

Subject : **MALAYSIA AICA BERHAD (“MAICA” OR “COMPANY”)**

**PROPOSED DIVERSIFICATION OF THE BUSINESS OF MAICA AND ITS SUBSIDIARIES (“MAICA GROUP” OR “GROUP”) INTO THE PROVISION OF HIRE PURCHASE FINANCING OF MOTOR VEHICLES AND OTHER CHATTELS (“PROPOSED DIVERSIFICATION”)**

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**1. INTRODUCTION**

On 12 May 2008, the Board of Directors of MAICA (öBoardö) announced that Consolidated Leasing Sdn Bhd (öConleaseö), a wholly-owned subsidiary of the Company, had on 9 May 2008 entered into hire purchase agreements with Spanco Sdn Bhd (öSpancoö) for the provision of hire purchase financing (öHP Financingö) with a total aggregate value of RM3,182,500 for the financing of up to 90% of the purchase price of sixty seven (67) units of motor vehicles purchased by Spanco in accordance with the Hire Purchase Act, 1967 (öHP Agreementsö).

In compliance with paragraph 10.12 of the Listing Requirements of Bursa Malaysia Securities Berhad (öBursa Malaysiaö), the Board wishes to seek MAICA shareholdersö approval to diversify the operations of the MAICA Group to include the provision of hire purchase financing for motor vehicles and other chattels at a shareholdersö meeting on a date to be determined and announced later.

**2. THE LISTING REQUIREMENTS**

Paragraph 10.12 of the Bursa Malaysia Listing Requirements provides *inter-alia* that a listed issuer must obtain its shareholdersö approval in general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25% or more of the net assets of the listed issuer to an operation which differs widely from those previously carried on by the listed issuer; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

As the hire purchase financing between Conlease and Spanco is expected to be recurring, moving forward, it will result in the above situations. Hence, the Board wishes to seek an upfront approval from the shareholders of MAICA for the Proposed Diversification pursuant to Paragraph 10.12 of the Listing Requirements.

**3. RATIONALE FOR THE PROPOSED DIVERSIFICATION**

The Proposed Diversification to the operations of MAICA is intended to improve MAICA Groupö earnings base in the immediate term and to lend long term positive growth prospects for the Group. It will also cushion the impact of losses experienced by

the Group's wood-based divisions for the past eight years, operating under difficult trading conditions.

In view of the encouraging fundamentals of the economy and post consolidation of finance companies in Malaysia, the Board has decided to revive the provision of financing of motor vehicles by Conlease as a niche area for the Group to diversify to strengthen the Group's future earnings base and operations.

#### 4. FINANCIAL EFFECTS OF THE PROPOSED DIVERSIFICATION

The Proposed Diversification will not have any effect on the issued and paid-up share capital of the Company and shareholdings of substantial shareholders as no new securities will be issued.

The Proposed Diversification is not expected to have any material effect on dividends, net assets and gearing of the Group for the financial year ending 31 March 2009.

The provision of the HP Financing is expected to contribute positively to the future earnings of the MAICA Group.

#### 5. APPROVALS REQUIRED

The Proposed Diversification is subject to the approval of the shareholders of the Company at a shareholders' meeting to be convened.

The Proposed Diversification is not conditional upon any other transaction.

#### 6. DIRECTORS AND/OR MAJOR SHAREHOLDERS' INTERESTS

According to the current Register of Directors and Register of Substantial Shareholders' shareholdings, the direct and indirect interests of the interested Director and Major Shareholder of the Company is as follows: -

	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held '000	%	No. of ordinary shares held '000	%
<b>Interested Director</b> Tan Sri Dato' Tan Hua Choon	22,642	17.37	-	-

Notes:-

- Tan Sri Dato' Tan Hua Choon, a Director and substantial shareholder of MAICA is also a Director and substantial shareholder of Spanco; and
- Tan Sri Dato' Tan is the father of Mr Tan Han Chuan and Ms Tan Ching Ching who are substantial shareholders of Spanco. Mr Tan Han Chuan is also a Director of Spanco.

By virtue of the above, the provision of HP Financing by Conlease to Spanco is a related party transaction. Tan Sri Datoø Tan Hua Choon has abstained and will continue to abstain from deliberating and voting on the Proposed Diversification (insofar as it relates to financing provided by your Group to party(s) where he has a direct and/or indirect interest or to persons connected to him) at the Board meetings of the Company. He will also abstain from voting in respect of his shareholdings, direct and/or indirect, in the Company on the resolution(s) pertaining to the Proposed Diversification at the forthcoming shareholders meeting.

Save as disclosed above, none of the other Directors and/or Major Shareholders of the Company and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Diversification.

**7. DIRECTORS' RECOMMENDATION**

After due consideration of all aspects of the Proposed Diversification, the Board (save for Tan Sri Datoø Tan Hua Choon, who have abstained from expressing any opinion in relation to the Proposed Diversification) is of the opinion that the Proposed Diversification is in the best interest of the Company.

**8. DEPARTURE FROM THE SECURITIES COMMISSION'S POLICIES AND GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES ("SC GUIDELINES")**

To the best of knowledge and belief of the Board, the Proposed Diversification does not involve any departure from the SC Guidelines.

**9. ADVISER**

The Company has appointed PM Securities Sdn Bhd as the Adviser for the Proposed Diversification.

This announcement is dated 23 May 2008.