AIC CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 194514-M

QUARTERLY UNAUDITED FINANCIAL REPORT

FOR THE PERIOD ENDED 31 MARCH 2011

Contents

AIC Corporation Berhad
Condensed unaudited consolidated statements of comprehensive income for the period ended 31 March 2011

	Current quarter 31.3.2011 RM'000	Preceding year corresponding quarter 31.3.2010 RM'000	Current period 31.3.2011 RM'000	Preceding year corresponding period 31.3.2010 RM'000
Revenue	37,063	41,030	37,063	41,030
Operating expenses	(34,724)	(36,705)	(34,724)	(36,705)
Other operating income	2,924	183	2,924	183
Profit from operations	5,263	4,508	5,263	4,508
Interest income	66	49	66	49
Finance costs	(535)	(861)	(535)	(861)
Profit before taxation	4,794	3,696	4,794	3,696
Tax expense	(517)	(681)	(517)	(681)
Profit for the period	4,277	3,015	4,277	3,015
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	4,277	3,015	4,277	3,015
Profit/(Loss) attributable to:				
Owners of the Company	4,284	2,888	4,284	2,888
Minority interest	(7)	127	(7)	127
Profit for the period	4,277	3,015	4,277	3,015
Total comprehensive income/(loss) attributable to:				
Owners of the Company	4,284	2,888	4,284	2,888
Minority interests	(7)	127	(7)	127
Total comprehensive income for the period	4,277	3,015	4,277	3,015
Basic earnings per ordinary share (sen)	2.46	1.66	2.46	1.66
Diluted earnings per ordinary share (sen)	2.14	N/A	2.14	N/A

(The condensed unaudited consolidated statements of comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

AIC Corporation Berhad
Condensed unaudited consolidated statement of financial position as at 31 March 2011

	31.3.2011 RM'000	Audited 31.12.2010 RM'000
Non current assets		
Property, plant and equipment	101,294	104,175
Other investment	16,240	13,456
Investment property	11,033	11,033
Goodwill on consolidation	4,340	4,326
Total non current assets	132,907	132,990
Current assets		
Receivables, deposits and prepayments, including derivatives	37,477	40,139
Inventories	19,097	19,901
Current tax assets	440	145
Cash and cash equivalents	14,329	16,697
Total current assets	71,343	76,882
TOTAL ASSETS	204,250	209,872
Equity attributable to owners of the Company		
Share capital	173,873	173,873
Reserves	(35,428)	(39,712)
	138,445	134,161
Minority interest	10,101	10,108
Total equity	148,546	144,269
Long term and deferred liabilities		
Borrowings	14,382	17,283
Deferred tax liabilities	8,791	8,791
Total long term and deferred liabilities	23,173	26,074
Current liabilities		
Payables and accruals	20,618	27,751
Tax liabilities	675	740
Borrowings	11,238	11,038
Total current liabilities	32,531	39,529
Total liabilities	55,704	65,603
TOTAL EQUITY AND LIABILITIES	204,250	209,872
Net assets per share attributable to owners of the Company (RM)	0.80	0.77

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

AIC Corporation Berhad
Condensed unaudited consolidated statement of cash flow for the period ended 31 March 2011

	31.3.2011 RM'000	31.3.2010 RM'000
Cash flows from operating activities		
Profit before taxation	4,794	3,696
Adjustments for:		
Reversal of impairment loss on receivables	(21)	(30)
Amortisation of government grant	-	(215)
Bad debts written off	-	69
Change in fair value of other investment	(2,784)	300
Depreciation	3,487	3,635
Dividend income	(148)	-
Interest expense	535	861
Interest income	(66)	(199)
Unrealised foreign exchange (gain)/loss	(100)	150
Other non-cash items	104	-
Operating profit before working capital changes	5,801	8,267
Changes in working capital:		
Inventories	804	(1,690)
Receivables, deposits and prepayments	2,579	(2,896)
Payables and accruals	(7,047)	2,591
Cash generated from operations	2,137	6,272
Interest income received	66	199
Taxation paid	(839)	(161)
Net cash generated from operating activities	1,364	6,310
Cash flows from investing activities		
Purchase of property, plant and equipment	(607)	(860)
Purchase of other investment	-	(1,535)
Dividend received	111	-
Purchase of investment property	-	(10,994)
Net cash used in investing activities	(496)	(13,389)

(The condensed unaudited consolidated statement of cash flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

AIC Corporation Berhad
Condensed unaudited consolidated statement of cash flow for the period ended 31 March 2011
(continued)

	31.3.2011 RM'000	31.3.2010 RM'000
Cash flows from financing activities		
Interest paid	(535)	(861)
Repayment of bank borrowings – net	(2,701)	(2,261)
Net cash used in financing activities	(3,236)	(3,122)
Net decrease in cash and cash equivalents	(2,368)	(10,201)
Cash and cash equivalents at beginning of period	15,722	20,129
Cash and cash equivalents at end of period	13,354	9,928
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	6,232	7,628
Deposits with licensed banks (excluding deposits pledged)	2,112	903
Short term placement funds	5,010	1,397
	13,354	9,928

