,020</u>
Long term				
Finance lease and hire purchase liabilities	929	2,360	375	533
Term loans	27,774	45,939	-	-
	<u>28,703</u>	<u>48,299</u>	<u>375</u>	<u>533</u>
	<u>69,587</u>	<u>81,433</u>	<u>1,311</u>	<u>10,553</u>

Notes to the Financial Statements

12. BORROWINGS (SECURED) (continued)

Group	Under Total RM'000	1 - 5 1 year RM'000	Over 5 years RM'000	years RM'000
Secured term loans	45,962	18,188	27,270	504
Secured overdrafts	343	343	-	-
Finance lease and hire purchase liabilities	2,382	1,453	929	-
Revolving credit facilities	778	778	-	-
Trade financing facilities	20,122	20,122	-	-
	69,587	40,884	28,199	504

Company	Total RM'000	Under 1 year RM'000	1 - 5 years RM'000
Finance lease and hire purchase liabilities	533	158	375
Revolving credit facilities	778	778	-
	1,311	936	375

Finance lease and hire purchase liabilities

Finance lease and hire purchase liabilities are payable as follows:

Group	Payments 2001 RM'000	Interest 2001 RM'000	Principal 2001 RM'000	Payments 2000 RM'000	Interest 2000 RM'000	Principal 2000 RM'000
Less than one year	1,598	145	1,453	3,461	358	3,103
Between one and five years	1,044	115	929	2,542	260	2,282
Over five years	-	-	-	92	14	78
	2,642	260	2,382	6,095	632	5,463

Company	Payments 2001 RM'000	Interest 2001 RM'000	Principal 2001 RM'000	Payments 2000 RM'000	Interest 2000 RM'000	Principal 2000 RM'000
Less than one year	209	51	158	221	71	150
Between one and five years	417	42	375	626	93	533
	626	93	533	847	164	683

Finance lease and hire purchase liabilities bear interest at rates ranging from 2.6% to 9.3% (2000 - 4.5% to 10.85%) per annum and is repayable between 24 to 84 instalments.

The bank overdraft is secured by the following:

- i) fixed charge over a subsidiary's leasehold land and buildings;
- ii) jointly and severally guaranteed by certain Directors of a subsidiary.

The bank overdrafts bear interest at 2% (2000 - 2%) per annum above the lending bank's base lending rate.



Notes to the Financial Statements

12. BORROWINGS (SECURED) (continued)

The trade financing facilities, which include revolving credit facilities and trust receipts are secured by the following:

- i) a corporate guarantee by the Company;
- ii) a debenture creating first and floating charge over all assets of a subsidiary.

The trade financing facilities bear interest at 1.5% (2000 - 1.25% to 1.5%) per annum above the lending bank's base lending rate.

The revolving credit represents a syndicated short term revolving credit facility secured by way of a negative pledge on all unencumbered assets of the Company and its subsidiaries and carries an annual rate of interest of 2.5% per annum above the banks' cost of funds/base lending rates.

The term loans are secured by the following:

- i) first legal charge over the lease of landed property of a subsidiary;
- ii) a debenture covering the first fixed and floating charge over the present and future assets of the subsidiary;
- iii) joint and several guarantee by the Directors of a subsidiary;
- iv) a corporate guarantee by the Company; and
- v) a first legal mortgage over the leasehold land and building of a subsidiary.

The first term loan of RM16,165,000 bears interest amounting to RM1,125,807 (Islamic facility) and is repayable in 36 monthly instalments commencing February 2001.

The second term loan of USD7,384,000 bears interest at a rate of 1.5% (2000 - 2%) per annum above the lending bank's cost of fund and is repayable in 52 monthly instalments commencing May 2000.

The third term loan of RM230,000 bears interest at a rate of 2% (2000 - 2%) per annum above the lending bank's base lending rate and is repayable in 180 monthly instalments commencing February 1996.

The fourth term loan of SGD725,000 bears interest at a rate to be determined by the bank at the end of each interest year. Currently, the loan bears interest ranging from 2.60% to 4.37% (2000 - 3.65% to 4.40%) per annum and is repayable in 120 instalments commencing April 1999.

