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If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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## **AIC CORPORATION BERHAD**

(Company No.: 194514-M)

(Incorporated in Malaysia)

### **CIRCULAR TO SHAREHOLDERS**

**in relation to the**

### **Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

The ordinary resolution in respect of the above proposal will be tabled as Special Business at the Twentieth Annual General Meeting of the Company. The Notice of the Twentieth Annual General Meeting of AIC to be held at Concorde III, Level 2 Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam on Monday, 24 May 2010 at 2.30 p.m. and the Form of Proxy is sent together with the Annual Report 2009. Shareholders are advised to refer to the Notice of the Twentieth Annual General Meeting and the Form of Proxy. The Form of Proxy must be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens, North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not later than 48 hours before the time set for holding the Twentieth Annual General Meeting or any adjournment thereof.

This Circular is dated 28 April 2010

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

- “Act” : Companies Act 1965, as amended from time to time and any re-enactment thereof
- “AGM” : Annual General Meeting
- “AIC” or “the Company” : AIC Corporation Berhad
- “AIC Group” or “the Group” : AIC and its subsidiaries
- “AICS” : AIC Semiconductor Sdn Bhd
- “Atmel” : Atmel Corporation of the United States of America
- “Board” : Board of Directors of AIC
- “Bursa Malaysia” : Bursa Malaysia Securities Berhad
- “Director” : Shall have the meaning given in Section 4 of the Act and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer or any other company which is its subsidiary or holding company or a chief executive officer of the listed issuer, its subsidiary or holding company.
- “Listing Requirements” : The Listing Requirements of Bursa Malaysia
- “major shareholder” : Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a person who has an interest or interests in one or more voting shares in the Company (or any other company which is its subsidiary or holding company) and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:-
- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or
  - (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act.

## DEFINITIONS (Cont'd)

- “person connected” : In relation to a director or a major shareholder, means such person who falls under any one of the following categories:-
- (a) a member of the director’s or major shareholder’s family;
  - (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a member of the director’s or major shareholder’s family is the sole beneficiary;
  - (c) a partner of the director, major shareholder or a partner of a person connected with that director or major shareholder;
  - (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
  - (e) a person in accordance with whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
  - (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
  - (g) a body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
  - (h) a body corporate in which the director, major shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
  - (i) a body corporate which is a related corporation.
- “Proposed Shareholders’ Mandate” : The proposed shareholders’ mandate for AIC Group to enter into recurrent Related Party Transactions of a revenue or trading nature with Related Party or Parties in the ordinary course of business which are necessary for AIC Group’s day to day operations
- “Related Party or Parties” : A Director, major shareholder or persons connected with such Director or major shareholder
- “Related Party Transaction or Transactions” : A transaction entered into by AIC Group which involves the interest, direct or indirect, of a Related Party
- “RM” : Ringgit Malaysia

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**AIC CORPORATION BERHAD**  
(Company No.: 194514-M)  
(Incorporated in Malaysia)

**Registered Office:-**

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

28 April 2010

**Board of Directors:-**

Datuk Goh Tian Chuan (Executive Chairman)  
Ooi Boon Pin (Executive Director/Group Chief Executive Officer)  
Chen Heng Mun (Executive Director/Chief Financial Officer)  
Ng Kok Hok (Independent Non-Executive Director)  
Yahya bin Razali (Independent Non-Executive Director)  
Liew Cheng York (Non-Independent Non-Executive Director)

**To : The Shareholders of AIC Corporation Berhad**

Dear Sir/Madam,

**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

On 26 May 2009, AIC had, at the AGM, obtained your mandate for AIC Group to enter into recurrent Related Party Transactions of a revenue or trading nature with a related party as disclosed therein. Those recurrent Related Party Transactions are necessary for AIC Group's day to day operations and are in the ordinary course of business and on terms that are not more favourable to the Related Party than those generally available to the public.

In accordance to Paragraph 10.09(2) of the Listing Requirements, AIC may seek a shareholders' mandate in respect of recurrent Related Party Transactions subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;
- (c) AIC's circular to shareholders for the shareholders' mandate shall include the information as set out in Annexure PN12-A of Practice Note No. 12 of the Listing Requirements;
- (d) in a meeting to obtain shareholders' mandate, the interested director, major shareholder or person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) AIC immediately announces to Bursa Malaysia when the actual value of the recurrent Related Party Transaction entered into by the AIC Group, exceeds the estimated value of the recurrent Related Party Transaction disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Malaysia in its announcement.

