



*AIC Corporation Berhad  
Quarterly Unaudited Financial Report For The Period Ended 30 September 2007*



# **AIC CORPORATION BERHAD**

**(Incorporated in Malaysia)**

**Company No: 194514-M**

## **QUARTERLY UNAUDITED FINANCIAL REPORT**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

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**AIC Corporation Berhad**  
**Condensed unaudited consolidated income statements for the period ended 30 September 2007**

	Current year quarter 30.9.2007 RM'000	Preceding year corresponding quarter 30.9.2006 (Restated) * RM'000	Current period to-date 30.9.2007 RM'000	Preceding year corresponding period 30.9.2006 (Restated) * RM'000
<b>Continuing operations:</b>				
<b>Revenue</b>	35,284	37,161	104,296	118,157
Operating expenses	(38,586)	(51,411)	(109,956)	(144,438)
Other operating income	382	559	7,833	1,950
<b>Profit/(Loss) from operations</b>	(2,920)	(13,691)	2,173	(24,331)
Interest income	369	24	678	196
Finance costs	(1,503)	(2,687)	(4,759)	(6,612)
Share of results in associates	-	1,488	-	(5,094)
<b>Loss before taxation</b>	(4,054)	(14,866)	(1,908)	(35,841)
Tax expense	(132)	347	764	337
<b>Loss for the period from continuing operations</b>	(4,025)	(14,290)	(600)	(34,907)
<b>Discontinued operations:</b>				
Profit/(Loss) for the period from discontinued operations, net of tax	(230)	(876)	246	(3,001)
<b>Loss for the period</b>	(4,255)	(15,166)	(354)	(37,908)
<b>Attributable to:</b>				
Equity holders of the Company	(4,680)	(15,485)	(1,364)	(36,317)
Minority interest	425	319	1,010	(1,591)
<b>Loss for the period</b>	(4,255)	(15,166)	(354)	(37,908)
Basic earnings per ordinary share (sen)				
- from continuing operations	(4.24)	(14.06)	(1.53)	(32.06)
- from discontinued operations	(0.22)	(0.84)	0.23	(2.89)
	(4.46)	(14.90)	(1.30)	(34.95)
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

\* Please refer Explanatory Note 4 (ii)

**(The condensed unaudited consolidated income statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



**AIC Corporation Berhad**

**Condensed unaudited consolidated balance sheets as at 30 September 2007**

	<b>30.9.2007</b>	<b>(Audited)</b>
	<b>RM'000</b>	<b>31.12.2006</b>
		<b>RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	94,879	104,556
Intangible assets	5,709	7,131
Prepaid lease payments	6,949	7,058
Other investments	-	10
<b>Total non current assets</b>	<b>107,537</b>	<b>118,755</b>
<b>Current assets</b>		
Prepaid lease payments	145	145
Other investments	4,545	4,782
Receivables, deposits and prepayments	38,586	41,013
Inventories	20,311	29,057
Current tax assets	651	1,617
Assets classified as held for sale	15,407	29,913
Cash and cash equivalents	26,218	10,070
<b>Total current assets</b>	<b>105,863</b>	<b>116,597</b>
<b>TOTAL ASSETS</b>	<b>213,400</b>	<b>235,352</b>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	104,920	104,920
Reserves	(39,829)	(38,519)
	65,091	66,401
Minority interest	17,769	16,759
<b>Total equity</b>	<b>82,860</b>	<b>83,160</b>
<b>Long term and deferred liabilities</b>		
Borrowings	17,231	4,430
Redeemable preference shares	8,777	16,127
Deferred income – government grant	2,287	2,269
Deferred tax liabilities	465	600
Other payable	-	301
<b>Total long term and deferred liabilities</b>	<b>28,760</b>	<b>23,727</b>
<b>Current liabilities</b>		
Deferred income – government grant	1,184	859
Payables and accruals	27,264	35,079
Liabilities classified as held for sale	3,143	-
Borrowings	70,189	92,527
<b>Total current liabilities</b>	<b>101,780</b>	<b>128,465</b>
<b>Total liabilities</b>	<b>130,540</b>	<b>152,192</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>213,400</b>	<b>235,352</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.62	0.63

