



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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2011

Contents

	Page
Condensed unaudited consolidated statements of comprehensive income...	2
Condensed unaudited consolidated statement of financial position.....	3
Condensed unaudited consolidated statements of cash flow.....	4
Condensed unaudited consolidated statements of changes in equity.....	6
Explanatory notes.....	7



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

	Current quarter 31.12.2011 RM'000	Preceding year corresponding quarter 31.12.2010 RM'000	Current period 31.12.2011 RM'000	Preceding year 31.12.2010 RM'000
Discontinued operations				
Revenue	33,862	37,575	137,348	167,400
Operating expenses	(34,449)	(40,699)	(132,680)	(156,275)
Other operating income	529	3,284	7,982	8,555
Profit/(Loss) from operations	(58)	160	12,650	19,680
Interest income	90	111	332	262
Finance costs	(393)	(306)	(1,845)	(2,399)
Profit/(Loss) before taxation	(361)	(35)	11,137	17,543
Tax expense	239	472	(1,407)	(1,603)
Profit/(Loss) for the period	(122)	437	9,730	15,940
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period	(122)	437	9,730	15,940
Profit/(Loss) attributable to:				
Owners of the Company	(82)	534	9,891	15,569
Non-controlling interests	(40)	(97)	(161)	371
Profit/(Loss) for the period	(122)	437	9,730	15,940
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(82)	534	9,891	15,569
Non-controlling interests	(40)	(97)	(161)	371
Total comprehensive income/(loss) for the period	(122)	437	9,730	15,940
Basic earnings/(loss) per ordinary share (sen)	(0.05)	0.31	5.69	8.95
Diluted earnings/(loss) per ordinary share (sen)	(0.04)	0.27	4.94	7.78

(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 December 2011

	31.12.2011	Audited
	RM'000	31.12.2010
		RM'000
Non current assets		
Property, plant and equipment	-	104,175
Other investment	-	13,456
Investment property	-	11,033
Goodwill on consolidation	-	4,326
Total non current assets	<u>-</u>	<u>132,990</u>
Current assets		
Receivables, deposits and prepayments	-	40,139
Inventories	-	19,901
Current tax assets	-	145
Cash and cash equivalents	-	16,697
Assets of disposal group classified as held for sale	202,082	-
Total current assets	<u>202,082</u>	<u>76,882</u>
TOTAL ASSETS	<u>202,082</u>	<u>209,872</u>
Equity attributable to owners of the Company		
Share capital	173,873	173,873
Reserves	(37,164)	(39,712)
Reserves of disposal group classified as held for sale	7,343	-
	<u>144,052</u>	<u>134,161</u>
Non-controlling interests	9,947	10,108
Total equity	<u>153,999</u>	<u>144,269</u>
Long term and deferred liabilities		
Borrowings	-	17,283
Deferred tax liabilities	-	8,791
Total long term and deferred liabilities	<u>-</u>	<u>26,074</u>
Current liabilities		
Payables and accruals	-	27,751
Tax liabilities	-	740
Borrowings	-	11,038
Liabilities of disposal group classified as held for sale	48,083	-
Total current liabilities	<u>48,083</u>	<u>39,529</u>
Total liabilities	<u>48,083</u>	<u>65,603</u>
TOTAL EQUITY AND LIABILITIES	<u>202,082</u>	<u>209,872</u>
Net assets per share attributable to owners of the Company (RM)	0.83	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 31 December 2011

