



AIC CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 194514-M

QUARTERLY UNAUDITED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

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AIC Corporation Berhad
Condensed unaudited consolidated income statements for the year ended 31 December 2007

	Current year quarter 31.12.2007 RM'000	Preceding year corresponding quarter 31.12.2006 (Restated) * RM'000	Current year 31.12.2007 RM'000	Preceding year corresponding period 31.12.2006 (Restated) * RM'000
Continuing operations:				
Revenue	37,025	41,063	141,321	159,220
Operating expenses	(38,130)	(74,007)	(147,543)	(217,848)
Other operating income	2,493	1,631	10,327	3,581
Profit/(Loss) from operations	1,388	(31,313)	4,105	(55,047)
Interest income	183	66	862	262
Finance costs	(1,507)	(2,096)	(6,266)	(8,708)
Share of results in associates	-	1,602	-	(3,492)
Profit/(Loss) before taxation	64	(31,741)	(1,299)	(66,985)
Tax expense	(3,404)	21	(2,640)	358
Loss for the year from continuing operations	(3,340)	(31,720)	(3,939)	(66,627)
Discontinued operations:				
Profit/(Loss) for the year from discontinued operations, net of tax	346	861	592	(2,140)
Loss for the year	(2,994)	(30,859)	(3,347)	(68,767)
Attributable to:				
Equity holders of the Company	(2,987)	(24,435)	(4,351)	(60,752)
Minority interest	(7)	(6,424)	1,004	(8,015)
Loss for the year	(2,994)	(30,859)	(3,347)	(68,767)
Basic earnings per ordinary share (sen)				
- from continuing operations	(3.17)	(24.30)	(4.71)	(56.37)
- from discontinued operations	0.33	0.83	0.56	(2.06)
	(2.84)	(23.47)	(4.15)	(58.43)
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 31 December 2007

	31.12.2007	(Audited) 31.12.2006
	RM'000	RM'000
Non current assets		
Property, plant and equipment	96,441	104,556
Intangible assets	5,088	7,131
Prepaid lease payments	6,913	7,058
Other investments	-	10
Total non current assets	108,442	118,755
Current assets		
Prepaid lease payments	145	145
Other investments	45	4,782
Receivables, deposits and prepayments	38,525	41,013
Inventories	19,488	29,057
Current tax assets	651	1,617
Assets classified as held for sale	15,731	29,913
Cash and cash equivalents	8,322	10,070
Total current assets	82,907	116,597
TOTAL ASSETS	191,349	235,352
Equity attributable to equity holders of the Company		
Share capital	117,520	104,920
Reserves	(42,840)	(38,519)
	74,680	66,401
Minority interest	9,100	16,759
Total equity	83,780	83,160
Long term and deferred liabilities		
Borrowings	14,574	4,430
Redeemable preference shares	-	16,127
Deferred income – government grant	1,582	2,269
Deferred tax liabilities	3,868	600
Other payable	-	301
Total long term and deferred liabilities	20,024	23,727
Current liabilities		
Deferred income – government grant	1,444	859
Payables and accruals	34,361	35,079
Liabilities classified as held for sale	3,240	-
Borrowings	48,500	92,527
Total current liabilities	87,545	128,465
Total liabilities	107,569	152,192
TOTAL EQUITY AND LIABILITIES	191,349	235,352
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.64	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 year ended 31 December 2007

	31.12.2007	31.12.2006
	RM'000	(Restated) *
		RM'000
Cash flows from operating activities		
Loss before taxation from continuing operations	(1,299)	(66,985)
Adjustments for:		
Allowance for doubtful debts	541	6,097
Amortisation of development expenditure	843	1,020
Amortisation of government grant	(7,121)	(859)
Amortisation of prepaid lease payments	145	157
Depreciation	15,760	26,993
Development expenditure written off	351	-
Goodwill written off	621	-
Gain on disposal of property, plant and equipment	(56)	(378)
Impairment loss on investment in an associate	-	19,407
Impairment loss on property, plant and equipment	-	474
Interest expense	6,266	8,465
Interest income	(862)	(262)
Inventories written down	2,351	4,708
Loss on disposal of an associate	-	11,720
Loss on disposal of assets held for sale	433	-
Loss on other investment (net)	2,446	7
Negative goodwill arising on acquisition of remaining interest in a subsidiary	(3,439)	-
Share of results in associates	-	3,492
Unrealised foreign exchange gain	(626)	(1,470)
Other non-cash items	10	503
Operating profit before working capital changes	16,364	13,089
Changes in working capital:		
Inventories	4,413	12,001
Trade and other receivables	(2,136)	(2,197)
Trade and other payables	6,817	(741)
Cash generated from operations	25,458	22,152
Interest income received	862	262
Taxation refunded	676	154
Taxation paid	(16)	(17)
Net cash generated from operating activities	26,980	22,551
Cash flows from investing activities		
Acquisition of remaining equity interest in a subsidiary	(1,400)	(285)
Development expenditure paid	(153)	(335)
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 property, plant and equipment	91	2,200
Proceeds from other investment	2,289	43
Purchase of property, plant and equipment	(14,824)	(3,249)
Net cash generated from investing activities	15,483	25,631