13. SHARE CAPITAL

	Company	
	2001 RM'000	2000 RM'000
Ordinary shares of RM1 each:		
Authorised		
Balance at 1 January	100,000	50,000
Increased during the year	-	50,000
Balance at 31 December	100,000	100,000
Issued and fully paid		
Balance at 1 January	68,268	32,765
Issue during the year	209	1,381
Bonus issue	-	34,122
Balance at 31 December	68,477	68,268

Notes to the Financial Statements

13. SHARE CAPITAL (continued)

At the end of the financial year, options to subscribe for 17,446,064 and 959,940 (2000 - 17,446,064 and 959,940) ordinary shares RM1 each granted under the sale of warrants at an exercise price of RM3.80 and RM4.50, respectively (2000 - RM3.80 and RM4.50) per share remained unexercised. The Warrants are transferable and are quoted on the Kuala Lumpur Stock Exchange. Holders of the Warrants have the right to subscribe in cash at any time during the exercise year at the respective exercise prices. The exercise price may be adjusted in accordance with the provisions contained in the Deed Poll dated 21 April 1998.

- (a) On 28 June 1999, the Company had announced its proposals to:
- i) issue Replacement Warrants ("RW") to holders of the Company's existing warrants at an issue price of RM0.20 per RW on the basis of one (1) RW in substitution and upon the surrender and cancellation of one (1) existing warrant held on a date to be determined and announced later;
 - ii) issue New Warrants ("NW") to the existing shareholders of the Company at an issue price of RM0.20 per NW on the basis of one (1) NW for every five (5) existing shares held on a date to be determined and announced later.

The Securities Commission ("SC") approved the proposed issue of the RW on 9 November 1999. The proposed issue of NW was not approved.

On 22 November 1999, the Company announced that the exercise price for the RW was fixed at RM7.60 on a non-renounceable basis. The shareholders' approval on the RW was obtained on 28 January 2000.

On 13 June 2000, the SC had approved certain revision to the proposed issue of RW as a result of the implementation of the Company's bonus issue on the basis of one (1) new ordinary share for every existing share held on 16 June 2000. This had resulted in the number of existing warrants being revised from 9,203,002 to 18,406,004. As a result, the number and issue price of RW was revised to 18,406,004 and RM0.10 per RW respectively of which 17,446,064 warrants have been cancelled in July 2000 and replaced with RW.

- (b) At the end of the year, options to subscribe for 1,540,000 under the company's ESOS remains unexercised.

The details of options granted to subscribe for shares which were outstanding at 31 December 2001 are as follows:

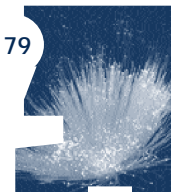
Option expiry date	Issue price	Number of options over ordinary shares of RM 1 each
28.12.2003	2.805	223,000
28.12.2003	2.805	429,000
28.12.2003	10.25	418,000
28.12.2003	4.08	470,000

14. TREASURY SHARES, AT COST

During the year, the Company bought back a total of 1,000,000 of its issued share capital from the open market. The shares bought back are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

The details of the shares bought back during the financial year were 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	268	4.184	3.960	4.072	1,094
July	618	3.960	3.520	3.670	2,269
November	114	3.960	3.780	3.906	445
	<u>1,000</u>				<u>3,808</u>



Notes to the Financial Statements

15. MINORITY SHAREHOLDERS' INTERESTS

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

16. REDEEMABLE UNSECURED BANK GUARANTEED BONDS

The RM50,000,000 nominal value 2.5% Redeemable Unsecured Bank Guaranteed Bonds 1998/2003 ("Bonds") constituted by a Trust Deed dated 21 April 1998 were issued together with 9,203,002 detachable warrants ("Warrants"). The main features of the Bonds and Warrants are as follows:-

- i) The Bonds carry a fixed coupon rate of 2.5% per annum payable semi-annually in arrears on 30 June and 31 December.
- ii) Unless previously redeemed, repurchased or cancelled by the Company, the Bonds will be redeemed by cash at their nominal value together with the interest accrued on maturity date on 17 May 2003.
- iii) The Warrants are transferable and are quoted on the Kuala Lumpur Stock Exchange. Holders of the Warrants have the right to subscribe in cash at any time during the exercise year at the exercise price of RM9.00 per ordinary share of RM1.00 each. The exercise price may be adjusted in accordance with the provisions contained in the Deed Poll dated 21 April 1998. On 28 June 1999, the Company had announced its proposal to issue Replacements Warrants ("RW") to holders of the existing warrants 1998/2003 at an issue price of RM 0.20 per RW on the basis of one (1) RW in substitution and upon the surrender and cancellation of one (1) existing warrant held on a date to be determined and announced later. On 13 June 2000, the SC has approved certain revision to the proposed issue of RW as a result of the implementation of the Company's bonus issue on the basis of one (1) new ordinary share for every existing share held on 16 June 2000. This has resulted in the number of existing warrants being revised from 9,203,002 to 18,406,004. As a result, the number and issue price of RW is revised to 18,406,004 and RM0.10 per RW respectively which 17,446,064 warrants had been cancelled in July 2000 and replaced with RW. As at 31 December 2001, none of the warrants and the RW had been exercised.