	31.12.2011	31.12.2010
	RM'000	RM'000
Discontinued operations		
Cash flows from operating activities		
Profit before taxation	11,137	17,543
Adjustments for:		
Amortisation of government grant	-	(552)
Bad debts written off	-	20
Change in fair value of other investment	(5,568)	(3,298)
Change in fair value of derivatives	340	(27)
Depreciation	14,014	14,085
Dividend income	(438)	(259)
Gain on disposal of investment properties	-	(2,596)
Goodwill written off	14	-
Impairment loss on property, plant and equipment	-	685
Interest expense	1,845	2,298
Interest income	(332)	(262)
Inventories written off	214	551
(Reversal)/Impairment loss on receivables	(21)	131
Unrealised foreign exchange (gain)/loss	(1,267)	721
Other non-cash items	(21)	(567)
Operating profit before working capital changes	19,917	28,473
Changes in working capital:		
Inventories	(1,108)	(3,784)
Receivables, deposits and prepayments	2,992	(417)
Payables and accruals	(4,522)	4,379
Cash generated from operations	17,279	28,651
Interest income received	332	262
Taxation refunded	-	1,286
Taxation paid	(2,732)	(1,803)
Net cash generated from operating activities	14,879	28,396
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,176)	(12,680)
Purchase of other investment	-	(1,535)
Dividend received	328	194
Proceeds from disposal of other investment	-	30
Proceeds from disposal of property, plant and equipment	-	128
Proceeds from disposal of non-current assets held for sale	-	4,600
Additions in investment property	(12)	(11,033)
Net cash used in investing activities	(7,860)	(20,296)



AIC Corporation Berhad
Condensed unaudited consolidated statements of cash flow for the period ended 31 December 2011

(continued)

	31.12.2011	31.12.2010
	RM'000	RM'000
Discontinued operations		
Cash flows from financing activities		
Interest paid	(1,845)	(2,298)
Increase in deposits pledged	-	(28)
Repayment of bank borrowings – net	(12,026)	(10,181)
Net cash used in financing activities	<u>(13,871)</u>	<u>(12,507)</u>
Net decrease in cash and cash equivalents	(6,852)	(4,407)
Cash and cash equivalents at beginning of period	15,722	20,129
Cash and cash equivalents at end of period	<u><u>8,870</u></u>	<u><u>15,722</u></u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	3,403	3,482
Deposits with licensed banks (excluding deposits pledged)	3,141	7,265
Short term placement funds	2,326	4,975
	<u><u>8,870</u></u>	<u><u>15,722</u></u>

(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 31 December 2011

	← Attributable to owners of the Company →					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Non- distributable reserves RM'000	Reserves of disposal group classified as held for sale RM'000	Accumulated losses RM'000			
At 1 January 2011	173,873	4,437	7,343	-	(51,492)	134,161	10,108	144,269
Reserves attributable to disposal group held for sale	-	-	(7,343)	7,343	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	9,891	9,891	(161)	9,730
At 31 December 2011	173,873	4,437	-	7,343	(41,601)	144,052	9,947	153,999

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Non- distributable reserves RM'000	Accumulated losses RM'000			
At 1 January 2010							
- as previously stated	173,873	4,437	7,343	(68,816)	116,837	9,731	126,568
- effect of adopting FRS 139	-	-	-	1,755	1,755	6	1,761
- as restated	173,873	4,437	7,343	(67,061)	118,592	9,737	128,329
Total comprehensive income for the year	-	-	-	15,569	15,569	371	15,940
At 31 December 2010	173,873	4,437	7,343	(51,492)	134,161	10,108	144,269

(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.

The Board of Directors has on 30 December 2011 approved the change in the financial year end of the Group from 31 December to 30 June and the next audited financial statements shall be for a period of 18 months from 1 January 2011 to 30 June 2012.

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)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)



- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

The Group's financial statements for annual period beginning on 1 July 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board and International Financial Reporting Standards (IFRSs). As a result, the Group will not be adopting the above FRSs, Interpretations and amendments.

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 11 below, the AIC Business (as defined in Note 11) fall within the ambit of Discontinued Operations and Disposal Group Classified as Held for Sale under FRS 5, Non-current Assets Held for Sale and Discontinued Operations.

