

AIC Corporation Berhad (“AIC” or “Company”)

Proposed acquisition of a piece of land

1.0 Introduction

The Board of Directors of AIC (“Board”) wishes to announce that its wholly owned subsidiary, AIC Properties Sdn Bhd (“AICP”) had on 21 December 2009 entered into a conditional sale and purchase agreement (“SPA”) for the acquisition of a piece of leasehold land (“the Land”) from Sumbang Hebat Sdn Bhd (“SHSB”) for a total cash consideration of RM10.68 million (“the Proposed Acquisition”).

2.0 Details Of The Proposed Acquisition

2.1 Description of the Land

The Land measuring approximately 7.808 acres is a vacant parcel of land held under Country Lease No. 015028234 and is located at Kg Gudon, Off Jalan UMS, (Kota Kinabalu-Sulaman Highway), District of Kota Kinabalu, Sabah with a lease tenure of 999 years expiring on 13 October 2924.

The Land as at this date is unencumbered.

The original cost and date of investment of the Land by SHSB is not known as we are not privy to such information.

2.2 Salient terms of the SPA

The salient terms of SPA include *inter-alia* the following:

- (i) AICP shall acquire the Land, subject to the conditions and restrictions in interest (if any) affecting the document of title to the Land, free from all encumbrances and with vacant possession at the purchase consideration of RM10.68 million (“Purchase Consideration”);
- (ii) The Purchase Consideration shall be satisfied as follows:
 - a) A sum of RM1.068 million shall be paid to SHSB upon signing of the SPA (“Deposit”); and
 - b) The balance of the Purchase Consideration of RM9,162,000 (“Balance Purchase Consideration”) shall be paid to AICP’s solicitors, who are acting as stakeholders (“AICP’s Solicitors”), on or before the date of completion of the SPA;

- (iii) The SPA shall be completed within three (3) months from the date of the SPA (“Completion Date”) failing which the Completion Date shall be automatically extended for a further period of one (1) month or such further period as the parties may mutually agree in writing (“Extended Completion Date”), with an interest of 8% per annum payable by AICP on the outstanding portion of the Purchase Consideration over the period of extension;
- (iv) Upon execution of the SPA, SHSB shall deposit the following in respect of the Land with AICP’s Solicitors within seven (7) days from the date of request by AICP’s Solicitors:
 - a) the duly executed memorandum of transfer together with the forms related to the stamp duty payable;
 - b) any other documents of transfer in favour of AICP;
 - c) copies of quit rent, assessment and maintenance fee or service charges (if any); and
 - d) all other relevant documents necessary for the transfer of rights, interest, benefit, title and advantage in the original title deed of the Land to AICP.
- (v) From the date of the SPA, AICP shall be entitled to present and register a private caveat on the Land at its own cost;
- (vi) Vacant possession of the Land shall be delivered by SHSB to AICP immediately upon SHSB receiving in full the Balance Purchase Consideration;
- (vii) AICP shall be entitled to a refund of all monies paid towards the Purchase Consideration, including any liquidated damages that has been paid, within fourteen (14) days from date of notice, failing which, interest at the rate of 8% per annum shall be payable by SHSB to AICP until the date of full settlement, in the event of any of the following occurring:
 - a) a material change in the condition, state, nature or character of the Land between the date of inspection and date of delivery of vacant possession; and
 - b) non-registration of the transfer of title in the name of AICP due to fault(s) of SHSB;
- (viii) In the event SHSB shall fail to complete the sale of the Land to AICP or in the event of a breach by SHSB of the provisions of the SPA, SHSB shall be given fourteen (14) days from the date of notification to remedy the said breach, failing which AICP shall be entitled to:
 - a) remedy of specific performance against SHSB; or

- b) terminate the SPA and demand for refund of the portion of the Purchase Consideration that has been paid and a sum equivalent to the Deposit as liquidated damages, failing which interest at 8% per annum on the amount to be refunded, shall be payable by SHSB to AICP, until full settlement by SHSB; and
- (ix) Should AICP fail to pay the Balance Purchase Consideration on or before the Completion Date or Extended Completion Date, SHSB shall have the right to forfeit the Deposit by way of agreed liquidated damages and any sum in excess shall be refunded to AICP free of interest within fourteen (14) days from the date of termination.