17. DEFERRED TAXATION

	Group	
	2001 RM'000	2000 RM'000
At 1 January	323	573
Arising from exchange difference	(9)	(6)
Arising from disposal of a subsidiary	-	(331)
	314	236
Transfer (to)/from income statement	(161)	87
At 31 December	153	323

Subject to agreement by the Inland Revenue Board, the Group and the Company has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:-

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unutilised tax losses	15,903	12,206	7,872	4,090
Other timing differences	(1,572)	6,987	(3,297)	2,018
	14,331	19,193	4,575	6,108

Notes to the Financial Statements

18. OPERATING PROFIT/(LOSS)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue - sale of goods	292,438	286,651	-	-
- progressive payments received from joint venture development	9,092	4,907	-	-
- dividend	-	-	4,280	3,200
- services	20,142	31,250	1,986	2,632
	321,672	322,808	6,266	5,832
Cost of inventories	(250,808)	(215,153)	-	-
Other cost of revenue	(26,639)	(25,180)	-	-
Gross profit	44,225	82,475	6,266	5,832
Distribution costs	(7,741)	(6,807)	-	-
Administration expenses	(14,780)	(15,154)	(2,637)	(3,199)
Other operating expenses	(13,983)	(11,595)	(3,354)	(3,253)
Other operating income	2,662	4,634	161	309
Operating profit/(loss)	10,383	53,553	436	(311)

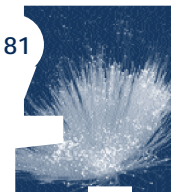
Operating profit is arrived at:-

After crediting:-

Dividend income	-	-	4,280	3,200
Exceptional item*	1,089	1,157	-	-
Gain on disposal of property, plant and equipment	35	43	33	-
Gain on disposal of a subsidiary	-	453	-	-
Management fee received	322	250	1,340	1,915
Allowance for doubtful debts written back	-	14	-	-
Rental of premises	305	621	646	717
Realised foreign exchange gain	313	374	-	-
Reversal of inventory written down to net realisable value	20	-	-	-

and after charging:-

Auditors' remuneration				
- Holding company auditors	125	161	15	13
- Other auditors	58	13	-	-
- Underprovision in prior year	9	-	-	-
- Overprovision in prior year	(27)	-	-	-
Allowance for doubtful debts	118	-	-	-
Amortisation of development expenditure	1,396	725	-	-
Amortisation of preliminary and pre-operating expenses	-	46	-	-
Bad debts written off	-	59	-	59
Consultancy fees paid to a company in which Director has interest	83	165	-	-
Depreciation	24,793	23,878	511	499
Directors' fees	264	524	53	36
Directors' remuneration	2,261	2,603	393	700
Exceptional item*	782	-	-	-
Inventories written down to net realisable value	2,707	88	-	-
Inventories written off	437	-	-	-



Notes to the Financial Statements

18. OPERATING PROFIT/(LOSS) (continued)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Loss on disposal of property, plant and equipment	260	-	-	-
Management fees paid/payable to a company in which certain Directors have interest	504	112	504	112
Management fees payable to a shareholder	24	36	-	-
Operating lease expenses	455	107	-	-
Preliminary and pre-operating expenses written off	-	156	-	-
Property, plant and equipment written off	-	113	-	-
Rental of premises	100	279	-	-
Rental of premises paid to a company in which Director has interest	33	70	-	-
Realised foreign exchange loss	17	100	-	-
Unrealised foreign exchange loss	787	-	-	-

The estimated monetary value of Directors' benefit-in-kind for the Group and the Company is RM265,000 (2000 - RM39,000) and RM33,000 (2000 - RM30,000), respectively.

* The exceptional item in 31 December 2001 relates to the Group's gain on disposal of an associate and the Group's loss on dilution of shareholding in a subsidiary.