As a result of the above:

- (i) all assets, liabilities and related reserves of the Group as at 31 December 2011 have been classified and presented on the consolidated statements of financial position, as 'held for sale' in accordance with FRS 5;
- (ii) the entire results of the Group for the current quarter and period and preceding year corresponding quarter and period have been presented on the consolidated statements of comprehensive income as "Discontinued Operations" in accordance with FRS 5; and
- (iii) the cash flows of the Group for the current year and preceding period have been presented on the consolidated statements of cash flows as "Discontinued Operations" in accordance with FRS 5.

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.



6. Taxation

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

	Current quarter 31.12.2011 RM'000	Financial period 31.12.2011 RM'000
Tax expense, Malaysia		
– current	561	2,207
– over provision in prior year	(297)	(297)
Deferred tax credit		
– current	(503)	(503)
	<u>(239)</u>	<u>1,407</u>

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

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due mainly to the losses incurred by the semiconductor and investment holding segments.

The effective tax rate of the Group for the financial period is lower than the statutory tax rate due mainly to certain non-taxable income, which mainly comprised of the increase in fair value of the other investment.

7. Valuation of property, plant and equipment

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

8. Borrowings

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

	Total RM'000
Non-Current	6,163
Current	<u>11,066</u>
Total Group borrowings	<u>17,229</u>

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

9. 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.



As at 31 December 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.

10. Changes in composition of the Group

Save as disclosed below, there was no change in the Group structure for the financial period 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.

11. 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.

On 29 July 2011, Maybank Investment Bank Berhad (“Maybank IB”), being the adviser to AIC in respect of the Proposed Disposal (as defined below) had announced on behalf of the Board of Directors of the Company (“Board”) that the Company had received an offer (“Offer”) of even date from Temasek Formation Berhad (“TFB”) (then known as Temasek Formation Sdn Bhd), a company whose major shareholder and director, namely Datuk Goh Tian Chuan (“Datuk Goh”) is also a major shareholder and Executive Chairman of the Company, to acquire the entire business and undertakings, including all assets and liabilities of the Company (“AIC Business”) (“Proposed Disposal”).

Together with the Offer, TFB simultaneously made offers on substantially the same terms and conditions to acquire the entire businesses and undertakings, including all assets and liabilities, of Jotech Holdings Berhad (“Jotech”) (“Jotech Business”) and AutoV Corporation Berhad (“AutoV”) (“AutoV Business”). Such simultaneous offers, together with the Offer (collectively known as the “Merger Exercise Offer”), shall constitute a single consolidated offer as at 29 July 2011 for the purposes of achieving the merger of the businesses and undertakings of AIC, Jotech and AutoV (collectively known as “Target Companies”), including all assets and liabilities of the Target Companies as at completion of the Proposed Disposal in accordance with the terms of the Merger Agreement (as defined below) (“Completion”).

On 24 August 2011, Maybank IB announced on behalf of the Board that the non-interested Directors of AIC have decided to accept the Offer, subject to, among others the approval of the shareholders of AIC and relevant authorities, where required. As the Merger Exercise Offer represents a related party transaction in view of Datuk Goh’s substantial shareholdings in the Target Companies, OSK Investment Bank Berhad (“OSK”) has been appointed by AIC to advise the non-interested Directors and the non-interested shareholders of AIC.

On 22 August 2011 and 24 August 2011, Maybank IB announced on behalf of the board of directors of AutoV and Jotech respectively that they have decided to accept the offer from TFB to acquire the AutoV Business (“Proposed AutoV Business Disposal”) and Jotech Business (“Proposed Jotech Business Disposal”) upon the terms and conditions contained in their respective offer letters dated 29 July 2011 issued by TFB to AutoV and Jotech.

On 15 September 2011, Maybank IB announced on behalf of the Board that AIC had on even date entered into a definitive merger agreement (“Merger Agreement”) with TFB, Jotech and AutoV in relation to the Merger Exercise Offer.



The Offer entails the following proposals (“Proposals”):

- i) Proposed Disposal;
- ii) Proposed Distribution;
- iii) Proposed Share Issue;
- iv) Proposed Bonus Issue; and
- v) Proposed Warrant Scheme

which is further described below.

