THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

BONIA CORPORATION BERHAD

(Company No. 223934-T)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED LISTING OF CRG INCORPORATED SDN BHD AND ITS SUBSIDIARIES ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

TA SECURITIES
A MEMBER OF THE TA GROUP

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of Bonia Corporation Berhad ("**Company**") to be held at Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpur, Wilayah Persekutuan, Malaysia on Friday, 25 May 2018 at 10.00 a.m. or at any adjournment thereof, together with the Form of Proxy, are set out in this Circular.

A member entitled to attend and vote at the Company's EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his behalf. If you wish to do so, kindly complete the Form of Proxy in accordance with the instructions therein and deposit it at the office of the Share Registrar of the Company, Bina Management (M) Sdn Bhd, at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time fixed for convening the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Wednesday, 23 May 2018 at 10.00 a.m.
Date and time of EGM	:	Friday, 25 May 2018 at 10.00 a.m.

This Circular is dated 8 May 2018

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

"6M-FPE"	:	6-month financial period ended 31 December
"AAOF"	:	Albizia Asean Opportunities Fund
"Act"	:	Companies Act 2016
"AWAL"	:	Able Wealth Assets Ltd
"BHSB"	:	Bonia Holdings Sdn Bhd
"Board"	:	Board of Directors
"Bonia" or "Company"	:	Bonia Corporation Berhad
"Bonia Group" or "Group"	:	Bonia and our subsidiaries, collectively
"Bonia Shares" or "Shares"	:	Ordinary shares in our Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CBM"	:	CB Marketing Sdn Bhd, our wholly-owned subsidiary
"Circular"	:	This circular to our shareholders dated 8 May 2018
"CMSA"	:	Capital Markets and Services Act 2007
"CRF"	:	CRF Marketing Sdn Bhd, a wholly-owned subsidiary of CRG
"CRG"	:	CRG Incorporated Sdn Bhd, our wholly-owned subsidiary
"CRG Group"	:	CRG and its subsidiaries, collectively
"CRG Shares"	:	Ordinary shares in CRG
"CRL"	:	CRL Marketing Sdn Bhd, a wholly-owned subsidiary of CRG
"CSS"	:	Chiang Sang Sem
"EGM"	:	Extraordinary general meeting of our Company
"Entitled Shareholders"	:	Shareholders of our Company whose names appear in our Record of Depositors on the Entitlement Date
"Entitlement Date"	:	A date (to be determined and announced later) on which the names of our shareholders must appear in our Record of Depositors as at 5.00 p.m. in order to be entitled to the Proposed Dividend-in-Specie
"EPS"	:	Earnings per Bonia Share
"FTSB"	:	Freeway Team Sdn Bhd
"FYE"	:	Financial year ended/ending 30 June
"KKSB"	:	Kontrak Kosmomaz Sdn Bhd
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	15 April 2018, being the latest practicable date prior to the printing of this Circular
"MLTL"	:	Milingtonia Limited
"NA"	:	Net assets
"PACs"	:	Parties acting in concert with CSS in accordance with Sections 216(2) and 216(3) of the CMSA
"PAT"	:	Profit after taxation