Where AIC has procured shareholders' mandate pursuant to the above, the provision of paragraph 10.08 and 10.09 (1) of the Listing Requirements shall not apply with regard to transactions as detailed in section 2 below.

Since the shareholders' mandate which had been approved in the last AGM, shall expire at the conclusion of the forthcoming AGM unless it is renewed, the Board had, on 12 April 2010 announced that the Company proposes to seek shareholders' approval for the renewal of the shareholders' mandate for the recurrent Related Party Transactions at the forthcoming AGM.

The purpose of this Circular is to provide you with information on the Proposed Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming AGM, notice of which is enclosed in AIC's Annual Report 2009.

## 2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

AIC is principally an investment holding company whilst the principal activities of its subsidiary companies are set out in Appendix I of this Circular.

It is anticipated that the Group would, in the ordinary course of business, enter into transactions of a revenue or trading nature with a related party. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

### 2.1 Related Party

Shareholders' approval is sought for the shareholders' mandate involving recurrent Related Party Transactions of a revenue or trading nature which are necessary for the AIC Group's day-to-day operations and which are carried out by companies within the AIC Group with the following Related Party:-

- Atmel Corporation ("Atmel"), a major shareholder of AIC Semiconductor Sdn Bhd ("AICS"). AIC has a 93.9% effective ordinary equity interest in AICS.

The details of the Related Party as at the date of this circular are as follows:-

Related Party	Relationship with AIC Group	Principal Activities
Atmel	Holds 6.1% ordinary equity interest in AICS and 19.9% of the convertible redeemable preference shares in AICS	Design, manufacture and marketing of advanced semiconductors and system-level integration solutions worldwide

### 2.2 Nature of recurrent Related Party Transactions contemplated

Details of the recurrent Related Party Transactions of a revenue or trading nature, which will be covered by the Proposed Shareholders' Mandate in relation to the provision of, or obtaining from, the Related Party, products and services in the normal course of business of the Group, are as follows:-

Transaction	Vendor/ Provider	Purchaser/ Recipient	^Interested Related Party	Estimated value as disclosed in the preceding year's circular to shareholders dated 30 April 2009 RM'000	Actual value transacted + RM'000	Estimated aggregate value from the date of the forthcoming AGM to the date of next AGM (May 2011) RM'000
Assembly and testing of integrated circuit chips	AICS	Atmel	Atmel (by virtue of being a major shareholder of AICS)	29,420	25,632	*31,000

- ^ Reference can be made to Section 2.1 above.
- + Actual value of the recurrent Related Party Transactions from the date the existing mandate was obtained (26 May 2009) up to the latest practicable date before the printing of the Circular.
- \* An estimated value based on the transactions that may be transacted from the date of the forthcoming AGM to the next AGM. This estimated value may vary and is subject to changes.

### **2.3 Guidelines and review procedures for recurrent Related Party Transactions**

To ensure that recurrent Related Party Transactions which are in the ordinary course of business are conducted at arm's length and based on normal commercial terms, on terms not more favourable to the Related Party than those generally available to the public and are not detrimental to the minority shareholders, the sales of goods and provision of services shall be determined based on prevailing rates or prices of the goods or services (including where applicable, preferential rates or discounts accorded to a class or classes of customers) according to their usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms or considerations.

To monitor the recurrent Related Party Transactions, the following review procedures are implemented:-

- (a) A register is maintained to record recurrent Related Party Transactions which are entered into pursuant to the Proposed Shareholders' Mandate;
- (b) The AIC Group shall ensure that at least two other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparisons, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price and terms will be reviewed to ensure that the recurrent Related Party Transactions as a whole is not detrimental to the AIC Group. In such instances, wherever possible, transaction prices will be based on prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with unrelated third parties, business practices and policies and on terms which are generally in line with industrial norms and is not detrimental to the Group. Other factors taken into consideration in respect of sales transactions will be acceptable margins and returns to the Group and credit terms without affecting the Group's finances, delivery and insurance terms. Whereas, other factors considered in respect of purchase transactions will be the reliability to supply, timeliness of delivery, quality of materials, goods or services, credit terms and insurance terms;

