

Financial ResultsReference No **AC-040526-63733**Company Name : **AIC CORPORATION BERHAD**Stock Name : **AIC**Date Announced : **26/05/2004**Quarterly report for the financial : **31/03/2004**

period ended

Quarter : **1**Financial Year End : **31/12/2004**The figures : **have not been audited**

Converted attachment :

Please attach the full Quarterly Report here:



KLSE Mac 2004.doc

Remark:

SUMMARY OF KEY FINANCIAL INFORMATION**31/03/2004**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/03/2004	31/03/2003	31/03/2004	31/03/2003
	RM'000	RM'000	RM'000	RM'000
1 Revenue	35,461	72,840	35,461	72,840
2 Profit/(loss) before tax	815	-4,993	815	-4,993
3 Profit/(loss) after tax and minority interest	19	-4,400	19	-4,400
4 Net profit/(loss) for the period	19	-4,400	19	-4,400
5 Basic earnings/(loss) per shares (sen)	0.03	-6.48	0.03	-6.48
6 Dividend per share (sen)	0.00	0.00	0.00	0.00
7 Net tangible assets per share			AS AT END OF CURRENT QUARTER 2.4400	AS AT PRECEDING FINANCIAL YEAR END 1.7200

(RM)

Note: For full text of the above announcement, please access the Bursa Malaysia website at www.bursamalaysia.com

Remarks :

Kindly refer to Note 20 of the full Quarterly Report for the explanation of the significant variance in relation to the revenue in the current year quarter as compared to the preceding year corresponding quarter.

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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2004

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AIC Corporation Berhad
Condensed unaudited consolidated income statements for the period ended 31 March 2004

	Current year quarter RM'000	Preceding year corresponding quarter RM'000	Current period to date RM'000	Preceding year corresponding period RM'000
Revenue	35,461	72,840	35,461	72,840
Operating expenses	(38,865)	(77,300)	(38,865)	(77,300)
Other operating income	3,279	138	3,279	138
Loss from operations	(125)	(4,322)	(125)	(4,322)
Interest income	183	475	183	475
Finance costs	(1,271)	(1,503)	(1,271)	(1,503)
Share of profits in associates	2,028	357	2,028	357
Profit/(Loss) before taxation	815	(4,993)	815	(4,993)
Tax expense	(643)	(468)	(643)	(468)
Profit/(Loss) after taxation	172	(5,461)	172	(5,461)
Minority interest	(153)	1,061	(153)	1,061
Net profit/(Loss) for the period	19	(4,400)	19	(4,400)
Basic earnings per ordinary share (sen)	0.03	(6.48)	0.03	(6.48)
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

(The condensed unaudited consolidated income statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)



AIC Corporation Berhad
Condensed unaudited consolidated balance sheets as at 31 March 2004

	31.3.2004	(Audited) 31.12.2003
	RM'000	RM'000
Property, plant and equipment	176,358	173,286
Investment in associates	83,709	30,715
Other investments	4,560	4,560
Intangible assets	16,001	64,834
Current assets		
Inventories	13,838	55,557
Trade and other receivables	33,722	110,049
Cash and cash equivalents	60,819	47,277
	108,379	212,883
Current liabilities		
Trade and other payables	26,306	99,233
Borrowings	15,552	38,706
Taxation	150	2,365
	42,008	140,304
Net current assets	66,371	72,579
	346,999	345,974
Financed by:-		
Share and reserves		
Share capital	70,280	69,912
Reserves	118,622	117,545
Treasury shares	(3,808)	(3,808)
	185,094	183,649
Negative goodwill	4,741	4,741
Minority shareholders' interests	28,941	60,357
Long term and deferred liabilities		
Borrowings	111,049	63,144
Preference shares	16,127	16,127
Deferred taxation	1,047	1,058
Other payables	-	16,898
	346,999	345,974
 Net tangible assets per share (RM)	 2.44	 1.72

(The condensed unaudited consolidated balance sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)



AIC Corporation Berhad
Condensed unaudited consolidated cash flow statement for the year ended
31 March 2004