"PBT"	:	Profit before taxation
"Proposals"	:	Proposed Demerger and Proposed Listing, collectively
"Proposed Capitalisation"	:	Proposed capitalisation of part of the dividend to be declared by CRG and CBM, respectively
"Proposed Conversion"	:	Proposed conversion of CRG into a public limited company
"Proposed Demerger"	:	Proposed Capitalisation, Proposed Subdivision, Proposed Conversion and Proposed Dividend-in-Specie, collectively
"Proposed Dividend-in-Specie"	:	Proposed distribution of our entire shareholding in CRG by way of dividend-in-specie on a pro-rata distribution to our Entitled Shareholders
"Proposed Dividend by CBM"	:	Proposed declaration of up to RM9,999,995 dividend to our Company by CBM
"Proposed Dividend by CRG"	:	Proposed declaration of up to RM48,000,000 dividend to our Company by CRG
"Proposed Dividend by CRG's Subsidiaries"	:	Proposed declaration of up to RM7,000,000 and RM18,000,000 dividend to CRG by CRF and CRL, respectively
"Proposed Exemption"	:	Proposed exemption under Section 219 of the CMSA and Paragraph 4.13(3)(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions for CSS and his PACs from the obligation to undertake a mandatory offer to acquire the remaining CRG Shares not already held by CSS and his PACs upon the completion of the Proposed Dividend-in-Specie
"Proposed Listing"	:	Proposed listing of CRG Group on the LEAP Market of Bursa Securities
"Proposed Subdivision"	:	Proposed subdivision of all the ordinary shares in issue in CRG after the Proposed Capitalisation into up to 806,287,400 CRG Shares
"Record of Depositors"	:	A record of securities holders provided by Bursa Depository under the rules of Bursa Depository
"RD&D"	:	Research, development and design
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SC"	:	Securities Commission Malaysia
"SGD"	:	Singapore Dollar
"Sophisticated Investors"	:	Any persons who fall within any of the categories of investors as set out in Part I of Schedules 6 and 7 of the CMSA
"TA Securities"	:	TA Securities Holdings Berhad

All references to "our Company" in this Circular are to Bonia, references to "our Group" are to our Company and our subsidiaries. All references to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, our Group. All references to "you" in this Circular are references to the shareholders of our Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

TABLE OF CONTENTS

PAGE

LETTER TO OUR SHAREHOLDERS CONTAINING:

APPENDICES

BONIA CORPORATION BERHAD

(Company No. 223934-T)
(Incorporated in Malaysia)

Registered Office:

No. 17-1, Plaza Danau Desa 2
Jalan 4/109F, Taman Danau Desa
Off Jalan Kelang Lama
58100 Kuala Lumpur
Wilayah Persekutuan, Malaysia

8 May 2018

Board of Directors

Chiang Sang Sem *(Group Executive Chairman cum Chief Executive Officer)*
Dato' Sri Chiang Fong Yee *(Alternate Director to Chiang Sang Sem)*
Datuk Chiang Heng Kieng *(Group Managing Director)*
Chiang Sang Bon *(Group Executive Director)*
Dato' Sri Chiang Fong Tat *(Group Executive Director)*
Dato' Sri Chiang Fong Seng *(Group Executive Director)*
Chong Chin Look *(Group Finance Director)*
Datuk Ng Peng Hong @ Ng Peng Hay *(Senior Independent Non-Executive Director)*
Dato' Shahbudin bin Imam Mohamad *(Independent Non-Executive Director)*
Chong Sai Sin *(Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

PROPOSED LISTING

---

1. INTRODUCTION

On 7 February 2018, TA Securities announced on behalf of our Board that our Company had proposed to undertake the Proposals.

Subsequently, TA Securities had on 15 March 2018 announced on behalf of our Board that our Board had approved the final terms of the Proposals.

TA Securities had subsequently on 10 April 2018 announced that our Board, after having considered our intention to expedite the implementation of the Proposals, had decided to revise the inter-conditionality of the Proposed Demerger and Proposed Listing which is duly disclosed in Section 11 of this Circular.

Prior to the Proposed Listing, our Company will undertake the Proposed Demerger. The Proposed Capitalisation, Proposed Subdivision and Proposed Conversion are expected to be implemented prior to the receipt of approval-in-principle from Bursa Securities for the Proposed Listing, whereas the Proposed Dividend-in-Specie is expected to be implemented after the receipt of approval-in-principle from Bursa Securities for the Proposed Listing.

The Proposed Demerger is not subject to the approval of our shareholders whereas the Proposed Listing is subject to the approval of our shareholders pursuant to Paragraph 8.24 of the Listing Requirements. Further details of the Proposed Demerger are set out in the Section 2 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED LISTING, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSED LISTING AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED LISTING TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED LISTING TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DEMERGER

The Proposed Demerger involves the following series of transactions and shall be implemented in the following sequence:

2.1 Proposed Capitalisation

To facilitate the Proposed Capitalisation, CRF and CRL propose to declare up to RM7,000,000 and RM18,000,000 dividend to CRG, respectively.