Proposed Disposal

The Proposed Disposal entails TFB acquiring the AIC Business for a total purchase consideration (“Consideration”) equivalent to:

- (a) RM1.80 for each ordinary share of RM1.00 each in AIC (“AIC Share”), being 20% above the volume weighted average market price (“VWAMP”) of AIC Shares for the five (5) market days up to and including 26 July 2011, being the last trading day prior to the Offer, of RM1.50, multiplied by the total number of outstanding AIC Shares, at a date to be determined later by TFB in consultation with AIC; and
- (b) RM1.00 for each Warrant C, being 17.37% above the VWAMP of the Warrants C for the five (5) market days up to and including 26 July 2011, being the last trading day prior to the Offer, of RM0.852, multiplied by the total outstanding number of Warrants C in issue at a date to be determined later by TFB in consultation with AIC.

The Consideration shall be satisfied by the issuance of an equivalent value of new ordinary shares of RM0.10 each in TFB (“TFB Share”) at an issue price of RM0.12 per TFB Share, less/excluding such number of TFB Shares to be received by AIC arising from its entitlement to TFB Shares pursuant to its existing 11,600,000 ordinary shares of RM1.00 each in AutoV, being such TFB Shares to which AIC will be entitled to under a proposed distribution, similar to the Proposed Distribution (as defined below), to be undertaken by AutoV in connection with the implementation of the Proposed AutoV Business Disposal under the Merger Exercise Offer.

The Consideration is intended to be distributed/paid to the entitled shareholders of AIC and Warrant C Holders pursuant to the Proposed Distribution and Proposed Warrant Scheme as defined below.

Proposed Distribution

AIC shall, subject to obtaining all requisite approvals, implement a proposed distribution exercise comprising:

- (i) a capital reduction exercise (“Proposed Capital Reduction”) in accordance with Sections 60(2) and/or 64 of the Companies Act, 1965 (“Act”), involving a reduction of the share capital and/or share premium reserve (if applicable) of AIC via cancellation of AIC’s issued and paid-up share capital, which shall require confirmation by the High Court of Malaya pursuant to Sections 60(2) and/or 64 of the Act; and
- (ii) a capital repayment exercise (“Proposed Capital Repayment”) involving:



- (a) the distribution-in-specie of the TFB Shares to be received by AIC upon completion of the Proposed Disposal to all the entitled shareholders of AIC; and
- (b) the distribution-in-specie of the TFB Shares to be received by AIC arising from its entitlement to the TFB Shares pursuant to its existing 11,600,000 ordinary shares of RM1.00 each in AutoV held by AIC in AutoV, to all the entitled shareholders of AIC.

(collectively known as the “Proposed Distribution”).

Proposed Share Issue

In connection with the Proposed Disposal, TFB shall simultaneously with the implementation of the Proposed Distribution (which will result in the cancellation of the entire share capital of AIC), subscribe for and AIC shall allot and issue 2 new AIC Shares to TFB at an issue price of RM1.00 each (“Proposed Share Issue”). Accordingly, immediately following the completion of the Proposed Distribution and Proposed Share Issue, the share capital of AIC shall be RM2.00, comprising 2 AIC Shares, all of which shall be held by TFB.

Proposed Bonus Issue

In order to facilitate the Proposed Distribution, AIC shall, prior to the implementation of the Proposed Capital Reduction, undertake a bonus issue of shares, which shall not be credited to the entitled shareholders of AIC and shall immediately be cancelled pursuant to the Proposed Capital Reduction and which is to be effected by way of capitalising all sums standing to the credit of the share premium account, retained profits and/or any other reserves which may be capitalised, including the net gain arising from the Proposed Disposal (“Proposed Bonus Issue”). The actual number of bonus shares to be issued per AIC Share would be dependent on the amount to be capitalised and the total issued and paid-up capital of AIC, as at the entitlement date for the Proposed Distribution.

