



*AIC Corporation Berhad
Quarterly Unaudited Financial Report For The Period Ended 30 June 2008*



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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2008

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AIC Corporation Berhad
Condensed unaudited consolidated income statements for the period ended 30 June 2008

	Current year quarter 30.6.2008 RM'000	Preceding year corresponding quarter 30.6.2007 (Restated) * RM'000	Current period to-date 30.6.2008 RM'000	Preceding year corresponding period 30.6.2007 (Restated) ^ RM'000
Continuing operations:				
Revenue	28,897	33,665	59,616	65,779
Operating expenses	(27,256)	(30,485)	(58,145)	(64,282)
Other operating income	1,531	403	1,887	1,323
Profit from operations	3,172	3,583	3,358	2,820
Interest income	34	227	106	288
Finance costs	(490)	(1,402)	(1,548)	(2,952)
Profit before taxation	2,716	2,408	1,916	156
Tax expense	3	856	243	896
Profit for the period from continuing operations	2,719	3,264	2,159	1,052
Discontinued operations:				
(Loss)/Profit for the period from discontinued operations, net of tax	(5,391)	(265)	(6,697)	2,852
(Loss)/Profit for the period	(2,672)	2,999	(4,538)	3,904
Attributable to:				
Equity holders of the Company	(2,809)	2,067	(4,746)	3,318
Minority interest	137	932	208	586
(Loss)/Profit for the period	(2,672)	2,999	(4,538)	3,904
Basic earnings per ordinary share (sen)				
- from continuing operations	1.76	2.22	1.45	0.44
- from discontinued operations	(3.68)	(0.25)	(4.96)	2.72
	(1.92)	1.97	(3.51)	3.16
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

Notes

* Please refer Explanatory Note 4 (ii)

^ Please refer Explanatory Note 4 (iii)

(The condensed unaudited consolidated income statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



AIC Corporation Berhad

Condensed unaudited consolidated balance sheets as at 30 June 2008

	30.6.2008	(Audited)
	RM'000	31.12.2007
		RM'000
Non current assets		
Property, plant and equipment	89,185	96,441
Other investment	12,292	-
Intangible assets	4,326	5,088
Prepaid lease payments	6,841	6,913
Total non current assets	112,644	108,442
Current assets		
Prepaid lease payments	145	145
Other investments	45	45
Receivables, deposits and prepayments	32,673	38,936
Inventories	13,754	19,063
Current tax assets	857	892
Assets classified as held for sale	2,259	15,817
Cash and cash equivalents	3,255	7,530
Total current assets	52,988	82,428
TOTAL ASSETS	165,632	190,870
Equity attributable to equity holders of the Company		
Share capital	146,373	117,520
Reserves	(49,374)	(42,719)
	96,999	74,801
Minority interest	9,344	9,136
Total equity	106,343	83,937
Long term and deferred liabilities		
Borrowings	11,099	14,574
Deferred income – government grant	981	1,582
Deferred tax liabilities	3,288	3,288
Total long term and deferred liabilities	15,368	19,444
Current liabilities		
Deferred income – government grant	859	1,444
Payables and accruals	24,487	34,559
Liabilities classified as held for sale	11,624	3,327
Borrowings	6,951	48,159
Total current liabilities	43,921	87,489
Total liabilities	59,289	106,933
TOTAL EQUITY AND LIABILITIES	165,632	190,870
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.66	0.64

(The condensed unaudited consolidated balance sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



AIC Corporation Berhad

Condensed unaudited consolidated cash flow statements for the period ended 30 June 2008

	30.6.2008	30.6.2007
	RM'000	(Restated) *
		RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	1,916	156
Adjustments for:		
Allowance for doubtful debts	62	-
Amortisation of government grant	(429)	(429)
Amortisation of prepaid lease payments	72	72
Depreciation	5,800	6,857
Gain on disposal of other investment	-	(479)
Gain on disposal of property, plant and equipment	-	(49)
Gain on disposal of subsidiaries	(1,117)	-
Interest expense	1,548	2,952
Interest income	(106)	(288)
Loss on disposal of an associate	-	433
Share-based payments	88	84
Unrealised foreign exchange gain	(564)	(836)
Other non-cash items	(2)	(86)
Operating profit before working capital changes	7,268	8,387
Changes in working capital:		
Inventories	765	2,639
Trade and other receivables	4,906	(3,515)
Trade and other payables	(7,512)	6,225
Cash generated from operations	5,427	13,736
Interest income received	106	288
Taxation refunded	38	676
Taxation paid	-	(4)
Net cash generated from operating activities	5,571	14,696
Cash flows from investing activities		
Proceeds from disposal of an associate, net	-	29,480
Proceeds from disposal of property, plant and equipment	-	53
Proceeds from disposal of other investment	-	716
Purchase of property, plant and equipment	(2,252)	(8,695)
Redemption of preference shares in a subsidiary	-	(7,350)
Net cash (used in)/generated from investing activities	(2,252)	14,204