2.3 Basis of determining the purchase consideration

The purchase consideration was arrived at on a willing buyer-willing seller basis, after taking into consideration the market value of other vacant land in the vicinity of the Land and the development potential of the Land.

Based on an independent valuation report dated 8 October 2009 by Henry Butcher Malaysia (Sabah) Sdn Bhd, the Land has a market value of RM11.224 million and was arrived at using the Comparison Method of valuation. The Purchase Consideration represents a discount of about 5% from the abovementioned market value of the Land.

2.4 Information on SHSB

SHSB was incorporated in Malaysia on 19 March 2009. SHSB is principally engaged in the business and property investment and provision of management services. SHSB has an authorised share capital comprising of 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and credited as fully paid up.

SHSB is wholly owned company of Lanjut Dinamik Sdn Bhd and the directors of SHSB are Tan Sze Yew and Agnes Chu Yen Ling.

2.5 Information of AICP

AICP was incorporated in Malaysia on 19 October 1993. AICP is in the business of property development and investment and is currently inactive. AICP has an authorised share capital comprising of 5,000,000 ordinary shares of RM 1.00 each, of which 2,013,917 ordinary shares have been issued and credited as fully paid up.

2.6 Liabilities to be assumed and source of funding

Neither AICP nor AIC and its subsidiaries (“AIC Group”) is expected to assume any liabilities apart from the purchase consideration due pursuant to the Proposed Acquisition. The Proposed Acquisition will be financed by internally generated funds and/or bank borrowings.

3.0 Prospects of the Proposed Acquisition

3.1 Outlook of the Economy

Signs of improvements in the global economy became more pronounced in the third quarter of 2009. Global production, trade and retail sales revived, while conditions in the international financial markets continued to stabilise. In some of the major advanced economies, notably the United States of America, Japan, Germany and France, economic activity gained momentum as evidenced by the positive growth on a quarterly basis. The rebound in economic activity was stronger in the emerging economies, particularly in Asia. However, the pace of recovery in the global economy continues to be uneven and remains dependent on policy support.

The Malaysian economy registered an improvement in third quarter with a reduced contraction of 1.2% (2Q 09: -3.9%) amidst positive growth in domestic demand and stabilisation of external demand. The growth impetus emanated mainly from domestic demand as a result of stronger private consumption and higher public sector spending. Meanwhile, improvements in the global economy, particularly the regional economies, helped to stabilise the external sector. On the supply side, all economic sectors, except agriculture, recorded improved performance.

(Source: Bank Negara Malaysia's Quarterly Bulletin Q3/2009)

3.2 Outlook of the Industry

Growth in the construction sector strengthened to 7.9% during the third quarter of 2009, driven by the nonresidential segment, due to the implementation of projects under the stimulus packages such as construction of schools and hospitals, as well as on-going construction of purpose built office space. Further support also came from the civil engineering segment reflecting additional progress in the implementation of infrastructure projects. The residential segment was supported mainly by construction of low cost houses by the Government.

(Source: Bank Negara Malaysia's Quarterly Bulletin Q3/2009)

In addition, RM1.2 billion has been allocated for infrastructure development and to increase economic activities in Sabah and Sarawak under the second economic stimulus package announced by the Prime Minister of Malaysia, Datuk Seri Najib Tun Razak.