- (c) All recurrent Related Party Transactions, the terms of which differ from what has been approved or mandated earlier, are reviewed and approved by the Board. Interested Directors (if any) shall abstain from deliberation; and
- (d) The Audit Committee undertakes quarterly review of the recurrent Related Party Transactions to ensure that such transactions are undertaken at arm's length, normal commercial terms, on terms not more favourable to the Related Party than those generally available to the public, are not detrimental to the minority shareholders and are in the best interest of the AIC Group. In their review and approval of such transactions, the Audit Committee may, as they deem fit, request for additional information pertaining to the transactions from independent sources or advisers. The Audit Committee also has the discretion to revise and impose additional procedures. Where any member of the Audit Committee is interested in any transaction, the member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

### **2.4 Statement by Audit Committee**

The Audit Committee has reviewed the guidelines and procedures mentioned above and is satisfied that:-

- (a) the guidelines and procedures are sufficient to ensure that the recurrent Related Party Transactions are:-

- undertaken in the ordinary course of business;
  - carried out at arm's length and based on normal commercial terms consistent with the Group's usual business practices and policies;
  - on terms not more favourable to the Related Party than those generally available to the public; and
  - not detrimental to the minority shareholders of the Company;
- (b) The Group has in place adequate procedures and processes to monitor, track and identify recurrent Related Party Transactions in a timely and orderly manner, and such procedures and processes are reviewed on a quarterly basis or whenever the need arises.

## **2.5 Validity period for the Proposed Shareholders' Mandate**

The Proposed Shareholders' Mandate shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

If the Audit Committee of the Company is satisfied with the continuous application of the Proposed Shareholders' Mandate to the recurrent Related Party Transactions, approval from shareholders will be sought to renew the Proposed Shareholders' Mandate at each subsequent AGM thereafter.

## **2.6 Disclosure**

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of transactions conducted, types of transactions made, names of the Related Party involved and their relationship with the Company pursuant to the Proposed Shareholders' Mandate during the financial year, and in the Annual Report for the subsequent financial year that the Proposed Shareholders' Mandate continues to be in force.

## **3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE**

The rationale for the Proposed Shareholders' Mandate and the benefits of the AIC Group transacting with the Related Party are as follows:-

- (a) To facilitate transactions of a revenue or trading nature with Related Party which form part of the day to day operations of the AIC Group in the ordinary course of business, undertaken at arm's length, on normal commercial terms and are not detrimental to the minority shareholders;
- (b) To avoid the impracticality of seeking shareholders' approval on a case by case basis before entering into business opportunities or recurrent Related Party Transactions which are time-sensitive and/or confidential in nature, the Proposed Shareholders' Mandate will enhance the AIC Group's ability to pursue such business opportunities or recurrent Related Party Transactions without having to place the Group at a disadvantage as compared with its competitors who may not be required to obtain shareholders' approval;
- (c) The Proposed Shareholders' Mandate will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent Related Party Transactions occur and thus will reduce substantially administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the Group's corporate objectives and business opportunities; and
- (d) The recurrent Related Party Transactions, relating to sales transactions with the Related Party will stabilise the demand for AIC Group's products and services, which is expected to result in a steady income stream to the Group.

**4. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate is conditional upon the approval being obtained from the shareholders of AIC at the forthcoming AGM.

**5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

As mentioned in Section 2.1, Atmel is deemed interested in the transactions between AICS and Atmel. Save for Atmel's interest in AICS as mentioned in Section 2.1, neither Atmel nor persons connected to Atmel have any other direct or indirect interest in the AIC Group. In addition, neither Atmel nor persons connected to Atmel has any directorships in the AIC Group, including AICS.

Save as disclosed above, none of the Directors and/or major shareholders of AIC Group or any persons connected to the Directors and/or major shareholders of AIC Group as defined in the Listing Requirements has any interest, direct or indirect, in the Proposed Shareholders' Mandate.