Proposed Warrant Scheme

In conjunction with the Proposed Disposal, AIC shall implement a scheme of arrangement under Section 176 of the Act (“Proposed Warrant Scheme”) to pay the Warrants C holders their entitlements to the Consideration in consideration for the cancellation of the exercise rights pursuant to the Warrants C and thereafter proceed to cancel all the Warrants C so that all the outstanding Warrants C are effectively and validly cancelled.

Upon Completion, each of the Target Companies will separately apply to Bursa Malaysia Securities Berhad (“Bursa Securities”) to be delisted from the Main Market of Bursa Securities and subsequently subject to the requisite approvals being obtained, TFB shall assume the listing status of any one of the Target Companies and be listed on the Main Market of Bursa Securities.

On 17 January 2012, Maybank IB had announced on our behalf that the Ministry of International Trade and Industry had vide its letter dated 13 January 2012 (which was received on 17 January 2012), approved the Proposed Disposal, subject to the conditions detailed in the said announcement.

On 26 January 2012, Maybank IB had announced on our behalf that the Securities Commission had vide its letter dated 25 January 2012 (which was received on 26 January 2012), granted its approval under Section 212(5) of the Capital Markets and Services Act 2007, for the Proposals, subject to the conditions detailed in the said announcement.



On 24 February 2012, Maybank IB had announced:

- i) that the extraordinary general meeting (“EGM”) of the Company will be held at Tiara Rini Ballroom, The Royale Bintang The Curve, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 21 March 2012 at 10.30 a.m., or any adjournment thereof, for the purpose of considering and approving the Proposed Disposal, Proposed Distribution, Proposed Share Issue and Proposed Bonus Issue; and
- ii) that the court convened meeting of the holders of Warrants C will be held at Tiara Rini Ballroom, The Royale Bintang The Curve, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 21 March 2012 at 2.00 p.m., or immediately after the conclusion or adjournment of the abovementioned EGM, whichever is later, or any adjournment thereof, for the purpose of considering and approving the Proposed Warrants Scheme.

The notice of the EGM and court convened warrant holders meeting have been sent out on 27 February 2012.

12. Material events subsequent to the period end

There are no material events subsequent to the period end.

13. Contingent liabilities/assets

As at 31 December 2011, the Company had executed corporate guarantees in favour of licensed banks and financial institutions of up to a limit of RM28.5 million and USD0.3 million for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantees, a total borrowings of RM6.2 million were outstanding at the period end.

14. Notes to the statement of comprehensive income

Other than interest income and finance costs, included in the statement of the comprehensive income are the following credits/(charges):

	Current quarter 31.12.2011 RM'000	Preceding year corresponding quarter 31.12.2010 RM'000	Current period 31.12.2011 RM'000	Preceding year 31.12.2010 RM'000
Bad debts written off	-	-	-	(20)
Changes in fair value of derivatives	(44)	125	(340)	27
Changes in fair value of other investment	(1,508)	2,551	5,568	3,298
Depreciation	(3,481)	(3,558)	(14,014)	(14,085)
Dividend income	-	27	438	259
Foreign exchange gain/(loss)	211	(1,389)	1,186	(2,322)
Gain on disposal of investment properties	-	-	-	2,596
Gain on disposal of property, plant and equipment	-	-	-	40
Goodwill written off	(14)	-	(14)	-
Impairment loss on property, plant and equipment	-	(685)	-	(685)
Inventories written off	(214)	(551)	(214)	(551)
Property, plant and equipment written off	-	(1)	(1)	(1)
Rental income	393	393	1,571	1,687
Reversal/(Impairment) loss on receivables	-	(221)	21	(131)



15. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 31 December 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
Discontinued operations				
Segment revenue				
Revenue from external customers	84,099	51,241	2,008	137,348
Inter-segment revenue	-	1	12,677	12,678
Discontinued operations				
Segment profit before tax				
	(3,702)	10,813	4,082	11,193
<i>Income/(Expenses) included in the measure of Segment Profit are:</i>				
<i>Change in fair value of other investment</i>	-	-	5,568	5,568
<i>Change in fair value of derivatives</i>	(340)	-	-	(340)
<i>Depreciation</i>	(11,897)	(2,114)	(11)	(14,022)
<i>Goodwill written off</i>	-	-	(14)	(14)
<i>Interest expense</i>	(563)	(113)	(1,169)	(1,845)
<i>Interest income</i>	52	109	171	332
<i>Inventories written off</i>	-	(214)	-	(214)
<i>Reversal of impairment loss on receivables</i>	-	21	-	21
Assets of disposal group classified as held for sale				
Segment assets				
	116,717	45,028	36,056	197,801
<i>Included in the measure of segment assets are:</i>				
<i>Additions to non-current assets other than financial instruments</i>	1,581	7,498	10	9,089
Liabilities of disposal group classified as held for sale				
Segment liabilities				
	23,807	12,744	11,532	48,083



Reconciliation to consolidated profit before tax as below:

	Financial period ended 31.12.2011 RM'000
Discontinued operations	
Total segment profit	11,193
Consolidation adjustments	<u>(56)</u>
Consolidated profit before tax	<u>11,137</u>

Reconciliation to consolidated total assets as below:

	As at 31.12.2011 RM'000
Assets classified as held for sale	
Total segment assets	197,801
Goodwill on consolidation	4,326
Consolidation adjustments	<u>(45)</u>
Consolidated total assets	<u>202,082</u>

16. Capital commitments

Capital commitments as at 31 December 2011 are as follows:

	RM'000
Purchase of plant and equipment:	
- Approved and contracted for	-
- Approved but not contracted for	19,962
Lease agreement ^	<u>6,935</u>
Total	<u>26,897</u>

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.

17. Seasonal and cyclical factors

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

18. Material litigation

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



19. Review of performance

I) Current period versus preceding year corresponding period - Revenue

Analysis on Group basis

The Group's revenue for the current period has slid RM30.1 million or 18% to RM137.3 million as compared to the preceding year corresponding period. The slide was due mainly to a decrease in revenue of RM36.3 million registered by the semiconductor segment, which was partly offset by an increase in revenue of RM6.0 million recorded by the precision tooling and automation segment.

Segmental analysis

- a) The decrease in revenue of the semiconductor segment from RM120.4 million in the preceding year corresponding period to RM84.1 million for the current period was mainly due to the weak global semiconductor market affecting all semiconductor segments, with high overall inventory recorded globally throughout the year. As the revenue of our semiconductor segment is predominantly denominated in USD, our semiconductor segment was also hit by the depreciation of the United States Dollar ("USD") against the RM.
- b) The increase in revenue of the precision tooling and automation segment from RM45.2 million in the preceding year corresponding period to RM51.2 million for the current period was due mainly to increase in demand for its photonics microwave products.

II) Current period versus preceding year corresponding period - Results

Analysis on Group basis

The Group's net profit for the current period has declined by RM5.7 million from the preceding year corresponding period to RM9.9 million. This drop was mainly attributable to a decline of RM8.1 million in the results registered by the semiconductor segment which was partially offset by an increase of RM2.4 million in the net profit generated by the investment holding segment.

Segmental analysis

- a) In tandem with the decrease in revenue, the semiconductor segment's results declined from a net profit of RM5.7 million in the preceding year corresponding period to a net loss of RM2.5 million in the current period. This was mainly attributable to the abovementioned low sales volume, weaker USD against RM and the continuous strengthening of commodity prices, such as gold and copper, affecting our raw material costs.
- b) Included in the net profit of the precision tooling and automation in the preceding year corresponding period was a net credit of RM1.8 million comprising of a gain on disposal of investment property of RM2.6 million which was partially offset by asset impairments/write offs as a result of a fire incident of RM0.8 million. Excluding the said net credit and in line with the increase in its revenue, net profit from the precision tooling and automation segment moved up from RM6.6 million for the preceding year corresponding period to RM8.3 million for the current period. This was mainly a result of the increase in revenue mentioned above and higher margins earned.