	31.3.2004	(Audited) 31.12.2003
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation and minority shareholders' interest	815	(5,899)
Adjustments for:		
Accretion effect arising from dilution / acquisition of subsidiaries	(6,573)	-
Amortisation of development expenditure	46	1,175
Depreciation	7,329	28,366
Goodwill written off	3,997	-
Interest expense	1,271	5,163
Interest income	(183)	(1,143)
Share of profits in associates	(2,028)	(3,726)
Property, plant and equipment written-off	-	20
Gain on disposal of property, plant and equipment	-	(8)
Other non-cash items	70	112
	4,744	24,060
Operating profit before working capital changes		
Changes in working capital:		
Inventories	(216)	(12,829)
Trade and other receivables	3,046	(15,521)
Trade and other payables	2,986	24,890
Provision	(21)	(20)
	10,539	20,580
Cash generated from operations		
Interest income received	183	1,143
Taxation paid	(124)	(2,590)
Proceeds from joint venture development	-	2,000
	10,598	21,133
Net cash generated from operating activities		
Cash flows from investing activities		
Development expenditure paid	(150)	(306)
Net cash outflow from acquisition of subsidiary	-	(1,274)
Net cash outflow from change of status of a subsidiary to associated company	(26,800)	-
Purchase of property, plant and equipment	(18,179)	(27,144)
Proceeds from disposal of property, plant and equipment	-	3,012
Dividend received from associated companies	-	612
Capital contribution from MI	-	1,009
	(45,129)	(24,091)
Net cash used in investing activities		

(The condensed unaudited consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)



AIC Corporation Berhad
Condensed unaudited consolidated cash flow statement for the year ended
31 March 2004
(continued)

	31.3.2004	(Audited) 31.12.2003
	RM'000	RM'000
Cash flows from financing activities		
Interest paid	(1,271)	(4,537)
Proceeds from borrowings	69,947	46,363
Proceeds from issuance of shares	1,288	3,486
Repayment of borrowings	(21,891)	(32,658)
Redemption of unsecured bank guaranteed bonds	-	(50,000)
Dividends paid	-	(679)
Decrease in fixed deposits pledged to a licensed bank	-	51,592
Net cash generated from financing activities	48,073	13,567
Net increase in cash and cash equivalents	13,542	10,609
Cash and cash equivalents at beginning of period/year	45,875	33,491
Foreign exchange adjustments	-	1,775
Cash and cash equivalents at end of period	59,417	45,875
 Cash and cash equivalents comprise:		
Cash and bank balances	10,687	36,762
Fixed deposits with licensed banks	50,132	10,515
Overdrafts	(6)	(6)
	60,813	47,271
Less: Fixed deposits pledged for banking facilities	(1,396)	(1,396)
	59,417	45,875

(The condensed unaudited consolidated cash flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)



AIC Corporation Berhad
Condensed unaudited consolidated statement of changes in equity for the year ended
31 March 2004

	Share capital RM'000	Non- distributable reserve RM'000	Distributable reserve RM'000	Treasury shares RM'000	Total RM'000
At 1 January 2003	68,892	60,485	66,352	(3,808)	191,921
Currency translation differences	-	128	-	-	128
Net loss for the year	-	-	(11,207)	-	(11,207)
Final dividends	-	-	(679)	-	(679)
Issue of share capital	1,020	2,466	-	-	3,486
At 31 December 2003	<u>69,912</u>	<u>63,079</u>	<u>54,466</u>	<u>(3,808)</u>	<u>183,649</u>

	Share capital RM'000	Non- distributable reserve RM'000	Distributable reserve RM'000	Treasury shares RM'000	Total RM'000
At 1 January 2004	69,912	63,079	54,466	(3,808)	183,649
Currency translation differences	-	138	-	-	138
Net profit for the year	-	-	19	-	19
Issue of share capital	368	920	-	-	1,288
At 31 March 2004	<u>70,280</u>	<u>64,137</u>	<u>54,485</u>	<u>(3,808)</u>	<u>185,094</u>

(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003)

Explanatory notes

1. Basis of preparation

The quarterly financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The quarterly financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2003.

The accounting policies and methods of computation adopted by the Group in this quarterly financial report are consistent with those adopted in the financial statements for the year ended 31 December 2003.

2. Qualified audit report

The preceding annual audited financial statements of the Group were reported on without any qualification.

3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter.

4. Changes in estimates

There were no changes in the estimates of amounts which give a material effect for the current quarter.

5. Taxation

The taxation for the current quarter is as follows:

	Current quarter 31.3.2004 RM'000
Current tax expense	
- Malaysia	142
Taxation on share of profits in associates	
- Malaysia	92
- Overseas	409
	643

The effective tax rate of the Group in the current quarter is higher than the statutory tax rate as there is no group relief available and the Group tax expense relates mainly to the taxable income from our electronics segment and associated companies.

6. Sale of unquoted investments/properties

There was no sale of unquoted investments/properties for the current quarter.