**(The condensed unaudited consolidated balance sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



**AIC Corporation Berhad**

**Condensed unaudited consolidated cash flow statements for the period ended 30 September 2007**

	<b>30.9.2007</b>	<b>30.9.2006</b>
	<b>RM'000</b>	<b>(Restated) *</b>
		<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation from continuing operations	(1,906)	(35,841)
Adjustments for:		
Allowance for doubtful debts	541	168
Amortisation of development expenditure	375	537
Amortisation of government grant	(6,676)	(644)
Amortisation of prepaid lease payments	108	121
Depreciation	12,229	20,350
Development expenditure written off	797	-
Gain on disposal of other investment	(479)	-
Gain on disposal of property, plant and equipment	(53)	(188)
Interest expense	4,759	6,612
Interest income	(678)	(196)
Inventories written down	2,241	3,571
Loss on disposal of an associate	-	11,720
Loss on disposal of assets held for sale	433	-
Share-based payments	54	-
Share of results in associates	-	5,094
Unrealised foreign exchange gain	(814)	(1,156)
Other non-cash items	(131)	425
Operating profit before working capital changes	10,800	10,573
Changes in working capital:		
Inventories	3,700	5,090
Trade and other receivables	(2,128)	(6,480)
Trade and other payables	330	8,387
Cash generated from operations	12,702	17,570
Interest income received	678	196
Taxation refunded	676	-
Taxation paid	(16)	(144)
<b>Net cash generated from operating activities</b>	<b>14,040</b>	<b>17,622</b>
<b>Cash flows from investing activities</b>		
Acquisition of remaining equity interest in a subsidiary	(2)	(285)
Development expenditure paid	(130)	(262)
Dividend received from an associate	-	1,516
Proceeds from disposal of an associate, net	-	16,825
Proceeds from disposal of assets held for sale, net	29,480	-
Proceeds from disposal of non-current assets held for sale	-	8,916
Proceeds from disposal of other investment, net	716	43
Proceeds from disposal of property, plant and equipment	92	367
Purchase of property, plant and equipment	(9,690)	(3,123)
<b>Net cash generated from investing activities</b>	<b>20,466</b>	<b>23,997</b>

\* Please refer Explanatory Note 4 (iii)

**(The condensed unaudited consolidated cash flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



**AIC Corporation Berhad**

**Condensed unaudited consolidated cash flow statements for the period ended 30 September 2007**  
(continued)

	<b>30.9.2007</b> <b>RM'000</b>	<b>30.9.2006</b> <b>(Restated) *</b> <b>RM'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(4,759)	(6,612)
Redemption of preference shares of a subsidiary	(7,350)	-
Repayment of bank borrowings – net	(9,327)	(35,895)
Others	7,018	-
<b>Net cash used in financing activities</b>	<b>(14,418)</b>	<b>(42,507)</b>
Net increase/(decrease) in cash and cash equivalents from continuing operations	20,088	(888)
Net cash flow from discontinued operations	(2,024)	628
Cash and cash equivalents at beginning of period	10,070	8,238
<b>Cash and cash equivalents at end of period</b>	<b>28,134</b>	<b>7,978</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	3,288	4,530
Short term placement funds	18,215	443
Deposits with licensed banks	4,715	-
	<b>26,218</b>	<b>4,973</b>
Cash and cash equivalents from discontinued operations (included in Assets held for sale)	1,916	3,005
	<b>28,134</b>	<b>7,978</b>

\* Please refer Explanatory Note 4 (iii)

**(The condensed unaudited consolidated cash flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



Berhad

AIC Corporation

Quarterly Unaudited Financial Report For The Period Ended 30 September 2007

**AIC Corporation Berhad**

**Condensed unaudited consolidated statements of changes in equity for the period ended 30 September 2007**

	← Attributable to equity holders of the Company →			Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Non-distributable reserves RM'000	Accumulated losses RM'000			
<b>At 1 January 2007</b>	104,920	23,259	(61,778)	66,401	16,759	83,160
Realisation of reserve on disposal of assets classified as held for sale	-	(8,742)	8,742	-	-	-
Redemption of preference shares of a subsidiary	-	1,125	(1,125)	-	-	-
Net gains/(losses) recognised directly in equity	-	(7,617)	7,617	-	-	-
Net profit/(loss) for the period	-	-	(1,364)	(1,364)	1,010	(354)
Total recognised income and expense for the period	-	(7,617)	6,253	(1,364)	1,010	(354)
Share-based payments	-	54	-	54	-	54
<b>At 30 September 2007</b>	104,920	15,696	(55,525)	65,091	17,769	82,860