* Please refer Explanatory Note 4 (iv)

(The condensed unaudited consolidated cash flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



AIC Corporation Berhad
Condensed unaudited consolidated cash flow statements for the period ended 30 June 2008
(continued)

	30.6.2008	30.6.2007
	RM'000	(Restated) *
		RM'000
Cash flows from financing activities		
Interest paid	(1,548)	(2,952)
Repayment of bank borrowings – net	(34,683)	(7,811)
Proceeds from rights issue	28,853	-
Net cash used in financing activities	<u>(7,378)</u>	<u>(10,763)</u>
Net (decrease)/increase in cash and cash equivalents from continuing operations	(4,059)	18,137
Net cash flow from discontinued operations	(2,791)	403
Cash and cash equivalents at beginning of period	<u>10,179</u>	<u>10,070</u>
Cash and cash equivalents at end of period	<u><u>3,329</u></u>	<u><u>28,610</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	3,255	4,933
Short term placement funds	-	18,077
	<u>3,255</u>	<u>23,010</u>
Cash and cash equivalents from discontinued operations (included in Assets held for sale)	74	5,600
	<u>3,329</u>	<u>28,610</u>

* Please refer Explanatory Note 4 (iv)

(The condensed unaudited consolidated cash flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



AIC Corporation Berhad

Condensed unaudited consolidated statements of changes in equity for the period ended 30 June 2008

	← 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 2008	117,520	15,673	(58,392)	74,801	9,136	83,937
Net profit/(loss) for the period	-	-	(4,746)	(4,746)	208	(4,538)
Shares issued	28,853	-	-	28,853	-	28,853
Realisation of reserve on disposal of assets classified as held for sale	-	(1,997)	-	(1,997)	-	(1,997)
Share-based payments	-	88	-	88	-	88
At 30 June 2008	146,373	13,764	(63,138)	96,999	9,344	106,343

	← 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	-	-	-
Net gain/(loss) recognised directly in equity	-	(8,742)	8,742	-	-	-
Net profit for the period	-	-	3,318	3,318	586	3,904
Total recognised income and expense for the period	-	(8,742)	12,060	3,318	586	3,904
Share-based payments	-	84	-	84	-	84
At 30 June 2007	104,920	14,601	(49,718)	69,803	17,345	87,148

(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 2007)



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 2007.

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 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 2007 except for the adoption of FRS 134, Interim Financial Reporting which is effective for the financial year beginning 1 January 2008.

The adoption of the FRS134 does not have any 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 15 (i) below, the Company had on 1 August 2008 announced the divestment of its entire equity interest in its wholly owned subsidiary, AIC Display Sdn Bhd (“AICD”). AICD and its subsidiaries, AIC Microelectronics Sdn Bhd and AIC Display GmbH (collectively referred to as “the AICD Group” or “the display division”) together with the electronics division fall within the ambit of Discontinued Operations under FRS 5, Non-current Assets Held for Sale and Discontinued Operations. As further mentioned in Note 12 below, the electronics division comprising Brimal Holdings Sdn Bhd (“Brimal”) and Autovisor Plastics Sdn Bhd (“AVP”), two wholly owned subsidiaries of the Group, which had already been classified as discontinued operations since the third quarter of 2007, had been divested at the beginning of the current quarter.

As a result of the above:

- (i) the net assets of the AICD Group, 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 June 2008;



- (ii) the consolidated income statements for the current quarter has been adjusted to reflect the after-tax results of the discontinued operations of the display division as a single amount on the face of the consolidated income statements;
- (iii) the consolidated income statements for the 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 of both the electronics and display divisions as a single amount on the face of the consolidated income statements; and
- (iv) 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 of both the electronics and display divisions as a single amount on the face of the consolidated cash flow statements.