* 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 year ended 31 December 2007
(continued)

	31.12.2007	31.12.2006
	RM'000	(Restated) *
		RM'000
Cash flows from financing activities		
Interest paid	(6,266)	(8,465)
Government grant received	7,018	-
Redemption of preference shares of a subsidiary	(7,350)	-
Repayment of bank borrowings – net	(33,639)	(40,076)
Proceeds from sale of treasury shares	-	648
Others	(35)	-
Net cash used in financing activities	(40,272)	(47,893)
Net increase in cash and cash equivalents from continuing operations	2,191	289
Net cash flow from discontinued operations	(1,290)	1,543
Cash and cash equivalents at beginning of year	10,070	8,238
Cash and cash equivalents at end of year	10,971	10,070
Cash and cash equivalents comprise:		
Cash and bank balances	6,512	5,440
Short term placement funds	1,810	145
Deposits with licensed banks	-	4,485
	8,322	10,070
Cash and cash equivalents from discontinued operations (included in Assets held for sale)	2,649	-
	10,971	10,070

* 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 statements of changes in equity for the year ended 31 December 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			
At 1 January 2007	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 year	-	-	(4,351)	(4,351)	1,004	(3,347)
Total recognised income and expense for the year	-	(7,617)	3,266	(4,351)	1,004	(3,347)
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	(8,663)	(8,663)
Shares issued	12,600	-	-	12,600	-	12,600
Share-based payments	-	30	-	30	-	30
At 31 December 2007	117,520	15,672	(58,512)	74,680	9,100	83,780

(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)



AIC Corporation Berhad
Condensed unaudited consolidated statements of changes in equity for the year ended 31 December 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			
At 1 January 2006	104,920	(3,808)	27,944	(886)	128,170	25,700	153,870
Currency translation differences	-	-	(1,994)	-	(1,994)	(664)	(2,658)
Share of reserves of associates	-	-	1	-	1	30	31
Net losses recognised directly in equity	-	-	(1,993)	-	(1,993)	(634)	(2,627)
Realisation of reserve on disposal of an associate	-	-	140	(140)	-	-	-
Net loss for the year	-	-	-	(60,752)	(60,752)	(8,015)	(68,767)
Total recognised expense for the year	-	-	(1,853)	(60,892)	(62,745)	(8,649)	(71,394)
Share-based payments	-	-	328	-	328	-	328
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	(292)	(292)
Treasury shares sold	-	3,808	(3,160)	-	648	-	648
At 31 December 2006	104,920	-	23,259	(61,778)	66,401	16,759	83,160

(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 year ended 31 December 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 ₂₀₀₄	<i>Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures</i>
Amendment to FRS 121	<i>The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation</i>

The adoption of the Amendment to FRS 119₂₀₀₄ and Amendment to FRS 121 does not have any and/or significant financial impact on the Group.

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

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 year.



As disclosed in Note 14 (i) below, the Company had announced the proposed 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 31 December 2007;
- (ii) the consolidated income statements for the current quarter, current period and preceding year corresponding quarter and preceding year have been adjusted/restated to reflect the after-tax results of the discontinued operations as a single amount on the face of the consolidated income statements; and
- (iii) the consolidated cash flow statements for the current and preceding years 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 year.

During the year, 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 year has decreased by approximately RM4.0 million.

6. Taxation

The tax expense for the current quarter and financial year is as follows:

	Current quarter 31.12.2007 RM'000	Financial year 31.12.2007 RM'000
Tax expense – Malaysia		
- Current	-	7
- Over provision in prior year	-	(771)
Deferred tax	3,404	3,404
Total	3,404	2,640

The tax expense for the Group for the financial year relates mainly to the taxable income from our investment holding segment.