**(The condensed unaudited consolidated statements of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



Berhad

AIC Corporation

Quarterly Unaudited Financial Report For The Period Ended 30 September 2007

**AIC Corporation Berhad**  
**Condensed unaudited consolidated statements of changes in equity for the period ended 30 September 2007 (continued)**

	← Attributable to equity holders of the Company →				Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Non- distributable reserves RM'000	Accumulated losses RM'000			
<b>At 1 January 2006</b>	104,920	(3,808)	27,944	(886)	128,170	25,700	153,870
Currency translation differences	-	-	(806)	-	(806)	(269)	(1,075)
Share of reserves of associates	-	-	(28)	-	(28)	21	(7)
Net losses recognised directly in equity	-	-	(834)	-	(834)	(248)	(1,082)
Realisation of reserve on disposal of an associate	-	-	59	(59)	-	-	-
Net loss for the period	-	-	-	(36,317)	(36,317)	(1,591)	(37,908)
Total recognised expense for the period	-	-	(775)	(36,376)	(37,151)	(1,839)	(38,990)
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	(292)	(292)
<b>At 30 September 2006</b>	104,920	(3,808)	27,169	(37,262)	91,019	23,569	114,588

**(The condensed unaudited consolidated statements of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



## Explanatory notes

### **1. Basis of preparation**

The quarterly financial report is unaudited and has been prepared in accordance with the Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting and Paragraph 9.22 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 2006.

Except as disclosed in Note 2, 4 and 5 below, the accounting policies, estimates 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 2006.

In 2006, the Directors identified and determined its investment in its associate, Nucleus Electronics Ltd, as an asset held for sale. As mentioned in Note 12 (ii), this investment has been fully disposed of as at 21 March 2007. Hence, in accordance with FRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of the said associate have not been equity accounted for in the consolidated financial statements of the Group for the financial period ended 30 September 2007.

### **2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised FRSs effective for financial year beginning 1 January 2007:

Amendment to FRS 119 <sub>2004</sub>	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

The adoption of the Amendment to FRS 119<sub>2004</sub> and Amendment to FRS 121 does not have any and/or significant financial impact on the Group.

### **3. Qualified audit report**

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

### **4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

Save as disclosed below, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period to-date.

As disclosed in Note 14 (ii) below, the Company had announced the divestment of the Group’s interest in its wholly owned subsidiaries, Brimal Holdings Sdn Bhd (“Brimal”) and Autovisor Plastics Sdn Bhd (“AVP”), which collectively represent the electronics division of the Group. Brimal and AVP fall within the ambit of Discontinued Operations under FRS 5, Non-current Assets Held for Sale and Discontinued Operations, and thus:





- (i) the net assets of Brimal and AVP have been accounted at their fair values less costs to sell and their total assets and total liabilities disclosed as 'Assets classified as held for sale' and 'Liabilities classified as held for sale' respectively in the consolidated balance sheet as at 30 September 2007;
- (ii) the consolidated income statements for the current quarter, current period and preceding year corresponding quarter and preceding year corresponding period have been adjusted/restated to reflect the after-tax results of the discontinued operations as a single amount on the face of the consolidated income statements; and
- (iii) the consolidated cash flow statements for the current period and preceding year corresponding period have been adjusted/restated to reflect the net cash flow of the discontinued operations as a single amount on the face of the consolidated cash flow statements.

## 5. Changes in estimates

Save as disclosed below, there were no changes in the estimates of amounts which give a material effect for the current quarter and financial period to-date.

In the previous quarter, the Group has reviewed and revised the estimated useful lives of its major plant and equipment in accordance with FRS 116, Property, Plant and Equipment, as below. This change represents a change in accounting estimate and is accounted for prospectively in accordance with FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors.

As a result of this revision, the depreciation expense of property, plant and equipment for the financial period to-date has decreased by approximately RM4.1 million.

## 6. Taxation

The tax expense for the current quarter and financial period to-date is as follows:

	Current quarter 30.9.2007 RM'000	Financial period to-date 30.9.2007 RM'000
Tax expense – Malaysia		
- Current	7	7
- Under/(Over) provision in prior year	125	(771)
	<hr/> 132	<hr/> (764)

The tax expense for the Group for the current quarter and financial period to-date relates mainly to the taxable income from our investment holding segment.

## 7. Purchase or sale of unquoted investments/properties

There were no purchases or sales of unquoted investments/properties for the current quarter and financial period to-date.