(The condensed unaudited consolidated statement of cash flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

AIC Corporation Berhad
Condensed unaudited consolidated statements of changes in equity for the period ended 31 March 2011

	← Attributable to owners of the Company →					
	Share capital RM'000	**Non-distributable reserves RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Minority interest RM'000**	**Total equity RM'000**
At 1 January 2011	173,873	11,780	(51,492)	134,161	10,108	144,269
Total comprehensive income/(loss) for the period	-	-	4,284	4,284	(7)	4,277
At 31 March 2011	173,873	11,780	(47,208)	138,445	10,101	148,546

	← Attributable to owners of the Company →					
	Share capital RM'000	**Non-distributable reserves RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Minority interest RM'000**	**Total equity RM'000**
At 1 January 2010						
- as previously stated	173,873	11,780	(68,816)	116,837	9,731	126,568
- effect of adopting FRS 139	-	-	1,755	1,755	6	1,761
- as restated	173,873	11,780	(67,061)	118,592	9,737	128,329
Total comprehensive income for the period	-	-	2,888	2,888	127	3,015
At 31 March 2010	173,873	11,780	(64,173)	121,480	9,864	131,344

(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 2010)

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 do not include all the information required for the full annual financial statements and should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2010.

2. Significant Accounting Policies

Save as disclosed below, the significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010.

i) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Under FRS 3 (revised), the definition of a business has been broadened, which will result in more acquisitions being treated as business combinations.

Acquisitions on or after 1 January 2011
For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any minority (will be known as non-controlling) interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and /or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

ii) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be recognised as cost on initial measurement of the investment.

iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed the their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

The Group has not applied the following accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- Amendments to IC 14, *Prepayments of a Minimum Funding Requirement*
- IC 19, *Extinguishing Financial Liabilities with Equity Instruments*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC 15, *Arrangements for the Construction of Real Estate*

The Group plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012 except for IC Interpretation 19, Amendments to IC Interpretation 14 and IC Interpretation 15 which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impact to the current and prior periods' financial statements upon their first adoption.

Following the announcement by the Malaysian Accounting Standards Board on 1 August 2008, the Group's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning on 1 January 2012.

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

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

5. Changes in estimates

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

6. Taxation

The tax expense for the current quarter is as follows:

	Current quarter 31.3.2011 RM'000
Tax expense, Malaysia – current	517

The tax expense for the Group for the current quarter relates to the taxable income from our precision tooling and automation segment.

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due mainly to certain non-taxable income.

7. Purchase or sale of unquoted investments/properties

There were no purchases or sales of unquoted investments/properties for the current quarter.

8. Purchase or disposal of quoted securities

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

Investment in quoted securities as at 31 March 2011 as follows:

	Cost RM'000	**Book value (Fair value through profit or loss) RM'000**	**Market value RM'000**
Total quoted investments	13,787	16,240	16,240

9. Valuation of property, plant and equipment

As at 31 March 2011, the valuations of land and building have been brought forward, without amendments from the audited financial statements as at 31 December 2010.

10. Borrowings

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

	Total RM'000
Non-Current	14,382
Current	11,238
Total Group borrowings	25,620

As at 31 March 2011, all the borrowings are secured and there are no outstanding foreign currency denominated borrowings.

11. Debt and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the current quarter.

As at 31 March 2011, 26,230,129 Warrants C which has an exercise period of 10 years commencing 12 March 2008 and ending on 9 March 2018 and an exercise price of RM1.00 for each new ordinary share in the Company remains unexercised.

12. Changes in composition of the Group

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

Prodelcon Sdn Bhd, a wholly owned subsidiary of the Company had on 21 March 2011 acquired the entire equity interest, comprising 2 ordinary shares of RM1.00 each in Isotrax Engineering Sdn Bhd for a total cash consideration of RM2.

13. 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.

14. Material events subsequent to the period end

There are no material events subsequent to the period end.

15. Contingent liabilities/assets

As at 31 March 2011, the Company had executed corporate guarantees in favour of licensed banks and financial institutions of up to a limit of RM26.9 million and USD0.4 million for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantees, a total borrowing of RM10.0 million were outstanding at the period end.

16. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 31 March 2011 is as follows:

	Test and assembly and other semiconductor related activities RM'000	Precision tooling and automation RM'000	Investment holding RM'000	Total RM'000
Segment revenue				
Revenue from external customers	23,426	13,097	540	37,063
Inter-segment revenue	-	72	183	255
Segment profit before tax	(111)	2,595	2,381	4,865
Income/(Expenses) included in the measure of Segment Profit are:				
Change in fair value of other investment	-	-	2,784	2,784
Depreciation	(2,982)	(504)	(3)	(3,489)
Interest expense	(169)	(37)	(329)	(535)
Interest income	4	29	33	66
Segment assets	127,843	38,830	33,313	199,986
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments	65	542	-	607
Segment liabilities	29,144	10,379	16,181	55,704

Reconciliation to consolidated profit before tax as below:

	Financial period ended 31.3.2011 RM'000
Total segment profit	4,865
Consolidation adjustments	(71)
Consolidated profit before tax	4,794

Reconciliation to consolidated total assets as below:

	As at 31.3.2011 RM'000
Total segment assets	199,986
Goodwill on consolidation	4,340
Consolidation adjustments	(76)
Consolidated total assets	204,250

17. Capital commitments

Capital commitments as at 31 March 2011 are as follows:

	RM'000
Purchase of plant and equipment:	
- Approved and contracted for	486
- Approved but not contracted for	21,260
Lease agreement ^	8,004
Total	29,750

Note:

^ *Based on the remaining lease obligation 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.*

18. Derivatives

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.

There are no financial instruments that have not been recorded in the statement of financial position. With the adoption of FRS139, derivatives are recognised on their respective contract dates. As at 31 March 2011, the Group has the following outstanding derivative financial instruments:

Instrument	**Currency**	**Contract/ Notional value** RM'000	**Net fair value** RM'000
Foreign exchange forward contracts			
- Less than 1 year	USD	3,631	21

The above contracts are maturing within a period of about 1 month from the date of this quarterly report.

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

There has been no change in the type or in the provider of the financial instruments.

19. Seasonal and cyclical factors

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

20. Material litigation

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

21. Review of performance

The Group's revenue has decreased by RM4.0 million or 10% from RM41.0 million in the preceding year corresponding quarter to RM37.1 million for the current quarter. This is due to a decline in the revenue contribution from the semiconductor segment as a result of the weaker USD and lower loadings. The decline was partially offset by an increase in the revenue contribution from the precision tooling and automation segment.

Despite the slid in revenue, the Group's net profit for the current quarter increased by 48% to register at RM4.3 million versus RM2.9 million for the preceding year corresponding quarter. This improvement was mainly attributable to a fair value gain on its other investment of RM2.8 million recognised in the current quarter.

22. Quarterly analysis

Quarter on quarter, the Group's revenue declined by a nominal 1% or RM0.5 million to RM37.1 million for the current quarter. This decrease is due to a drop in the revenue contribution from the semiconductor segment as result of lower loadings and a weaker USD. The decline was partially offset by an increase in the revenue contribution from precision tooling and automation segment.

Despite the decline in revenue, the Group registered a turnaround in its results by recording a profit before taxation of RM4.8 million as compared to a loss before taxation of RM38,000 for the previous quarter due mainly to better product mix, cost control measures and included in the previous quarter was impairment losses and inventories written off, resulting from a fire incident at the plating department of a subsidiary, totaling RM0.8 million.

23. Prospects

Amidst the continuous strengthening of the Ringgit Malaysia against the US Dollars and the rising cost of raw materials, the Board is cautiously optimistic that the remaining period to the end of financial year to be satisfactory.

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 Group was arrived as follows:

	Current quarter 31.3.2011	Preceding year corresponding quarter 31.3.2010	Current period 31.3.2011	Preceding year corresponding period 31.3.2010
Profit attributable to owners of the Company (RM'000)	4,284	2,888	4,284	2,888
Weighted average number of ordinary shares ('000)	173,873	173,873	173,873	173,873
Basic earnings per share (sen)	2.46	1.66	2.46	1.66

Diluted earnings per share
The diluted earnings per share of the Group was arrived as follows:

	Current quarter 31.3.2011	Preceding year corresponding quarter 31.3.2010	Current period 31.3.2011	Preceding year corresponding period 31.3.2010
Profit attributable to owners of the Company (RM'000)	4,284	N/A	4,284	N/A
Weighted average number of ordinary shares (basic) ('000)	173,873	N/A	173,873	N/A
Effect of conversion of warrants outstanding ('000)	26,230	N/A	26,230	N/A
Weighted average number of ordinary shares (diluted) ('000)	200,103	N/A	200,103	N/A
Diluted earnings per share (sen)	2.14	N/A	2.14	N/A

As the assumed conversion of the employees share options granted and any warrants outstanding in the preceding year corresponding quarter and period would be antidilutive, diluted earnings per share was not computed.

26. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 31 March 2011.

27. Realised and unrealised profits/losses

The breakdown of the accumulated losses of the Group into realised and unrealised profits/(losses) as follows:

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Realised	(41,318)	(42,586)
Unrealised	(5,816)	(8,830)
	(47,134)	(51,416)
Consolidation adjustments	(74)	(76)
Total accumulated losses	(47,208)	(51,492)