- c) The increase in the net profit contributed by the investment holding segment was mainly bolstered by the fair value gain on its other investment of RM5.6 million (RM3.3 million in the preceding year corresponding period) due to the higher market price of its quoted investment.

III) Current quarter versus preceding year corresponding quarter - Revenue

Analysis on Group basis

The Group's revenue for the current quarter declined by RM3.7 million to register at RM33.9 million as compared to RM37.6 million in the preceding year corresponding quarter. This was due mainly to a drop of RM8.3 million in the revenue of the semiconductor segment. The decrease was partly off-set by an increase of RM4.6 million in the revenue of the precision tooling and automation segment.

Segmental analysis

- a) The decline in the semiconductor segment's revenue from RM26.2 million to RM18.0 million was mainly due to the continuous weakness in the global semiconductor market and inventory correction by its customers to adjust for the lower demand.
- b) The increase in the precision tooling and automation segment's revenue from RM10.9 million to RM15.5 million was mainly attributable to an increase in demand for its photonics microwave products.

IV) Current quarter versus preceding year corresponding quarter - Results

Analysis on Group basis

The Group's registered a net loss of RM0.1 million for the current quarter versus a net profit of RM0.5 million for the preceding year corresponding quarter. This decrease is represented by a decrease of RM3.9 million in the results contributed by the investment holding segment. This decline was partly offset by an increase of RM2.4 million and RM0.9 million in the net profits generated by the precision tooling and automation and semiconductor segments respectively.

Segmental analysis

- a) The investment holding segment recorded a net loss of RM2.1 million for the current quarter versus a net profit of RM1.8 million for the preceding year corresponding quarter. This was attributable to a fair value loss for its other investment of RM1.5 million, whereas included in the preceding year corresponding quarter was a fair value gain on other investment of RM2.6 million.
- b) Despite the significant drop of RM8.3 million in its revenue, the semiconductor segment for the current quarter recorded a lower net loss of RM0.6 million as compared to a net loss of RM1.5 million for the preceding year corresponding quarter. The improvement was mainly due to better product mix with higher profit margin and a lowered fixed and semi-fixed overhead costs achieved through cost control measures undertaken by the semiconductor segment.
- c) Included in the net profit of the precision tooling and automation segment for the preceding year corresponding quarter was asset impairments/write offs as a result of a fire incident of RM0.8 million. Excluding the impairment/write offs, the precision tooling and automation segment recorded an improvement in its net profit from RM1.0 million in the preceding year corresponding quarter to RM2.6 million in the current quarter aided by the increase in its revenue and higher margins earned.



20. Quarterly analysis

Revenue

Analysis on Group basis

Quarter on quarter, the Group's revenue increased by RM2.8 million from RM31.1 million to register at RM33.9 million, due mainly to an increase in the revenue from the precision tooling and automation segment of RM4.3 million. This increase was partly offset by the decrease in the revenue of RM1.4 million of the semiconductor segment.

Segmental analysis

- a) The increase in the precision tooling and automation segment's revenue from RM11.2 million in the preceding quarter was due mainly to an increase in demand for its photonics microwave products.
- b) The decrease in the semiconductor segment's revenue from RM19.3 million in the previous quarter was due to a decrease in sales volume resulting from the overall weak global demand.

Results

Analysis on Group basis

Despite the increase in revenue, the Group's profit before tax fell by RM3.7 million from RM3.3 million in the previous quarter to a loss before tax of RM0.4 million in the current quarter. This decrease is represented by a decrease of RM4.5 million and RM0.5 million in the results before tax contributed by the investment holding and semiconductor segments respectively. This decline was partly offset by an increase of RM1.3 million in profit before tax generated by the precision tooling and automation segment.