## 8. Purchase or disposal of quoted securities

There were no additions of quoted securities for the current quarter and financial period to-date.

Details of quoted securities that were disposed for the current quarter and financial period to-date are as follows:

	Current quarter 30.9.2007 RM'000	Financial period to-date 30.9.2007 RM'000
Proceeds	-	716
Carrying amount	-	(237)
Gain on disposal	-	479

Investment in quoted securities as at 30 September 2007 as follows:

	Cost RM'000	Book value RM'000	Market value RM'000
Total quoted investments	10	10	17

## 9. Valuation of property, plant and equipment

As at 30 September 2007, the valuations of land and building have been brought forward, without amendments from the audited financial statements as at 31 December 2006.

## 10. Borrowings

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

	RM'000
Secured	32,420
Unsecured	55,000
Total Group borrowings	87,420
Non-Current	17,231
Current	70,189
Total Group borrowings	87,420
Foreign currency:	
- USD Facility	8,064
Local currency	79,356
Total Group borrowings	87,420



## 11. Debt and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the financial period ended 30 September 2007.

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

As at 30 September 2007, 25,893,096 of Warrants B remained unexercised. The Warrants B shall now expire on 15 January 2008. Warrants B which are not exercised by the expiry date will lapse and cease to be exercisable thereafter.

Under the Company's employees' share option scheme which became effective on 3 September 2004, a total of 3,572,000 employees' share options remain unexercised as at 30 September 2007.

## 12. Changes in composition of the Group

Save as disclosed below, there was no change in the Group structure for the financial period to date and up to the date of this report.

- (i) On 6 February 2007, the Company, Khazanah Nasional Berhad ("Khazanah") and a 75% owned subsidiary, AIC Technology Sdn Bhd ("AICT") had mutually agreed to revoke and rescind a shareholders' agreement amongst themselves. This revocation is a consequence of Khazanah divesting its entire 25% equity stake, comprising of 2 million ordinary shares of RM1.00 each and 1,612,678 cumulative redeemable preference shares of RM1.00 each ("CRPS") in AICT to Darulnas (M) Sdn Bhd ("Darulnas").
- (ii) On 27 February 2007, AICT entered into a sale and purchase agreement with Binary Technologies Ltd to dispose of 60.0 million ordinary shares or 27.3% equity interest in Nucleus Electronics Ltd ("Nucleus") for a cash consideration of SGD8.7 million (equivalent to RM19.6 million) ("Divestment"). Consequent to the Divestment, AICT owned only 29.6 million ordinary shares in Nucleus, representing 13.5% equity interest in Nucleus.  
  
Subsequently, between 19 and 21 March 2007, AICT had disposed of its remaining 29.6 million ordinary shares or 13.5% equity interest held in Nucleus for a total cash consideration of SGD4.292 million in the open market.
- (iii) On 2 April 2007, AICT had redeemed 1.5 million of its CRPS, resulting in a net cash outflow of RM7.3 million to minority shareholders.
- (iv) On 1 August 2007, AIC Display Sdn Bhd ("AICD"), a wholly owned subsidiary of the Company had acquired the remaining 25% equity interest in AIC Microelectronics Sdn Bhd ("AICM"), representing 1,666,667 ordinary shares of RM1 each in AICM for a total purchase consideration of RM1,688.



### 13. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 30 September 2007 is as follows:

	Investment Holding RM'000	Test and assembly and other semiconductor related activities RM'000	Display RM'000	Electronics (Discontinued) RM'000	Group RM'000	Less Discontinued Operations RM'000	Continuing Operations RM'000
<b>Turnover</b>							
External turnover	53	100,546	3,697	11,939	116,235	11,939	104,296
Internal turnover	1,471	-	-	-	1,471	-	1,471
Total turnover	1,524	100,546	3,697	11,939	117,706	11,939	105,767
<b>Results</b>							
Segment results	(2,245)	7,559	(2,597)	257	2,974	257	2,717
Finance costs					(4,760)	(1)	(4,759)
Interest income					720	41	678
(Loss)/Profit before taxation					(1,064)	297	(1,364)
Taxation					713	(51)	764
(Loss)/Profit for the period					(354)	246	(600)
Minority interest					(1,010)	-	(1,010)
(Loss)/Profit attributable to equity holders of the Company					(1,364)	246	(1,610)