7. Purchase or sale of unquoted investments/properties

Save as disclosed below, there were no purchases or sales of unquoted investments/properties for the current quarter and financial year.

On 28 December 2007, the Company has received net proceeds of RM1.58 million on the maturity of its unquoted subordinated bonds. As a result, the Company incurred a loss on the said investment of RM2.93 million.

8. Purchase or disposal of quoted securities

There were no additions of quoted securities for the current quarter and financial year.

Details of quoted securities that were disposed for the current quarter and financial year are as follows:

	Current quarter 31.12.2007 RM'000	Financial year 31.12.2007 RM'000
Proceeds	-	716
Carrying amount	-	(237)
Gain on disposal	-	479

Investment in quoted securities as at 31 December 2007 as follows:

	Cost RM'000	Book value RM'000	Market value RM'000
Total quoted investments	10	10	16

9. Valuation of property, plant and equipment

As at 31 December 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 year are as follows:

	RM'000
Secured	53,074
Unsecured	10,000
Total Group borrowings	63,074
Non-Current	14,574
Current	48,500
Total Group borrowings	63,074



	RM'000
Foreign currency:	
- USD Facility	4,049
Local currency	<u>59,025</u>
Total Group borrowings	<u>63,074</u>

11. Debt and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the financial year ended 31 December 2007.

On 15 October 2006, the exercise period of Warrants B had 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 31 December 2007, 25,893,096 of Warrants B remained unexercised. The Warrants B has now expired on 15 January 2008. Warrants B which were not exercised by the expiry date has lapsed and ceased to be exercisable.

Under the Company's employees' share option scheme which became effective on 3 September 2004, a total of 3,402,000 employees' share options remain unexercised as at 31 December 2007.

12. Changes in composition of the Group

Save as disclosed below, there was no change in the Group structure for the financial year 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.
- (v) On 31 December 2007, AIC had completed its acquisition of the remaining 25% equity interest in AICT (“Acquisition of AICT”), comprising 2,000,000 ordinary shares and 1,237,678 CRPS in AICT with the listing of and quotation for the 12,600,000 new ordinary shares of RM1 each in the Company (“AIC Shares”) issued pursuant to the Acquisition on the Main Board of Bursa Malaysia on 31 December 2007. The consideration for the Acquisition of AICT was RM14 million satisfied by the abovesaid 12,600,000 AIC shares and cash of RM1.4 million.

13. Segmental information

Analysis by business segments being the primary basis of the Group’s segment reporting for the financial year ended 31 December 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
Turnover							
External turnover	134	137,185	4,002	16,317	157,638	16,317	141,321
Internal turnover	1,949	-	-	-	1,949	-	1,949
Total turnover	2,083	137,185	4,002	16,317	159,587	16,317	143,270
Results							
Segment results	(3,900)	11,476	(3,471)	30	4,135	30	4,105
Finance costs					(6,270)	(4)	(6,266)
Interest income					910	48	862
(Loss)/Profit before taxation					(1,225)	74	(1,299)
Taxation					(2,122)	518	(2,640)
(Loss)/Profit for the year					(3,347)	592	(3,939)
Minority interest					(1,004)	-	(1,004)
(Loss)/Profit attributable to equity holders of the Company					(4,351)	592	(4,943)



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 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 (“AVCB”) (“Proposed Divestment”) for a total consideration of RM12,291,684 to be satisfied via the issuance of 9,833,347 new ordinary shares of RM1.00 each in AVCB (“AVCB Shares”) at an issue price of RM1.25 per AVCB Share. As announced on 21 January 2008, AVCB had informed the Company that AVCB had received the approval from the SC for the Proposed Divestment vide its letter dated 17 January 2008 and the Proposed Divestment is now pending completion.
- (ii) On 19 September 2007, the Company had announced a renounceable rights issue of up to 29,859,642 new AIC Shares at RM1.00 each (“Rights Shares”), together with up to 27,145,129 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 (“Rights Issue”).

The SC and Bank Negara Malaysia gave their approvals for the Rights Issue and the issuance of the Warrants to foreign shareholders vide their letters dated 2 November 2007 and 31 October 2007 respectively. The Rights Issue had been approved by the shareholders of the Company on 18 December 2007 and is now pending completion.