3.3 Prospects of the Land

The Land is strategically located and has a direct frontage onto Jalan UMS (also known as Kota Kinabalu-Sulaman Coastal Highway) and is designated within an area zoned for “*High Density Residential Use*” under the local development plan. The Land is situated in an established area and nestled within a growth triangle formed by the federal administrative center, University Malaysia Sabah and the upcoming Alamesra township. The Land is located just opposite the 4.8 million square foot ‘1 Borneo Hypermall’ complex, which consists, apart from the shopping outlets, four (4) international and regional hotels, several condominiums, oceanarium, auto city, entertainment and fitness centers and a renown hypermarket. The Land is also within close proximity of the state administrative center, Sepangar Port and industrial area, Kota Kinabalu International Airport, a golf course and the Universiti Institut Teknologi Mara campus.

The Land is easily accessible and public amenities are readily available.

4.0 Risks Factors of the Proposed Acquisition

The Proposed Acquisition will expose the AIC Group to risks inherent in the property industry. These risks primarily include demand for and supply of commercial and residential properties, interest rate fluctuations, increased competition, constraints in labour supply and changes in the legal and environmental framework governing the property and/or property development sector. No assurance can be given that any changes to these factors will not have any adverse effects on the operations of the AIC Group. However, the AIC Group will seek to limit these risks through inter-alia, close supervision and planning, prudent financial policy, effective human resource management and insuring all relevant risks.

5.0 Rationale For The Proposed Acquisition

The Proposed Acquisition is expected to diversify the future income stream of AIC Group to include property related activities.

6.0 Effects Of The Proposed Acquisition

6.1 Share capital and shareholdings of substantial shareholders

The Proposed Acquisition will not have any effect on the issued and paid up share capital and shareholdings of the substantial shareholders of AIC.

6.2 Earnings and net assets

The Proposed Acquisition is not expected to have any material impact on the earnings and net assets of the AIC Group for the financial year ending 31 December 2009.

However, the Proposed Acquisition is expected to enhance the AIC Group's long term future earnings and net assets.

6.3 Gearing

For illustrative purposes only, based on the audited consolidated financial statements of AIC as at 31 December 2008, the proforma effects of the Proposed Acquisition on the gearing of AIC Group are set out in **Table 1** below.

7 Approvals Required

Save for the presentation and registration of the Memorandum of Transfer and the transfer of title of the Land at the Sabah Land Office, the Proposed Acquisition is not subject to approvals from the relevant authorities.

The Proposed Acquisition does not require the approval of the shareholders of the Company.

8 Directors' And Major Shareholders' Interests

None of the Directors and/or major shareholders of AIC and/or any person connected with them, have any interest, whether direct and/or indirect, in the Proposed Acquisition.

9 Statement By Directors

Having considered the rationale and all other aspects of the Proposed Acquisition, the Board is of the opinion that the Proposed Acquisition is fair and reasonable and is in the best interest of the Company.

10 Departure From The Securities Commission's Policies And Guidelines On Issue/Offer Of Securities ("Sc Guidelines")

The Proposed Acquisition has not departed from the SC Guidelines.

11 Estimated Time Frame to Completion

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the first quarter of 2010.

12 Percentage Ratios

The highest percentage ratio applicable to the Proposed Acquisition as per Paragraph 10.02(g) Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad is the value or consideration of the Land compared with the net assets of AIC Group which amounts to approximately 10% based on the audited consolidated financial statements of the AIC Group for the financial year ended 31 December 2008.

13 Documents Available for Inspection

Copies of the SPA are available for inspection at the Registered Office of AIC at Wisma AIC, Lot 3, Persiaran Kemajuan, Seksyen 16, 40200, Shah Alam Selangor Darul Ehsan during normal business hours

This announcement is dated 21 December 2009.

Table 1 – Effect on AIC Group’s gearing

	Audited as at 31 December 2008 RM'000	After the Proposed Acquisition RM'000
Share capital	173,873	173,873
Reserves	12,193	12,193
Accumulated losses	(77,733)	(77,733)
Shareholders' funds	108,333	108,333
Total Borrowings	45,367	50,707 ⁽¹⁾
Gearing (times)	0.42	0.47

Note:

⁽¹⁾ Assuming half of the Purchase Consideration is funded by bank borrowings.