7. Purchase or disposal of quoted securities

There were no purchases or disposals of quoted securities for the current quarter.

Investment in quoted securities as at 31 March 2004:

	Cost RM'000	Book value RM'000	Market value RM'000
Total quoted investments	87	60	70

8. Valuation of property, plant and equipment

The valuations of land and building have been brought forward, without amendment from the previous annual report.

9. Borrowings

The Group borrowings as at the end of the reporting period are as follows:

	RM'000
Secured	441
Unsecured	126,160
Total Group borrowings	<u>126,601</u>
Current	15,552
Non-current	111,049
Total Group borrowings	<u>126,601</u>
Foreign currency:-	
USD15,000,000 @ 3.800	57,000
Local currency	69,601
Total Group borrowings	<u>126,601</u>

10. Warrants

On 23 December 2002, the Company obtained shareholders approval for the extension of Warrants B (with an exercise price of RM3.80) approving the extension of the exercise period of the remaining outstanding Warrants B of 17,262,064. The extension is in compliance with the announcement by the Securities Commission on 30 October 1998 pertaining to extension of the exercise period of Warrants and the gazette on 1 November 1998 of amendments to Section 68(1) of the Companies Act, 1965 which enables options on shares to have an exercise period of up to ten (10) years. The salient terms of the extension as per the Supplemental Deed Poll dated 23 December 2002 are as follows:

- a) The original exercise period of the Warrants B shall be extended for three (3) years from 16 January 2003 up to and including 15 January 2006 (“First Extension”) and thereafter the option to extend the exercise period for a further period of one (1) year expiring on 15 January 2007 with a final option to extend the exercise period by one (1) year expiring on 15 January 2008.
- b) The First Extension will be implemented by the Company if the last closing prices of the Company’s shares quoted on the Bursa Malaysia are at a premium of not more than 20% over the exercise price of RM3.80 per Warrant B for any market day for a consecutive period of 5 market days preceding 1 December 2002, being one and a half months prior to the expiry date of 15 January 2003.
- c) Following the First Extension, the further extensions of up to 2 periods of one year each from 16 January 2006 to 15 January 2007 and from 16 January 2007 to 15 January 2008 will be implemented by the Company if the weighted average market price of the Company’s shares quoted on the Bursa Malaysia are at a premium of not more than 20% over the exercise price of RM3.80 per Warrant B for any period of 30 consecutive market days preceding 15 October 2005 and 15 October 2006, being 3 months prior to expiry dates of 15 January 2006 and 15 January 2007 respectively.

On 16 January 2003, the exercise period of Warrants B was extended for another three (3) years from 16 January 2003 to 15 January 2006. The duration and exercise period of Warrants A was not extended as the First Deed Poll entered into by the Company does not provide for any extension to the exercise period of Warrants A. Accordingly, all outstanding Warrants A ceased to be valid after the expiry date of 15 January 2003. As at 31 March 2004, 17,262,064 of Warrants B remained unexercised.

Increase in share capital

The paid-up share capital of the Company has increased from RM69,912,346 as at the end of the last financial year to RM70,280,346 as at 31 March 2004 from the following issue:

Class of shares	Number of shares	Purpose of issue
Ordinary shares of RM1 each	368,000	Employees’ Share Option Scheme

Share buy-back

There were no share buy-back, share cancellations or resale of treasury shares for the current quarter and financial period-to-date. As at 31 March 2004, the cumulative number of shares bought back is 1,000,000 ordinary shares with a total consideration of RM3,808,000.

11. Changes in composition of the Group

The following changes were effected in the Group structure for the current quarter :-

- i) On 8 January 2004, Nucleus Electronics Ltd (“Nucleus”) entered into a placement agreement (“The Placement Agreement”) with UOB Kay Hian Private Limited (“The Placement Agent”) and Mr. Edward Lee Kah Wai (“the vendor”) for the Placement Agent to procure purchases of up to 32,500,000 ordinary shares of S\$0.05 each in the capital of Nucleus (“Nucleus Shares”) owned by the Vendor at an issue price of S\$0.3245 per share (hereinafter referred to as “the Placement”).

At the same time, Nucleus has also entered into a subscription agreement with the vendor (“The Subscription Agreement”), pursuant to which Nucleus will allot and issue to the Vendor up to 32,500,000 new Nucleus shares at the same price of S\$0.3245 per share (“the Proposed Subscription”).