- (iii) 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 SC had given its approval for the Proposed Acquisition of Prodelcon vide its letter dated 31 December 2007.

15. Material events subsequent to the balance sheet date

Save as disclosed below, there are no material events subsequent to the balance sheet date.

- i) The Company had on 29 January 2008 entered into an Underwriting Agreement with RHB Investment Bank Berhad and MIMB Investment Bank Berhad (collectively referred to as the “Underwriters”) wherein the Underwriters have agreed to underwrite up to 12,739,577 Rights Shares for an underwriting commission of 1.5% of the value of the Rights Shares underwritten, payable in cash.
- ii) The Company had on 27 January 2008 executed the Deed Poll governing the Warrants.

16. Contingent liabilities/assets

As at 31 December 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 RM35.6 million were outstanding at the year end.



17. Capital commitments

	RM'000
Approved and contracted for	
- Purchase of plant and equipment	13
- Proposed Acquisition of Prodelcon	53,000
Approved but not contracted for	
- Purchase of plant and equipment	12,163
Lease agreement ^	<u>12,521</u>
Total	<u>77,697</u>

Note:

^ On 13 September 2006, the Company had entered into a 10 year lease agreement with Amanah Raya Berhad to lease certain leasehold land and buildings from Amanah Raya Berhad for its manufacturing and administrative operations.

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 31 December 2007 are as follows: -

Instrument	Amount USD'000
Foreign exchange forward contracts	<u>1,100</u>

The above contracts are maturing within a period of 2 months from 31 December 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 was fixed on 11 December 2007 but the arbitration failed. The last trial was on 25 January 2008. The judicial decision is set for 29 February 2008. In the event E-FINE submits new evidence prior to 29 February 2008, the chief judge may reopen proceedings but as at 27 February 2008, no new evidence has been submitted by E-FINE. The solicitors 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

Comparing year on year, the Group’s revenue from continuing operations has decreased by 11% or RM17.9 million to RM141.3 million for the current year. Despite the decline in revenue, the continuing operations of the Group chalked up an improvement in its results by registering a lower net loss of RM4.9 million for the current year as compared to a net loss of RM58.6 million for the preceding year.

The Group’s revenue from continuing operations has decreased by 10% from RM41.1 million in the preceding year corresponding quarter to RM37.0 million for the current quarter. This was due mainly to the decline in revenue contribution from our display division. This decline was partially off set by an increase in revenue contribution from our semiconductor division.



The Group incurred a net loss from continuing operations of RM3.3 million for the current quarter due mainly to:

- (i) a deferred tax expense of RM3.2 million suffered by the semiconductor division;
- (ii) a loss on investment in unquoted subordinated bonds of RM2.9 million; and
- (iii) goodwill written off of RM0.6 million.

These charges were off set partially by the improving performance of both the semiconductor and display divisions and a negative goodwill of RM3.4 million arising from the acquisition of the remaining interest in AICT.

Included in the preceding year corresponding quarter's net loss from the continuing operations of RM25.3 million is an impairment loss on an associate amounting to RM19.4 million.

The discontinued operations of the Group recorded a lesser net profit 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 increased by RM1.7 million to register a revenue of RM37.0 million for the current quarter.

The Group's results from continuing operations improved from a net loss of RM4.5 million for the previous quarter to a net loss of RM3.3 million for the current quarter due mainly to the display division registering a lower net loss.

23. Prospects

As the growth of the semiconductor industry remains positive but negated by a traditionally weak first quarter, barring any possibility of a recession affecting the United States of America, significant depreciation of the United States Dollar against Ringgit Malaysia and any other unforeseen circumstances, the Board expects the Group's results to continue to improve in 2008.

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 and in aggregate, of RM3.3 million and RM3.0 million respectively, over the weighted average number of ordinary shares in issue of 105,057,474.

The basic earnings per share for the financial year 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 RM4.9 million and RM4.3 million respectively over the weighted average number of ordinary shares in issue of 104,955,038.



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The basic earnings per share for the current quarter and financial year for the discontinued operations have been calculated based on the profit attributable to the equity holders of the Company from the discontinued operations of RM0.3 million and RM0.6 million over the weighted average number of ordinary shares in issue for the current quarter and financial year of 105,057,474 and 104,955,038 respectively.

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 year ended 31 December 2007.