5. Changes in estimates

There were no changes in the estimates of amounts which give a material effect for the current quarter and financial period to-date.

6. Taxation

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

	Current quarter 30.6.2008 RM'000	Financial period to-date 30.6.2008 RM'000
Tax expense – Malaysia		
- Over provision in prior years	3	243

There is no tax expense for the Group for the current quarter and financial period to-date as there is no taxable income.

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

Pursuant to the divestment of Brimal and AVP by the Group as further mentioned in Note 12 below, the Group has received as sale consideration, quoted securities comprising 9,833,347 new ordinary shares of RM1.00 each in AV Ventures Corporation Berhad (“AVCB”) (“AVCB Shares”), a company listed on the Second Board of Bursa Malaysia, valued at RM12.29 million.

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



Investment in quoted securities as at 30 June 2008 is as follows:

	Cost RM'000	Book value RM'000	Market value RM'000
Total quoted investments	12,292	12,292	11,432

9. Valuation of property, plant and equipment

As at 30 June 2008, the valuations of land and building have been brought forward, without amendments from the audited financial statements as at 31 December 2007.

10. Borrowings

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

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Non-Current	11,099	-	11,099
Current	6,951	10,000	16,951
Total Group borrowings	18,050	10,000	28,050
Secured	18,050	-	18,050
Unsecured	-	10,000	10,000
Total Group borrowings	18,050	10,000	28,050

As at 30 June 2008, there are no foreign currency denominated borrowings.

11. Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the financial period ended 30 June 2008.

On 12 March 2008, 28,853,142 ordinary shares together with 26,230,129 warrants ("Warrants C") were issued and allotted. The Warrants C has an exercise period of 10 years commencing 12 March 2008 and ending on 9 March 2018 and an exercise price of RM1.00 each for each new ordinary share in the Company.

All the 25,893,096 outstanding Warrants B has expired on 15 January 2008. Warrants B which were not exercised by the above 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 2,003,000 employees' share options remain unexercised as at 30 June 2008 thereafter.



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.

On 14 April 2008, AIC Inspirasi Sdn Bhd, a wholly-owned subsidiary of AIC had completed its divestment of its entire equity interests in Brimal and AVP, which represented the electronics division of the Group, to AVCB for a total consideration of RM12,291,684, satisfied via the issuance of 9,833,347 new AVCB Shares at an issue price of RM1.25 per AVCB Share.

13. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 30 June 2008 is as follows:

	Investment Holding RM'000	Test and assembly and other semiconductor related activities RM'000	Display (Discontinued) RM'000	Electronics (Discontinued) RM'000	Group RM'000	Less Discontinued Operations RM'000	Continuing Operations RM'000
Turnover							
External turnover	386	59,230	326	3,928	63,870	4,254	59,616
Internal turnover	741	-	-	-	741	-	741
Total turnover	1,127	59,230	326	3,928	64,611	4,254	60,357
Results							
Segment results	(723)	4,081	(6,491)	(355)	(3,488)	(6,846)	3,358
Finance costs					(1,779)	(231)	(1,548)
Interest income					126	20	106
(Loss)/Profit before taxation					(5,141)	(7,057)	1,916
Taxation					603	360	243
(Loss)/Profit for the period					(4,538)	(6,697)	2,159
Minority interest					(208)	-	(208)
(Loss)/Profit attributable to equity holders of the Company					(4,746)	(6,697)	1,951



14. Corporate proposals

There are no corporate proposals that were announced but not completed within 7 days from the date of issue of this quarterly report.

AIC had on 18 March 2008 completed a rights issue of 28,853,142 new ordinary shares of RM1.00 each in AIC (“AIC Shares”) together with 26,230,129 free new detachable warrants (Warrants C) in the Company (“Rights Issue”). The proceeds from the Rights Issue have been fully utilised as at 30 June 2008 and the utilisation are as follows:

Purpose	Actual utilisation RM'000	Proposed utilisation RM'000	Balance RM'000	Expected time frame for utilisation of proceeds raised from the Rights Issue
Repayment of a term loan	27,500	27,500	-	Within 1 month upon completion of the Rights Issue
To defray estimated expenses of the Rights Issue	658	658 *	-	Within 1 month upon completion of the Rights Issue
Working capital of our Group	695	695 *	-	Within 6 months upon completion of the Rights Issue
Total	28,853	28,853	-	

Note

* As approved by the shareholders of the Company on 18 December 2007, as the actual expenses for the Rights Issue was lower than initially budgeted, the excess was utilised for working capital purposes.

