AIC CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 194514-M

QUARTERLY UNAUDITED FINANCIAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2011

Contents

AIC Corporation Berhad
Condensed unaudited consolidated statements of comprehensive income for the period ended 30 June 2011

	Current quarter 30.6.2011 RM'000	Preceding year corresponding quarter 30.6.2010 RM'000	Current period 30.6.2011 RM'000	Preceding year corresponding period 30.6.2010 RM'000
Revenue	35,280	44,909	72,343	85,939
Operating expenses	(33,199)	(38,958)	(67,923)	(75,663)
Other operating income	1,726	726	4,650	909
Profit from operations	3,807	6,677	9,070	11,185
Interest income	77	38	143	87
Finance costs	(477)	(627)	(1,012)	(1,488)
Profit before taxation	3,407	6,088	8,201	9,784
Tax expense	(538)	(638)	(1,055)	(1,319)
Profit for the period	2,869	5,450	7,146	8,465
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	2,869	5,450	7,146	8,465
Profit attributable to:				
Owners of the Company	2,905	5,201	7,189	8,089
Minority interest	(36)	249	(43)	376
Profit for the period	2,869	5,450	7,146	8,465
Total comprehensive income attributable to:				
Owners of the Company	2,905	5,201	7,189	8,089
Minority interests	(36)	249	(43)	376
Total comprehensive income for the period	2,869	5,450	7,146	8,465
Basic earnings per ordinary share (sen)	1.67	2.99	4.13	4.65
Diluted earnings per ordinary share (sen)	1.45	N/A	3.59	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 30 June 2011

	30.6.2011 RM'000	Audited 31.12.2010 RM'000
Non current assets		
Property, plant and equipment	99,456	104,175
Other investment	17,864	13,456
Investment property	11,033	11,033
Goodwill on consolidation	4,340	4,326
Total non current assets	132,693	132,990
Current assets		
Receivables, deposits and prepayments, including derivatives	35,982	40,139
Inventories	19,988	19,901
Current tax assets	611	145
Cash and cash equivalents	16,278	16,697
Total current assets	72,859	76,882
TOTAL ASSETS	205,552	209,872
Equity attributable to owners of the Company		
Share capital	173,873	173,873
Reserves	(32,523)	(39,711)
	141,350	134,162
Minority interest	10,065	10,108
Total equity	151,415	144,270
Long term and deferred liabilities		
Borrowings	11,438	17,283
Deferred tax liabilities	8,791	8,791
Total long term and deferred liabilities	20,229	26,074
Current liabilities		
Payables and accruals	21,593	27,752
Tax liabilities	873	740
Borrowings	11,442	11,038
Total current liabilities	33,908	39,530
Total liabilities	54,137	65,604
TOTAL EQUITY AND LIABILITIES	205,552	209,874
Net assets per share attributable to owners of the Company (RM)	0.81	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 statements of cash flow for the period ended 30 June 2011

	30.6.2011 RM'000	30.6.2010 RM'000
Cash flows from operating activities		
Profit before taxation	8,201	9,784
Adjustments for:		
Amortisation of government grant	-	(429)
Change in fair value of other investment	(4,408)	182
Depreciation	7,043	7,060
Dividend income	(192)	(232)
Interest expense	1,012	1,488
Interest income	(143)	(87)
(Reversal)/Impairment loss on receivables	(21)	21
Unrealised foreign exchange (gain)/loss	(511)	388
Other non-cash items	143	(4)
Operating profit before working capital changes	11,124	18,171
Changes in working capital:		
Inventories	(87)	(3,059)
Receivables, deposits and prepayments	4,037	(6,710)
Payables and accruals	(5,662)	1,476
Cash generated from operations	9,412	9,878
Interest income received	143	87
Taxation paid	(1,340)	(288)
Net cash generated from operating activities	8,215	9,677
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,325)	(1,137)
Purchase of other investment	-	(1,535)
Dividend received	144	174
Proceeds from disposal of other investment	-	30
Proceeds from disposal of property, plant and equipment	-	14
Purchase of investment property	-	(10,994)
Net cash used in investing activities	(2,181)	(13,448)