**6. RECOMMENDATION BY DIRECTORS**

Your Directors having considered all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the AIC Group. Accordingly, your Directors recommend that you vote in favour of the ordinary resolution for the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

**7. AGM**

The ordinary resolution to approve the Proposed Shareholders' Mandate are set out as Special Business in the Notice of the Twentieth AGM contained in AIC's Annual Report 2009, which is sent to you together with this Circular. The Twentieth AGM will be held at Concorde III, Level 2 Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam on Monday, 24 May 2010 at 2.30 p.m., for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Shareholders' Mandate.

If you are unable to attend and vote at the AGM in person, you are requested to complete the Form of Proxy as enclosed in the Annual Report 2009, sign and return it in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens, North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time and date of the AGM. The lodging of the Form of Proxy will not, however, preclude you from attending and voting at the AGM should you subsequently wish to do so.

**8. FURTHER INFORMATION**

Shareholders are requested to refer to the appendices for further information.

Yours faithfully  
For and on behalf of the Board of Directors  
**AIC CORPORATION BERHAD**

**NG KOK HOK**  
**Independent Non-Executive Director**

## DETAILS OF SUBSIDIARIES OF AIC AS AT 20 APRIL 2010

<b>Name of company</b>	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>Effective ordinary equity interest %</b>
AIC Inspirasi Sdn Bhd	Malaysia	Dormant	100.0
Custom Tooling (Malaysia) Sdn Bhd	Malaysia	Dormant	100.0
Custom Tooling Engineering (Malaysia) Sdn Bhd	Malaysia	Dormant	100.0
AIC Technology Sdn Bhd <i>and its subsidiary</i>	Malaysia	Investment holding	100.0
AICS	Malaysia	Design, procurement, sales, assembly and test of integrated circuit chips and other ancillary activities	93.9
AIC Properties Sdn Bhd	Malaysia	Dormant	100.0
Integral CAD Technologies Sdn Bhd <i>and its subsidiary</i>	Malaysia	Dormant	100.0
Alpha Mediatech Sdn Bhd	Malaysia	Dormant	100.0
AIC-Toptek Communications Sdn Bhd	Malaysia	Dormant	100.0
Prodelcon Sdn Bhd (“Prodelcon”)	Malaysia	Manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures, and the design and manufacture of turnkey automation systems	100.0

**FURTHER INFORMATION****1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of AIC who collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. MATERIAL LITIGATION**

The Board confirms that neither the Company nor any of its subsidiary companies are engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant, nor is the Board aware of any material proceedings pending or threatened against the Company and/or subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

**3. MATERIAL CONTRACTS**

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by AIC and its subsidiaries during the two years preceding the date of this Circular.

- a) AIC had on 19 September 2007 entered into a sale and purchase agreement (“SPA”) with Jotech Holdings Berhad (“Jotech”) to acquire the entire equity interest, comprising 1,249,000 ordinary shares of RM1.00 each in Prodelcon from Jotech for a purchase consideration of RM53 million to be satisfied by 27.5 million ordinary shares of RM1.00 each in AIC at an issue price of RM1.00 each and the remaining RM25.5 million in cash (“Acquisition”), which was announced on 19 September 2007. The SPA was supplemented by the supplemental sale and purchase agreements dated 15 November 2007, 28 March 2008 and 18 June 2008. The Acquisition was completed on 20 August 2008.
- b) AIC had on 1 August 2008 entered into a sale and purchase agreement to divest its entire equity interest comprising 9,500,000 ordinary shares in AIC Display Sdn Bhd, a former subsidiary, to Lira Mewah Sdn Bhd for a cash consideration of RM1 million. The divestment was completed on 1 August 2008.
- c) AIC Properties Sdn Bhd, a subsidiary of the Company, had on 21 December 2009 entered into a conditional sale and purchase agreement for the acquisition of a piece of leasehold land from Sumbang Hebat Sdn Bhd for a total cash consideration of RM10.68 million. The acquisition was completed on 3 February 2010.

**4. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of AIC at Wisma AIC, Lot 3, Persiaran Kemajuan, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan during normal business hours on any working day from the date of this Circular up to and including the date of the AGM:-

- a) Memorandum and Articles of Association of AIC;
- b) Audited consolidated financial statements of AIC for the past two (2) financial years ended 31 December 2009; and
- c) Material contracts referred to in paragraph 3 of this Appendix.