Upon completion of the Proposed Dividend by CRG's Subsidiaries, CRG proposes to declare up to RM48,000,000 dividend to our Company.

Concurrently with the Proposed Dividend by CRG, CBM proposes to declare up to RM9,999,995 dividend to our Company.

Both the Proposed Dividend by CRG and the Proposed Dividend by CBM are to facilitate the Proposed Dividend-in-Specie by our Company as detailed in Section 2.4 of this Circular.

The Proposed Dividend by CRG and the Proposed Dividend by CBM will be substantially settled by way of capitalisation via issuance of up to 48,000,000 new CRG Shares and up to 1,408,450 new ordinary shares in CBM, respectively, to our Company.

2.2 Proposed Subdivision

CRG's issued share capital as at LPD is RM20,000,000 comprising 20,000,000 CRG Shares. Upon completion of the Proposed Capitalisation, the total number of CRG Shares in issue will increase from 20,000,000 to 68,000,000.

To facilitate the Proposed Dividend-in-Specie and to avoid the incidence of odd lots after the implementation of the Proposed Dividend-in-Specie, it is proposed that the 68,000,000 CRG Shares be subdivided into up to 806,287,400 CRG Shares such that CRG will have the same total number of issued shares as our Company (inclusive of our treasury shares). Upon completion of the Proposed Subdivision, the issued share capital of CRG will be RM68,000,000 comprising up to 806,287,400 CRG Shares.

For information purposes, the Proposed Subdivision will be effected before the implementation of the Proposed Dividend-in-Specie.

2.3 Proposed Conversion

To facilitate the Proposed Dividend-in-Specie and Proposed Listing, CRG will be converted into a public limited company prior to the implementation of the Proposed Dividend-in-Specie.

2.4 Proposed Dividend-in-Specie

Following the completion of the Proposed Capitalisation, Proposed Subdivision and Proposed Conversion as well as after the receipt of approval-in-principle from Bursa Securities for the Proposed Listing, our Company will distribute via a dividend-in-specie, our entire shareholding in CRG and rights to CRG Shares to our Entitled Shareholders on the basis of 1 CRG Share for every 1 Bonia Share held on the Entitlement Date from our retained earnings.

The completion of the Proposed Dividend-in-Specie will result in the demerger of CRG Group from our Company.

For illustration purposes, based on our unaudited financial results for the 6M-FPE 2017, the Proposed Dividend-in-Specie will reduce our retained earnings for the 6M-FPE 2017 from RM17,168,014 to RM6,668,009 as set out below:

	Our Company level Retained earnings (RM)
Unaudited financial results for the 6M-FPE 2017	17,168,014
Add: Proposed dividends from subsidiaries(1)(up to)	57,999,995
Add: Gain on Proposed Dividend-in-Specie(2)	1,542,288
Less: Estimated expenses relating to the Proposed Demerger	(500,000)
Less: Amount to be utilised for the Proposed Dividend-in-Specie	(69,542,288)
After the Proposed Demerger	**6,668,009**

Notes:
(1) Comprising the Proposed Dividend by CRG and the Proposed Dividend by CBM, collectively.
(2) The gain on Proposed Dividend-in-Specie is derived at as follows:

	Our Company level (RM)
Amount to be utilised for the Proposed Dividend-in-Specie	69,542,288*
Less: Our cost of investment in CRG post Proposed Capitalisation	(68,000,000)
Gain on Proposed Dividend-in-Specie	**1,542,288**

Note:
* The reconciliation of the NA of CRG Group as at 31 December 2017 of RM69,542,402 against the amount to be utilised for the Proposed Dividend-in-Specie is set out as below:

NA of CRG Group as at 31 December 2017 (RM) **(A)**	69,542,402
Number of CRG Shares post completion of the Proposed Subdivision (up to) **(B)**	806,287,400
NA per CRG Share as at 31 December 2017 post completion of the Proposed Subdivision *(rounded to 5 decimal places)* (RM) **(C)**	0.08625
Amount to be utilised for the Proposed Dividend-in-Specie (RM) **(D) = (C) x (B)**	69,542,288