### 14. Corporate proposals

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

- (i) On 31 May 2007, the Company had announced that it had on 31 May 2007 entered into a conditional sale and purchase agreement with Darulnas to acquire the remaining 25% equity interest in AICT, comprising 2,000,000 ordinary shares of RM1.00 each and 1,237,678 CRPS in AICT from Darulnas for a total consideration of RM14,000,000 to be satisfied by the issuance of 12,600,000 new ordinary shares of RM1 each in the Company ("AIC Shares") at an issue price of RM1.00 per AIC Share and cash of RM1,400,000 ("Proposed Acquisition of AICT"). AIC had on 9 July 2007 applied to the Securities Commission ("SC"), SC (on behalf of the Foreign Investment Committee ("FIC")) and the Ministry of International Trade and Industry for their approval. The Company had received the approval from the SC and FIC (vide SC's letter dated 5 October 2007) and MITI (vide MITI's letter dated 20 November 2007) for the Proposed Acquisition of AICT. The extraordinary general meeting to obtain the approval of the shareholders of AIC is scheduled on 18 December 2007.



- (ii) On 19 September 2007, the Company had announced that AIC Inspirasi Sdn Bhd, a wholly-owned subsidiary of AIC, had on 19 September 2007 entered into a conditional sale and purchase agreement to divest its entire equity interests in Brimal and AVP, two wholly-owned subsidiaries of AICI, which represents the electronics division of the Group, to AV Ventures Corporation Berhad. This proposal is pending completion.
- (iii) On 19 September 2007, the Company had announced a proposed renounceable rights issue of up to 36,980,244 new AIC Shares at RM1.00 each (“Rights Shares”), together with up to 33,618,403 free new detachable warrants (“Warrants”) attached to the Rights Shares, on the basis of 11 Rights Shares and 10 Warrants for every 40 existing AIC Shares held (“Proposed Rights Issue”).

The Company had applied to the SC for their approval on the Proposed Rights Issue and to the Bank Negara Malaysia (“BNM”) for their approval on the issuance of the Warrants to the foreign shareholders of AIC on 17 October 2007 and 18 October 2007 respectively. The SC and BNM gave their approvals vide their letters dated 2 November 2007 and 31 October 2007 respectively.

- (iv) Concurrent with the Proposed Rights Issue, the Company had announced that it had on 19 September 2007 entered into a conditional sale and purchase agreement with Jotech Holdings Berhad to acquire the entire equity interest, comprising of 1,249,000 ordinary shares of RM1.00 each in Prodelcon Sdn Bhd for a purchase consideration of RM53,000,000 to be satisfied by the issuance of 27,500,000 AIC Shares and cash of RM25,500,000 (“Proposed Acquisition of Prodelcon”). The Company had applied to the SC for their approval on the Proposed Acquisition of Prodelcon on 19 November 2007.

#### **15. Material events subsequent to the balance sheet date**

There are no material events subsequent to the balance sheet date.

#### **16. Contingent liabilities/assets**

As at 30 September 2007, the Company had executed corporate guarantees in favour of licensed banks and financial institutions of up to a limit of RM51.6 million and USD15.2 million for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantees, a total borrowings of RM42.4 million were outstanding at the period end.

#### **17. Capital commitments**

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Approved and contracted for	619
Approved but not contracted for	14,313
	<hr/>
	14,932
	<hr/>



## 18. Off-balance sheet financial instruments

The Group enters into short-term foreign exchange contracts to hedge its exposure to currency fluctuations affecting certain foreign currency denominated trade receivables.

Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The financial instruments with off balance sheet risk as at 30 September 2007 are as follows: -

<b>Instrument</b>	<b>Amount</b> USD'000
Foreign exchange forward contracts	<u>3,600</u>

The above contracts are maturing within a period of 5 months from 30 September 2007.

There is minimal credit and market risk because the contracts were executed with an established financial institution.

Gains and losses on foreign exchange contracts are recognised in the income statement upon realisation.

## 19. Seasonal and cyclical factors

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

## 20. Material litigation

Save as disclosed below, there is no material litigation within 7 days from the date of the quarterly report.