On 16 January 2004, the Company announced that all 32,500,000 Nucleus shares in respect of the Placement have been taken up by institutional investors and Singapore Exchange Securities Trading Limited has on 15 January 2004 granted its approval-in-principle for the listing and quotation of the new Nucleus shares, to be issued pursuant to the Proposed Subscription, on the official list of the SGX-SESDAQ.

Upon the listing of the 32,500,000 new Nucleus shares on 16 January 2004, the issued and paid-up share capital of Nucleus has increased from 164,927,000 ordinary shares of S\$0.05 each to 197,427,000 ordinary shares of S\$ 0.05 each. As a result, AIC’s effective equity interest in Nucleus has been diluted from 40.75% to 34.04%.

- ii) On 30 March 2004, the Company procured 150,348 and 30,000 ordinary shares in Integral CAD Technology Sdn. Bhd. (“ICT”) and Alpha Mediatech Sdn. Bhd. (“AMT”) respectively. Resultant from that, the effective interest held by the Company in ICT and AMT has increased to 97.51% and 100% respectively.

12. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting.

	Investment holding RM'000	Test and assembly and other semiconductor related activities RM'000	Information technology RM'000	Electronics RM'000	Properties RM'000	Display RM'000	Group RM'000
Turnover							
External turnover	93	28,943	962	5,439	-	24	35,461
Internal turnover	400	-	-	909	-	-	1,309
Total turnover	493	28,943	962	6,348	-	24	36,770
Results							
Segment results	2,536	(1,853)	75	284	(70)	(1,097)	(125)
Finance costs							(1,271)
Interest income							183
Share of profit in associates							2,028
Profit before taxation							815
Taxation							(643)
Profit after taxation							172
Minority interest							(153)
Net profit for the year							19

13. Corporate proposal

Save as disclosed below, there were no other corporate proposals that were announced but not completed within 7 days from the date of issue of this quarterly report.

On 12 December 2003, the Company has announced that it intends to undertake the following proposals:

- ? Proposed bonus issue of up to 48,687,876 Bonus Shares on the basis of 1 Bonus Share for every 2 existing shares held at a date to be determined ("Proposed Bonus Issue");
- ? Proposed private placement of up to 10% of the issued and paidup share capital of the Company to placees to be identified ("Proposed Private Placement");

- ? Proposed establishment of a new employees' share option scheme ("ESOS") for the granting of options to eligible employees and Executive Directors of AIC and its subsidiaries (except for subsidiaries which are dormant) ("Proposed New ESOS"); and
- ? Proposed increase in the authorised share capital of AIC from RM100,000,000 to RM500,000,000 ("Proposed increase in the authorised share capital").

Further to the announcement made on 12 December 2003 and pursuant to the latest amendments to the Bursa Malaysia Listing Requirements and Securities Commission Act, 1993, in relation to bonus issues and share scheme for employees, the Board of Directors of the Company has on 10 February, 2004 announced that it proposes to vary certain terms of the Proposed New ESOS as follows: -

- (a) The maximum amount of new shares, which may be subscribed, shall now be not more than 15% (instead of 10% as previously announced) of the issued and paid-up share capital of the Company at any one time during the duration of the Proposed New ESOS subject to the terms and conditions of the ByLaws for the Proposed New ESOS; and
- (b) Options under the Proposed New ESOS shall also be granted to NonExecutive Directors of AIC and its subsidiary companies (instead of only to eligible employees and Executive Directors of AIC and its subsidiary companies).

On 10 March 2004, the Company received the approval-in-principle from Bursa Malaysia on the followings :

- ? the listing of up to 38,654,190 new shares to be issued pursuant to the Proposed Bonus Issue; and
- ? the listing of such new shares that may be issued pursuant to the Proposed New ESOS, representing up to 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the Proposed New ESOS.

The approval-in-principal from Bursa Malaysia is conditional upon the conditions set out in the Company's announcement dated 12 March 2004.

On 27 April 2004, the shareholders of AIC have approved the followings Proposals :-

- ? Proposed bonus issue of up to 48,148,326 on the basis of 1 Bonus share for every 2 existing ordinary shares of RM1.00 each in AIC;
- ? Proposed new ESOS;
- ? Proposed increase in the authorised share capital; and
- ? Proposed amendments to the Articles of Association of the Company to conform to the latest amendments to the Listing Requirements of Bursa Malaysia in relation to the share scheme for employees

The book closure date for the Proposed Bonus Issue has been fixed on 3 June 2004.