AIC Corporation Berhad
Condensed unaudited consolidated statements of cash flow for the period ended 30 June 2011
(continued)

	30.6.2011 RM'000	30.6.2010 RM'000
Cash flows from financing activities		
Interest paid	(1,012)	(1,488)
Increase in deposits pledged	-	(28)
Repayment of bank borrowings – net	(5,441)	(5,020)
Net cash used in financing activities	(6,453)	(6,536)
Net decrease in cash and cash equivalents	(419)	(10,307)
Cash and cash equivalents at beginning of period	15,722	20,129
Cash and cash equivalents at end of period	15,303	9,822
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	6,920	6,688
Deposits with licensed banks (excluding deposits pledged)	3,644	2,744
Short term placement funds	4,739	390
	15,303	9,822

(The condensed unaudited consolidated statements 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 30 June 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	-	-	7,189	7,189	(43)	7,146
At 30 June 2011	173,873	11,780	(44,303)	141,350	10,065	151,415

	← 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	-	-	8,089	8,089	376	8,465
At 30 June 2010	173,873	11,780	(58,972)	126,681	10,113	136,794

(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 and financial period to-date.

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 30.6.2011 RM'000	Financial period to-date 30.6.2011 RM'000
Tax expense, Malaysia – current	538	1,055

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

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

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 period to-date.

Prodelcon Sdn Bhd, a wholly owned subsidiary of the Company had on 21 April 2011 entered into a sale and purchase agreement with Penang Development Corporation for the purchase of a parcel of leasehold land for a cash consideration of RM2.97 million. The acquisition has not been completed at the date of this report.

8. Purchase or disposal of quoted securities

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

Investment in quoted securities as at 30 June 2011 is as follows:

	Cost RM'000	Book value (Fair value through profit or loss) RM'000	Market value RM'000
Total quoted investments	13,787	17,864	17,864

9. Valuation of property, plant and equipment

As at 30 June 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	11,438
Current	11,442
Total Group borrowings	22,880

As at 30 June 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 and financial period to-date.

As at 30 June 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 ("AIC Share") remains unexercised.

12. Changes in composition of the Group

There was no change in the Group structure for the financial period to-date 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

Save as disclosed below, there are no material events subsequent to the period end.

The Company had on 29 July 2011, received an offer from Temasek Formation Sdn Bhd, a company whose major shareholder and director is also a major shareholder and director of the Company, to acquire the entire business and undertakings, including all assets and liabilities of the Company for a total purchase consideration equivalent to:

(a) RM1.80 for each AIC Share, being the volume weighted average market price ("VWAMP") of AIC Shares for the five (5) market days immediately preceding 27 July 2011 multiplied by the total number of outstanding AIC Shares, at a date to be determined later; and

(b) RM0.90 for each Warrant C, being the VWAMP of the Warrants C for the five (5) market days immediately preceding 27 July 2011, multiplied by the total outstanding number of Warrants C in issue at a date to be determined later.

The Offer is valid up to 29 August 2011.

15. Contingent liabilities/assets

As at 30 June 2011, the Company had executed corporate guarantees in favour of licensed banks and financial institutions of up to a limit of RM28.9 million and USD0.4 million for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantees, a total borrowings of RM8.7 million were outstanding at the period end.

16. Seasonal and cyclical factors

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

17. Material litigation

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

18. Profit forecast

Not applicable as no profit forecast was published.

19. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 30 June 2011.

20. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 30 June 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	46,838	24,528	977	72,343
Inter-segment revenue	-	122	357	479
Segment profit before tax	(704)	5,307	3,667	8,270
Income/(Expenses) included in the measure of Segment Profit are:				
Change in fair value of other investment	-	-	4,408	4,408
Depreciation	(6,002)	(1,038)	(7)	(7,047)
Interest expense	(313)	(61)	(638)	(1,012)
Interest income	11	65	67	143
Segment assets	127,486	38,866	34,931	201,283
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments	753	1,563	10	2,326
Segment liabilities	30,604	8,916	14,617	54,137

Reconciliation to consolidated profit before tax as below:

	Financial period ended 30.6.2011 RM'000
Total segment profit	8,270
Consolidation adjustments	(69)
Consolidated profit before tax	8,201

Reconciliation to consolidated total assets as below:

	As at 30.6.2011 RM'000
Total segment assets	201,283
Goodwill on consolidation	4,340
Consolidation adjustments	(71)
Consolidated total assets	205,552

21. Capital commitments

Capital commitments as at 30 June 2011 are as follows:

	RM'000
Purchase of plant and equipment:	
- Approved and contracted for	369
- Approved but not contracted for	20,627
Lease agreement ^	7,648
Total	28,644

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.*

22. 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 30 June 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	3,943	(17)

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

There was 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.

23. Review of performance

The Group's revenue has decreased by RM9.6 million or 21% from RM44.9 million in the preceding year corresponding quarter to RM35.3 million for the current quarter. This was due mainly to a decline in revenue contribution from the semiconductor segment as a result of a weaker USD and lower loadings. The drop in revenue was partly offset by an increase in revenue contribution from the precision tooling and automation segment.

In tandem with the decrease in revenue, the net profit decline by 44% to RM2.9 million. The decline in net profit is experienced in the semiconductor segment whereas the precision tooling and automation recorded improvement in its contribution to the net profit of the Group.

24. Quarterly analysis

Quarter on quarter, the Group's revenue slid 5% or RM1.8 million to register at RM35.3 million versus RM37.1 million in the previous quarter. The slide was attributable to a decline in the revenue contributions from both the semiconductor and precision tooling and automation segments due mainly to a weaker demand and a weaker USD.

In line with the decline in revenue, the Group's profit before taxation decreased by RM1.4 million to RM3.4 million from RM4.8 million for the previous quarter. Excluding the fair value gain on the Group's other investment for the current and previous quarters, the profit before taxation decreased by a nominal RM0.2 million. The semiconductor segment recorded a decline whereas the precision tooling and automation segment recorded an increase in their contributions to the profit before taxation of the Group.

25. Prospects

Due to the current sovereign debt crisis in Europe, downgrade in the credit rating of the Unites States of America, the slowing pace in economic growth of Asia, the relentless strengthening of the Ringgit Malaysia against the US Dollars and the rising cost of raw materials, the Board is of the view that the remaining period to the end of financial year to be challenging.

26. Earnings per share

Basic earnings per share
The basic earnings per share for the Group was arrived as follows:

	Current quarter 30.6.2011	**Preceding year corresponding quarter 30.6.2010**	**Current period 30.6.2011**	**Preceding year corresponding period 30.6.2010**
Profit attributable to owners of the Company (RM'000)	2,905	5,201	7,189	8,089
Weighted average number of ordinary shares ('000)	173,873	173,873	173,873	173,873
Basic earnings per share (sen)	1.67	2.99	4.13	4.65

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

	Current quarter 30.6.2011	Preceding year corresponding quarter 30.6.2010	Current period 30.6.2011	Preceding year corresponding period 30.6.2010
Profit attributable to owners of the Company (RM'000)	2,905	N/A	7,189	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)	1.45	N/A	3.59	N/A

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

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 30.06.2011 RM'000	As at 31.12.2010 RM'000
Realised	(40,517)	(42,586)
Unrealised	(3,714)	(8,830)
	(44,231)	(51,416)
Consolidation adjustments	(72)	(76)
Total accumulated losses	(44,303)	(51,492)