- (i) On 20 October 2005, AICD lodged a civil suit against Univision Worldwide Co. Ltd (*formerly known as Metro Sangsa Co. Ltd*) ("the Defendant"), a company incorporated in Korea, at the Seoul District Court in Korea to recover debts owing by the Defendant to AICD amounting to USD1.1 million (equivalent to approximately RM4.0 million) arising from goods supplied by the subsidiary. On 27 October 2006, a judgement was entered against the Defendant for the claim amount of USD1.1 million. AICD is in the midst of enforcing the judgement against the Defendant. The Group had however, taken the prudent stand to make full allowance for the whole amount owed by the Defendant in the fourth quarter of 2005.
- (ii) On 25 January 2007, AICD brought a claim against E-FINE Co. Ltd. ("E-FINE") in the Seoul Central District Court ("Court"). AICD had entered into a representative agreement with E-FINE for the supply of articles to E-FINE. AICD is claiming USD1,358,094.64 together with interests at the rate of 20% per annum for non-payment of the articles supplied to E-FINE. The parties have appeared in Court on 5 June 2007, 26 June 2007 and 16 October 2007 to hear the claim and the evidence. A hearing fixed for 13 November 2007 was terminated. The chief judge has submitted the matter for arbitration before the date of pleading. The date of arbitration is fixed on 11 December 2007. The solicitors of AICD on this matter are of the opinion that AICD has a good chance of succeeding in this claim. The Group had in the



financial year ended 31 December 2006, taken the prudent stand to make an allowance for doubtful debts of RM4.8 million owed by E-FINE.

On 5 March 2007, E-FINE submitted a written reply to AICD's claim. In that written reply, E-FINE indicated that E-FINE intends to counterclaim against AICD for loss arising from the supply of defective articles by AICD and for the non-payment of commission of USD700,000 by AICD. E-FINE has to date, not proceed with the counterclaim of USD700,000.

## **21. Review of performance**

The Group's revenue from continuing operations has decreased by 7% from RM37.2 million in the preceding year corresponding quarter to RM35.3 million for the current quarter. This was due mainly to the decline in revenue contribution from our display division.

The Group incurred a net loss from continuing operations of RM4.5 million for the current quarter due mainly to the following:

- i) inventories write down of RM2.2 million suffered by the display division; and
- ii) operating losses of the display division;

which was off set partially by the improving performance of the semiconductor division.

Included in the preceding year corresponding quarter's net loss from the continuing operations of RM14.6 million is a one-off loss on disposal of associate and share of associates' profit amounting to RM11.7 million and RM1.5 million respectively.

The discontinued operations of the Group recorded a lesser net loss for the current quarter as compared to the preceding year corresponding quarter.

## **22. Quarterly analysis**

Comparing the current quarter with the previous quarter, the Group's revenue from continuing operations recorded no material variance.

The Group's results from continuing operations declined from a net profit of RM2.4 million for the previous quarter to a net loss of RM4.5 million for the current quarter. This is mainly due the reasons stated in note 21.

## **23. Prospects**

### Semiconductor Division

As the growth of the semiconductor industry remains positive, barring any unforeseen circumstances and any significant depreciation of the United States Dollar against Ringgit Malaysia, the Board expects the semiconductor division's results to continue to improve for the remaining period to the end of the financial year.

### Display Division

The Board expects the display division to continue to incur losses in 2007.



### Electronics Division

As mentioned in Note 14 (ii), the Group proposes to dispose of the electronics division. Pending the completion of the proposed disposal, the Board foresees a challenging time despite the automotive industry showing some signs of recovery for the current quarter.

## **24. Profit forecast**

Not applicable as no profit forecast was published.

## **25. Earnings per share**

### Basic earnings per share

The basic earnings per share for the current quarter have been calculated based on the Group's loss attributable to the equity holders of the Company, in respect of the continuing operations, discontinued operations and in aggregate, of RM4.5 million, RM0.2 million and RM4.7 million respectively, over the weighted average number of ordinary shares in issue of 104,920,517.

The basic earnings per share for the financial period to-date have been calculated based on the Group's loss attributable to the equity holders of the Company, in respect of the continuing operations and in aggregate, of RM1.6 million and RM1.4 million respectively over the weighted average number of ordinary shares in issue of 104,920,517.

The basic earnings per share for the financial period to-date for the discontinued operations have been calculated based on the profit attributable to the equity holders of the Company from the discontinued operations of RM0.2 million and the weighted average number of ordinary shares in issue of 104,920,517.

### Diluted earnings per share

Diluted earnings per share is not applicable as any potential conversion of the Company's warrants and employee share options to ordinary shares, would be antidilutive.

## **26. Dividends**

The Board of Directors does not recommend any dividend in respect of the financial period ended 30 September 2007.