For administrative purposes and to avoid certain Entitled Shareholders holding less than 1 board lot of CRG Shares (i.e. equivalent to 100 CRG Shares), the Entitled Shareholders who hold less than 1 board lot of Bonia Shares will receive cash in lieu of the actual number of CRG Shares that they would otherwise be entitled to receive under the Proposed Dividend-in-Specie. The value of cash to be received by such shareholders shall be based on the NA of CRG Group as at 31 December 2017 of RM69,542,288 divided by the enlarged number of issued shares of CRG of up to 806,287,400 CRG Shares post completion of the Proposed Subdivision (after rounded to 5 decimal places per CRG Share of RM0.08625 each).

For information purposes, the entire odd lots of CRG Shares from the abovesaid Entitled Shareholders will be dealt with by our Board at their absolute discretion whereby these CRG Shares will be disposed of by our Company in return of equivalent cash consideration to be paid to the abovesaid Entitled Shareholders.

For the avoidance of doubt, the price of Bonia Shares will be adjusted* pursuant to the Proposed Dividend-in-Specie and there will be no material adverse impact on the net worth of our shareholders post completion of Proposed Dividend-in-Specie after taking into consideration the following:

(a) upon completion of the Proposed Dividend-in-Specie, our share price will be adjusted downward by the quantum of the proposed reference price of CRG Shares of RM0.085 each for the purpose of the Proposed Listing as illustrated below. In this regard, there will be no material change to the net worth of our shareholders after the Proposed Dividend-in-Specie;

Note:

* The price of Bonia Shares will be adjusted by Bursa Securities pursuant to the Guidelines on Reference Price Calculation for Corporate Action and new listing issued. For illustrative purposes, assuming that the Proposed Dividend-in-Specie was completed on the LPD, our Company's share price will be adjusted as follows:

	(RM)
Share price of our Shares as at 13 April 2018$^{(1)}$	0.440
Less: Proposed reference price of CRG Shares$^{(2)}$	0.085
Reference price of Bonia Shares ex Proposed Dividend-in-Specie	**0.355**

Notes:

(1) Being the last trading day of our Shares prior to the LPD *(Source: Bloomberg)*.

(2) Computed based on the NA of CRG Group as at 31 December 2017 of RM69,542,288 divided by the enlarged number of issued shares of CRG after the Proposed Subdivision of up to 806,287,400 CRG Shares (assuming 636,000 Bonia Shares held as treasury shares are resold prior to the ex-date) and rounded to nearest minimum tick size of 0.5 sen for securities traded on Bursa Securities i.e. RM0.085 per CRG Share.

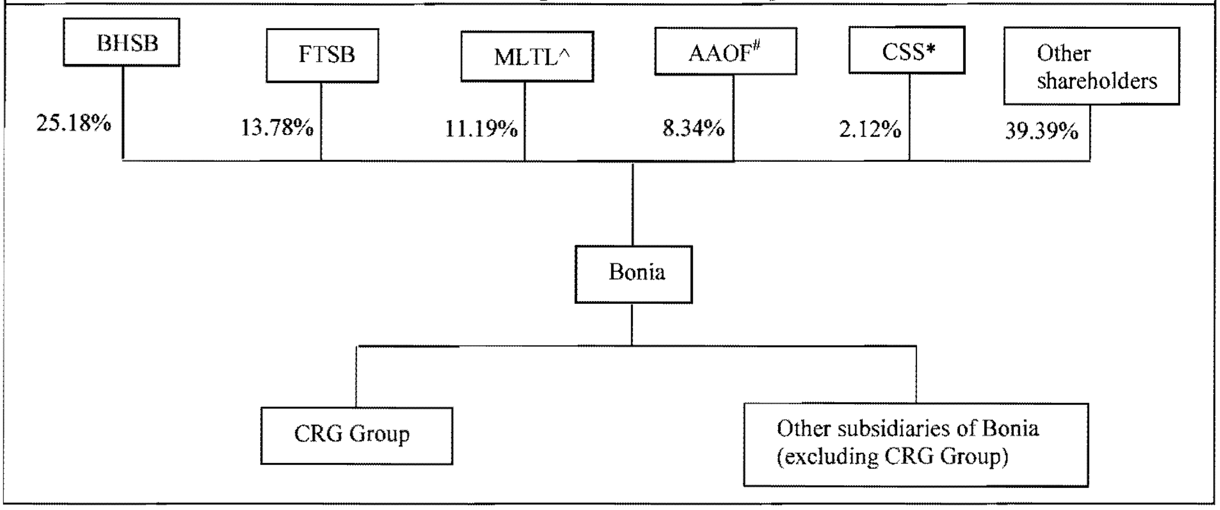
(b) Entitled Shareholders (save for those who hold less than 1 board lot of Bonia Shares as at the Entitlement Date) are able to invest directly in CRG Group at zero subscription cost, allowing them to enjoy potential gain via capital appreciation and/or dividend payout (if any) for a medium to long term investment in CRG; and