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) On 1 August 2008, the Company had announced that the Company, had on 1 August 2008 entered into a sale and purchase agreement to divest its entire equity interests in AICD. The divestment had been completed on the same date.
- ii) AIC had on 20 August 2008 completed its acquisition of Prodelcon Sdn Bhd (“Prodelcon”). The acquisition entails acquiring from Jotech Holdings Berhad, 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 satisfied by the issuance of 27,500,000 AIC Shares and cash of RM25,500,000.

16. Contingent liabilities/assets

As at 30 June 2008, the Company had executed corporate guarantees in favour of licensed banks and financial institutions of up to a limit of RM51.6 million and USD0.2 million for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantees, a total borrowings of RM28.1 million were outstanding at the period end.



17. Capital commitments

	RM'000
Approved and contracted for	
- Purchase of plant and equipment	442
Approved but not contracted for	
- Purchase of plant and equipment	10,626
Lease agreement ^	<u>11,812</u>
Total	<u>22,880</u>

Note:

^ Based on a 10 year lease agreement with CIMB Trustee Berhad (As Trustee for the Amanah Raya Real Estate Investment Trust) ("CIMB Trustee") to lease certain leasehold land and buildings from CIMB Trustee 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 the date of this quarterly report are as follows:

Instrument	Amount USD'000
Foreign exchange forward contracts	<u>2,350</u>

The above contracts are maturing within a period of 2 months from the date of this quarterly report.

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 was set for 15 February 2008. As a result of the judicial decision, E-FINE must now pay to AIC the sum of USD1,358,094.64 plus interest. 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 from RM33.7 million in the preceding year corresponding quarter to RM28.9 million for the current quarter. This was due mainly to the decline in revenue contribution from the semiconductor division. The revenue contribution from the semiconductor division dropped due mainly to the effects of the depreciation of the United States Dollar against Ringgit Malaysia, our strategy to improve margins by promoting copper wire products (instead of gold wire products) at more competitive prices and to a lesser extent a nominal drop in volume loadings.

Despite the decrease in revenue, the Group’s profit before tax from continuing operations for the current quarter improved as compared to the preceding year corresponding quarter due to improving margins registered by the semiconductor division.

The discontinued operations of the Group recorded a net loss of RM5.4 million for the current quarter as compared to the preceding year corresponding quarter’s net loss of RM0.3 million.



22. Quarterly analysis

Comparing quarter on quarter, the Group's revenue from continuing operations decreased by 5% or RM1.8 million to RM28.9 million for the current quarter. Despite the decrease in revenue, the Group's results from continuing operations for the current quarter recorded a significant turn around by registering a net profit of RM2.0 million from a net loss of RM0.6 million for the previous quarter due to improving margins recorded by the semiconductor division.

23. Prospects

Barring any possibility of a recession affecting the United States of America, significant further depreciation of the United States Dollar against Ringgit Malaysia and any other unforeseen circumstances, the Board expects the Group's results to be satisfactory for the remaining period to the end of the financial year.

24. Profit forecast

Not applicable as no profit forecast was published.

25. Earnings per share

Basic earnings per share

i) The basic earnings per share for the current quarter was arrived at as follows:

	Profit/(Loss) attributable to equity holders of the Company RM'000	Weighted average number of ordinary shares '000	Basic earnings/(loss) per share sen
Continuing operations	2,582	146,373	1.76
Discontinued operations	(5,391)	146,373	(3.68)
Total	(2,809)	146,373	(1.92)

ii) The basic earnings per share for the financial period to-date was arrived at as follows:

	Profit/(Loss) attributable to equity holders of the Company RM'000	Weighted average number of ordinary shares '000	Basic earnings/(loss) per share sen
Continuing operations	1,951	135,118	1.45
Discontinued operations	(6,697)	135,118	(4.96)
Total	(4,746)	135,118	(3.51)



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 June 2008.