The exceptional item in 2000 relates to the Group's increased share of net assets in an associate and on dilution of shareholding in one of its subsidiary.

19. EMPLOYEES INFORMATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Staff costs				
- charged to income statement	31,990	39,618	2,292	2,878
- capitalised in development expenditure (Note 7)	1,023	255	-	-
	33,013	39,873	2,292	2,878

The number of employees of the Group and of the Company (including Directors) at the end of the year was 1,057 and 21 (2000 - 1,241 and 28), respectively.

20. FINANCING COSTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest payable				
Term loans	3,421	6,125	-	-
Bank overdrafts	25	29	15	21
Bonds	1,250	1,250	1,250	1,250
Hire purchase and leases	378	662	72	87
Trust receipt	435	96	-	-
Revolving credit	358	972	357	972
Related company	-	-	-	29
	5,867	9,134	1,694	2,359
Others	293	136	-	-
	6,160	9,270	1,694	2,359

Notes to the Financial Statements

21. INTEREST INCOME

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest receivables				
Related company	-	-	870	1,372
Fixed deposit	1,847	2,593	519	672
	1,847	2,593	1,389	2,044
Others	35	-	-	-
	1,882	2,593	1,389	2,044

22. TAX EXPENSE

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Malaysian income tax	2,690	2,120	-	-
Overseas taxation	1,147	3,670	-	-
Transfer (from)/to deferred taxation	(161)	87	-	-
Under/(Over) provision in prior year				
- Overseas	57	-	-	-
- Malaysia	-	(20)	-	377
	3,733	5,857	-	377
Taxation on share of profit of associates	241	1,012	-	-
	3,974	6,869	-	377

The effective tax rate of the Group in the current year is higher than the statutory tax rate of 28% due to certain expenses being disallowed for taxation purposes and no group relief available for losses incurred by certain subsidiaries.

The effective tax rate of the Group in 2000 is lower than the statutory tax rate due to certain tax incentives enjoyed by the Group. A subsidiary has been granted full pioneer status for a period of five years commencing 1 September 1998 as incentive for the manufacturing of integrated circuits.

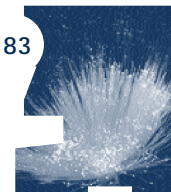
Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit of approximately RM260,000 and tax exempt income of approximately RM7,657,000 to frank the payments of dividends from its distributable reserves as at 31 December 2001.

23. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the financial year has been calculated on the Group's profit after taxation and minority interests of RM3,448,000 (2000 - RM32,259,000) based on the weighted average number of ordinary shares in issue of 67,957,000 (2000 - 68,095,000).

	2001 '000	2000 '000
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	68,268	32,765
Effect of bonus issue	-	34,122
Effect of shares issued during the year	209	1,208
Effect of share buy back	(520)	-
Weighted average number of ordinary shares	67,957	68,095



Notes to the Financial Statements

23. EARNINGS PER SHARE (continued)

Diluted earnings per share

The diluted earnings per share for the year has been calculated based on the Group's profit after taxation and minority interests for the year of RM3,448,000 (2000 - RM32,259,000) on the adjusted weighted average number of ordinary shares issued and issuable of 69,401,000 (2000 - 73,987,000) during the year. The adjusted weighted average number of ordinary shares issued and issuable has been calculated based on a method prescribed by MASB 13.

	2001 '000	2000 '000
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at beginning of year	68,268	32,765
Effect of bonus issue	-	34,122
Effect of shares issued during the year	209	1,208
Effect of warrants and share options	1,444	5,892
Effect of share buy back	(520)	-
	<hr/>	<hr/>
Weighted average number of ordinary shares	69,401	73,987

24. RELATED PARTIES

24.1 Related party relationship

- i) Companies controlled by the Company and its subsidiaries and associates as disclosed in notes 3 and 5.
- ii) Companies in which certain Directors who are also shareholders are deemed to have substantial financial interests:
 - Asteria Sdn. Bhd. ("ASB")
 - Asteria Industries Sdn. Bhd. ("AISB")
 - Asteria Manufacturing Sdn. Bhd. ("AMSB")
 - Asteria Electronics Sdn. Bhd. ("AESB")
 - Asteria Corporation Sdn. Bhd. ("ACSB")
 - Cergas Resmi Sdn. Bhd. ("CRSB")
 - Hakikat Seri Sdn. Bhd. ("HSSB")
 - Hamodal Sdn. Bhd. ("HSB")
- iii) Khazanah Nasional Berhad ("KNB") a substantial shareholder of AIC Technology Sdn. Bhd. a subsidiary.
- iv) Meranti Teguh Sdn. Bhd. ("MTSB") a company in which a Director and shareholder in Integral CAD Technologies Sdn. Bhd. ("ICT"), a subsidiary is deemed to have substantial financial interests.
- v) Atmel Corporation ("AC") a substantial shareholder of AIC Semiconductor Sdn. Bhd. ("AICS") a subsidiary.