On 7 May 2004, the Securities Commission ("SC") vide its letter dated 7 May 2004, has approved the followings:

- (i) the Proposed Private Placement of up to 13,131,362 new ordinary shares of RM1.00 each in AIC; and
- (ii) the listing and quotation for the new ordinary shares of RM1.00 each in AIC to be issued pursuant to the Proposed Private Placement on the Main Board of Bursa Malaysia.

The SC's approval on the Proposed Private Placement is subject to the conditions as announced on 10 May 2004.

14. Material events subsequent to the balance sheet date

There are no material events after the period end that have not been reflected in the financial statements for the current quarter.

15. Contingent liabilities/assets

As at 31 March 2004, the Company has executed corporate guarantee in favour of licensed banks and financial institutions of up to a limit of RM141.2 million and USD15.0 million for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantee, a total borrowing of RM81.2 million remains outstanding at the period end.

16. Capital commitments

RM'000

Property, plant and equipment

Approved but not contracted for	43,479
Approved and contracted for	11,819

17. Off-balance sheet financial instruments

There were no contracts entered into within 7 days from the date of the quarterly report involving financial instruments with off balance sheet risk.

18. Seasonal and cyclical factors

There are no material seasonal or cyclical factors affecting the income and performance of the Group.

19. Material litigation

There is no material litigation within 7 days from the date of the quarterly report.

20. Review of performance

As compared to the preceding year corresponding quarter, the Group's revenue has decreased by 51% or RM37.4 million. The reduction of revenue as compared to the preceding year corresponding quarter is mainly due to non-consolidation of our distribution segment's revenue. Nucleus has become an associated company in January 2004 (see note 11(i)).

During the quarter under review, our test & assembly segment recorded 53% improvement in revenue as compared to the preceding year corresponding quarter. The improvement in revenue was primarily spurred by the recovery in the global semiconductor industry and new customers secured.

The Group recorded a net profit of RM19,000 for the quarter ended 31 March 2004(Q1 Y2003 : Net Loss of RM4.4 million). This is mainly due to the net gain from dilution of interest in Nucleus amounting to RM2.1 million and gain from increase in share of net assets in two other subsidiary companies of RM612,000.

In addition, our test and assembly business has further narrowed its losses to RM2.5 million (Q1 Y2003: Loss before taxation of RM4.9 million) as a result of the factors mentioned above.

21. Quarterly analysis

For the quarter ended 31 March 2004, the Group's revenue decreased by 80% or RM143.0 million when compared to the preceding quarter ended 31 December 2003. The major factor attributable to the decline is as mentioned in Note 20 above.

The Group's net profit of RM19,000 for the current quarter represents an improvement over the net loss of RM1.6 million recorded for the preceding quarter ended 31 December 2003. The improvement in results is mainly attributable to the accretion/gain as mentioned in Note 20 above.

22. Prospects

With the recovery of the global semiconductor industry and enlarged customer base, we expect an improvement in our semiconductor business as compared to Year 2003.

Our display business has commenced commercial production in April 2004 and based on the favourable industry forecast, we anticipate the display business will contribute positively to the Group's results for the financial year ending 31 December 2004.

23. Profit forecast

Not applicable as no profit forecast was published.

24. Earnings per share

Basic earnings per share

The basic earnings per share for the current financial period-to-date have been calculated on the Group's profit after taxation and minority interest of RM19,000 based on the weighted average number of ordinary shares in issue as follows:



	Current quarter '000
Weighted average number of ordinary shares	
Issued ordinary shares at beginning of 1 January 2004	69,912
Effect of shares issued during the period	317
Effect of share buy back	(1,000)
Weighted average number of ordinary shares	<u>69,229</u>

Diluted earnings per share

It is not applicable to calculate the diluted earnings per share as any potential conversion of the Company's warrants to ordinary shares would be antidilutive.

25. Dividends

The Board of Directors recommend the payment of a first and final tax exempt dividend of 1% (2002 – 1%) per ordinary share in respect of the issued and paid up share capital excluding treasury shares held of 68,912,346 as at 31 December 2003 (2002 – 67,916,346) amounting to RM689,123 in respect of the financial year ended 31 December 2003. The first and final tax-exempt dividend for the financial year ended 31 December 2003 will be accrued as a liability when approved by the shareholders in accordance with MASB 19.

Subject to the shareholders' approval at the forthcoming annual general meeting on 27 May 2004, the book closure date for the purpose of determining the shareholders' entitlement to the said dividend is fixed on 28 May 2004 and the dividend will be payable on 11 June 2004.

The Board of Directors does not recommend any dividend in respect of the financial period ended 31 March 2004.