Segmental analysis

- a) The increase in the precision tooling and automation's profit before tax from RM2.1 million to RM3.4 million quarter on quarter was mainly due to an increase in its revenue and improving margins.
- b) The decrease in the results of the investment holding segment is mainly attributable to a fair value loss for its other investment of RM1.5 million, whereas included in the previous quarter was a fair value gain on other investment of RM2.7 million.
- c) The increase in semiconductor segment's loss before tax from RM1.3 million to RM1.7 million, quarter on quarter is mainly due to the lower sales volume mentioned above.

21. Prospects

Due to the current sovereign debt and financial crisis in Europe and the slowing pace of the global economy, the Board is of the view that the remaining period to the end of financial year to be challenging.

22. Profit forecast

Not applicable as no profit forecast was published.



23. Earnings per share

Basic earnings/(loss) per share

The basic earnings/(loss) per share for the Group was arrived as follows:

	Current quarter 31.12.2011	Preceding year corresponding quarter 31.12.2010	Current period 31.12.2011	Preceding year corresponding period 31.12.2010
Profit/(Loss) attributable to owners of the Company (RM'000)	(82)	534	9,891	15,569
Weighted average number of ordinary shares ('000)	173,873	173,873	173,873	173,873
Basic earnings/(loss) per share (sen)	(0.05)	0.31	5.69	8.95

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group was arrived as follows:

	Current quarter 31.12.2011	Preceding year corresponding quarter 31.12.2010	Current period 31.12.2011	Preceding year corresponding period 31.12.2010
Profit/(Loss) attributable to owners of the Company (RM'000)	(82)	534	9,891	15,569
Weighted average number of ordinary shares (basic) ('000)	173,873	173,873	173,873	173,873
Effect of conversion of warrants outstanding ('000)	26,230	26,230	26,230	26,230
Weighted average number of ordinary shares (diluted) ('000)	200,103	200,103	200,103	200,103
Diluted earnings/(loss) per share (sen)	(0.04)	0.27	4.94	7.78

24. Dividends

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

25. Realised and unrealised profits/losses

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

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Realised	(39,970)	(42,586)
Unrealised	(1,586)	(8,830)
	(41,556)	(51,416)
Consolidation adjustments	(45)	(76)
Total accumulated losses	(41,601)	(51,492)



26. Discontinued operations and disposal group classified as held for sale

Pursuant to the Merger Agreement as mentioned in Note 11 above, the AIC Business fall within the ambit of Discontinued Operations and Disposal Group Classified as Held for Sale under FRS 5, Non-current Assets Held for Sale and Discontinued Operations. Accordingly, all assets, liabilities and related reserves of the Group have been classified and presented on the consolidated statements of financial position as 'held for sale' in accordance with FRS 5. As at 31 December 2011, the assets, liabilities and reserves classified as 'held for sale' comprised as follows:

	31.12.2011	31.12.2010
	RM'000	RM'000
Assets		
Property, plant and equipment	99,272	104,175
Other investment	19,024	13,456
Investment property	11,045	11,033
Goodwill on consolidation	4,326	4,326
Receivables, deposits and prepayments	36,828	40,139
Inventories	20,797	19,901
Current tax assets	946	145
Cash and cash equivalents	9,844	16,697
	<hr/>	<hr/>
Assets of disposal group classified as held for sale	202,082	209,872
	<hr/>	<hr/>
Liabilities		
Borrowings	17,229	28,321
Deferred tax liabilities	8,288	8,791
Payables and accruals	21,955	27,751
Tax liabilities	611	740
	<hr/>	<hr/>
Liabilities of disposal group classified as held for sale	48,083	65,603
	<hr/>	<hr/>
Net assets of disposal group classified as held for sale	153,999	144,269
	<hr/>	<hr/>
Reserves		
Revaluation reserve	1,302	1,302
Capital reserve	6,041	6,041
	<hr/>	<hr/>
Reserves of disposal group classified as held for sale	7,343	7,343
	<hr/>	<hr/>