24.2 Significant transactions with related parties

In the normal course of business, the Group and the Company undertakes on agreed terms and prices, transactions with its related companies and other related parties.

The significant related party transactions are as follows:

	2001 RM'000	2000 RM'000
A) Rendering of services		
a) Transactions with subsidiaries:		
Management fee charged by the Company	1,238	1,665
Rental charged by the Company	595	395

Notes to the Financial Statements

A) Rendering of services (continued)

	2001 RM'000	2000 RM'000
b) Transactions with Jotech Holdings Berhad ("JHB") an associate of the Company:		
Management fees received by the Company/Group	297	250
Rental income receivable by the Company/Group	24	9
Provision of networking facilities by the Company/Group and sharing of software maintenance costs	1	-
c) Transactions with HSB:		
Consultancy fees charged to:		
- The Company	30	-
- The Group	111	28
d) Transaction with CRSB:		
Management fees charged to the Company/Group	370	112
e) Transaction with HSSB:		
Management fees charged to the Company/Group	62	-
f) Transactions with MTSB:		
Consultancy fees charged to the Group	83	165
Rental of premises charged to the Group	33	70
g) Transaction with KNB:		
Management fees charged to the Group	24	36
h) Transaction with ACSB:		
Rental income receivable by the Company/Group	21	-
i) Transaction with AISB:		
Rental income receivable by the Company/Group	233	305
Management fees charged by the Group	60	60
Provision of networking facilities by the Company/Group and sharing of software maintenance costs	19	-
j) Transaction with ASB:		
Rental income receivable by the Company/Group	-	20
k) Transaction with ACSB:		
Management fee charged to the Group	240	276
Provision of networking facilities by the Company/Group and sharing of software maintenance cost	5	-

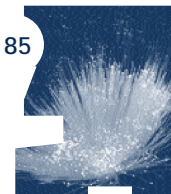
B) Sale of goods

a) Sales to Custom Tooling & Engineering (S) Pte. Ltd. by the Group	490	876
b) Sales to AMSB by the Group	4,178	5,058
c) Sales to AISB by the Group	28	240
d) Sales to AESB by the Group	196	-
e) Sales to AC by the Group	73,171	125,242

C) Purchase of goods

Purchases from Prodelcon Sdn. Bhd., a wholly owned subsidiary of JHB by the Group	626	1,339
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The transactions have been transacted in the normal course of business and have been established under negotiated terms.



Notes to the Financial Statements

25. DIVIDENDS

	Group and Company	
	2001	2000
	RM'000	RM'000
Ordinary		
Final proposed:		
3% per share tax exempt (2000 - 4% per share tax exempt)	2,024	2,731

The proposed final dividend has not been accounted for in the financial statements of the Group and the Company as at 31 December 2001.

26. LEASE COMMITMENTS

Total future minimum lease payments of one of the subsidiary under non-cancellable operating lease are as follows:

	Group	
	2001	2000
	RM'000	RM'000
Less than one year	265	265
Between one and five years	90	175

27. CAPITAL COMMITMENTS

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

	Group	
	2001	2000
	RM'000	RM'000
Approved and contracted for	7,096	29,656
Approved but not contracted for	696	550

28. CONTINGENT LIABILITIES - UNSECURED

The Company has executed corporate guarantees in favour of licensed banks for facilities of up to a limit of RM77.4 million and USD12 million granted to its subsidiaries.

29. SIGNIFICANT EVENTS DURING THE YEAR

- (a) The Company has announced the following on 29 January 2001:
- (i) proposed executives' share options scheme ("AICS ESOS Scheme") for all eligible executives including Executive Directors ("Eligible Executives") of AIC Semiconductor Sdn. Bhd. ("AICS"), a subsidiary of AIC ("Proposed AICS ESOS"); and
 - (ii) a proposed cash consideration scheme by AIC of new ordinary shares of RM1.00 each in AICS issued pursuant to the exercise of options granted to Eligible Executives of AICS pursuant to the Proposed AICS ESOS ("Proposed Acquisition Scheme")

The above proposals had been approved by the shareholders of AIC at the Extraordinary General Meeting held on 29 January 2001.

Notes to the Financial Statements

29. SIGNIFICANT EVENTS DURING THE YEAR (continued)

- (b) On 16 March 2001, the Company had announced that the Company proposed to seek mandate from their shareholders at the Annual General Meeting ("AGM") on 22 May 2001, for the Company to be authorised to purchase on the Kuala Lumpur Stock Exchange up to 10% of the issued and paid up ordinary share capital of the Company pursuant to Section 67A of the Companies Act 1965 ("Proposed Purchase of Own Shares"), following the expiry of the authorization of the aforesaid matter at the conclusion of the AGM held on 18 June 1999, which the Company did not seek renewal.

The shareholders' mandate for the Company to be authorised to purchase its own shares was obtained during the Annual General Meeting that was held on 22 May 2001.

- (c) As announced on 6 November 2000, Nucleus Electronics Ltd ("Nucleus"), a subsidiary of AIC via AIC Technology Sdn. Bhd., has on 3 November 2000 entered into a Subscription and Shareholders Agreement ("the Agreement") with the existing shareholders of Neolec International Inc ("Neolec"), for the subscription by Nucleus of 4,995,919 new ordinary shares of NT\$10.00 per share in Neolec representing 51% of the enlarged issued and paid-up capital of Neolec, for a total cash subscription ("the Subscription") based on the net tangible assets ("NTA") of Neolec as at 30 September 2000 and after adjusting for NT\$30 million cash injection by the shareholders in October 2000.

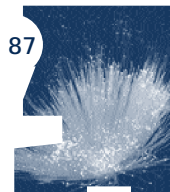
On 19 January 2001, the proposal has been completed after fulfilling all the necessary conditions precedent. The proposal was approved by all the relevant authorities on 11 January 2001. Based on the findings of the due diligence review on Neolec, the total Subscription for the proposal has been agreed at NT\$57.254 million or RM6.678 million equivalent.

- (d) Pursuant to the cash acquisition scheme as detailed in (a) above, AIC had acquired 777,000 ordinary shares in AICS on 23 April 2001 for a cash consideration of RM2,447,550, thus increasing its shareholdings from 14.96% to 16.71% in AICS's issued and paid up ordinary share capital.
- (e) As announced on 14 August 2001, Custom Tooling Holdings Sdn. Bhd. ("CTH"), a wholly owned subsidiary of AIC, had on 10 August 2001 entered into a Share Sale Agreement ("SSA") with Custom Technology (S) Pte. Ltd. ("CTPL") for the sale by CTH of 175,000 ordinary shares of S\$1.00 each, equivalent to 50% of the present equity capital in CTES, a 50% owned subsidiary of CTH, to CTPL for a total cash consideration of S\$1,910,000. Following the completion of the above share sale by CTH on 12 August 2001, CTH ceased to own any shares in CTES.

30. SEGMENTAL REPORTING

Inter-segment pricing is determined based on negotiated terms.

Group	Turnover		Profit before tax		Total assets employed	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Analysis by geographical location						
Malaysia	263,979	209,614	5,962	33,749	377,256	333,977
Singapore	36,657	109,986	1,019	13,022	29,592	86,605
Hong Kong	13,861	3,208	35	105	4,534	1,252
Taiwan	7,175	-	(911)	-	3,459	-
	321,672	322,808	6,105	46,876	414,841	421,834
Share of results/ assets in associates	30,498	40,096	1,173	4,673	27,817	30,561
	352,170	362,904	7,278	51,549	442,658	452,395



Notes to the Financial Statements

30. SEGMENTAL REPORTING (continued)

Group	Turnover		Profit before tax		Total assets employed	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Analysis by activity						
Investment holding	369	475	(4,153)	(2,880)	18,168	23,206
Electronic division	35,066	36,888	7,039	4,732	45,985	44,790
Semiconductor division	227,078	255,702	1,522	41,829	284,872	298,507
IT division	50,067	24,835	1,891	4,025	50,147	32,348
Property division	9,092	4,908	(194)	(830)	15,669	22,983
	321,672	322,808	6,105	46,876	414,841	421,834
Inter-segment revenue						
Investment division	5,691	5,268	-	-	-	-
Semiconductor division	13	-	-	-	-	-
IT division	297	1,534	-	-	-	-
Elimination	6,001 (6,001)	6,802 (6,802)	-	-	-	-
Share of results/ assets in associates	-	-	-	-	-	-
	30,498	40,096	1,173	4,673	27,817	30,561
	352,170	362,904	7,278	51,549	442,658	452,395

31. SUBSEQUENT EVENTS AFTER YEAR END

On 8 January 2002, Nucleus Electronics Ltd. ("NEL"), a subsidiary has acquired a shelf company in Malaysia known as Vital Components Sdn. Bhd. ("VCSB"). VCSB has an authorised share capital of RM100,000 and an issued and paid-up share capital of RM2.

The principal activity of VCSB is to act as a sales representative to NEL for the distribution and marketing of electronic components.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

- i) In previous year, dividend was accrued as a liability when proposed by Directors. The Group has adopted the recommendation of MASB Standard 19 (Events After the Balance Sheet Date) which is applicable on or after 1 July 2001. MASB 19 recommends the recognition of dividends as a liability when the obligation to pay is established (i.e. when the dividend is approved at the Annual General Meeting). As a result, the comparative figures for reporting of proposed dividend has been reclassified as follows:-

Balance Sheet	As previously reported		Effect
	RM'000	RM'000	
Group			
At 31 December 2000			
- retained earnings	125,995	128,786	2,731
- proposed dividends	3,208	-	(3,208)
- trade and other payables	52,854	53,331	477
Company			
At 31 December 2000			
- retained earnings	48,103	50,834	2,731
- proposed dividends	2,731	-	(2,731)

Notes to the Financial Statements

32. COMPARATIVE FIGURES (continued)

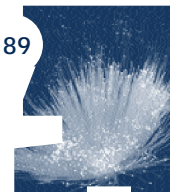
- ii) Financing costs in the income statement in the previous year has been reclassified to include other costs incurred in connection with borrowings.

	As previously reported RM'000	As restated RM'000	Effect RM'000
Financing costs			
Interest payable	9,134	9,134	-
Others	-	136	136
	<u>9,134</u>	<u>9,270</u>	<u>136</u>
Other operating expenses	11,731	11,595	(136)
Statement of changes in equity			
Group			
Retained profits - 1999	50,771	52,081	1,310
Dividends paid - 1999	1,310	-	(1,310)
	<u>64,535</u>	<u>67,266</u>	<u>2,731</u>
Retained profits - 2000	2,785	1,364	(1,421)
Dividends paid - 2000			
Company			
Retained profits - 1999	12,034	13,344	1,310
Dividends paid - 1999	1,310	-	(1,310)
	<u>9,183</u>	<u>11,914</u>	<u>2,731</u>
Retained profits - 2000	2,785	1,364	(1,421)
Dividends paid - 2000			

33. LIABILITIES PAYABLE BY AND DEBTS PAYABLE TO THE COMPANY

The amounts estimated by the Directors are as follows:-

	Not later than 2 years RM'000	2 to 5 years RM'000
At 31 December 2001		
Liabilities payable by the Company		
Current liabilities		
Borrowings	1,126	-
Bonds	1,094	217
	50,000	-
	<u>52,220</u>	<u>217</u>
Debts payable to the Company:		
Other receivables	44,096	-
Conversion of warrants*		
Estimated proceeds to be received	70,615	-
Other current assets:		
Deposits	18,675	-
Cash and bank balances	975	-
	<u>19,650</u>	<u>-</u>



Notes to the Financial Statements

33. LIABILITIES PAYABLE BY AND DEBTS PAYABLE TO THE COMPANY (continued)

	Not later than 2 years RM'000	2 to 5 years RM'000
At 31 December 2000		
Liabilities payable by the Company		
Current liabilities	3,768	-
Borrowings	10,170	383
Bonds	-	50,000
	<hr/>	<hr/>
	13,938	50,383
Debts payable to the Company:		
Other receivables	<hr/> 55,863	<hr/> -
Conversion of warrants:*		
Estimated proceeds to be received	<hr/> -	<hr/> 70,615
Other current assets:		
Deposits	24,230	-
Cash and bank balances	1,118	-
	<hr/>	<hr/>
	25,348	-

* Assume full conversion of 17,446,064 of Replacement Warrants and 959,940 warrants at an exercise price of RM3.80 and RM4.50 respectively (2000 - RM3.80 and RM4.50 respectively).