(c) post Proposed Listing, CRG is expected to have over 4,500 shareholders based on the Record of Depositors of our Company as at 30 April 2018 and is expected to reasonably provide liquidity for the trading of CRG Shares on LEAP Market as compared to other companies listed on LEAP Market which only have limited number of public shareholders.

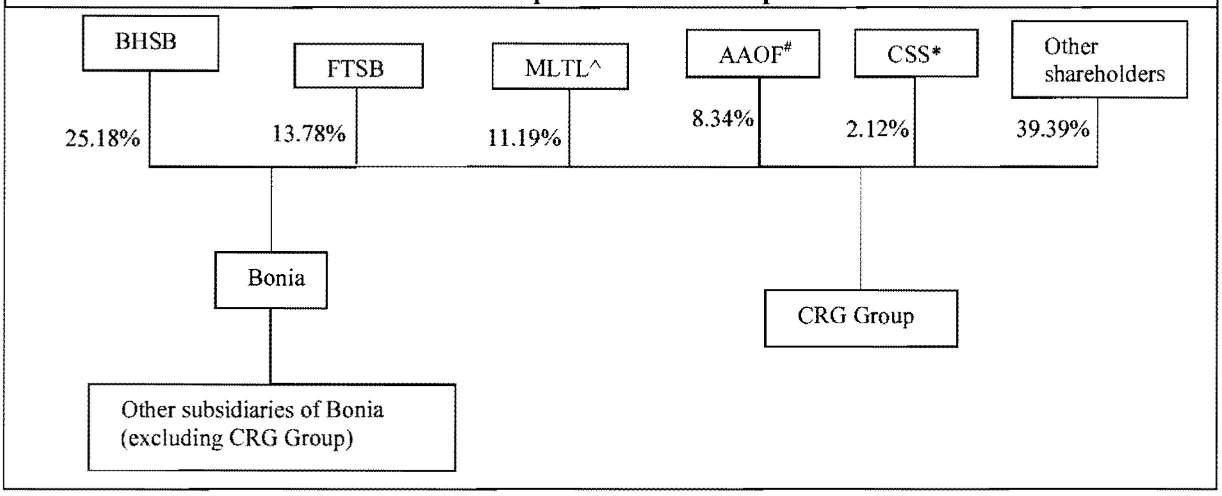
Upon completion of the Proposed Dividend-in-Specie, the Entitled Shareholders will directly hold such number of CRG Shares in the same proportion as their shareholdings in our Company as at the Entitlement Date except for the Entitled Shareholders who hold less than 1 board lot of Bonia Shares and consequently, CRG Group will be demerged from our Company.

Based on our Record of Depositors and Register of Directors' Shareholdings as at 30 April 2018, the corporate structures of our Group before and after the Proposed Dividend-in-Specie are as follows:

Before the Proposed Dividend-in-Specie[(1)]



After the Proposed Dividend-in-Specie[(1)]



Notes:

* CSS's indirect interests in our Company are 46.81% by virtue of: (i) shares held through his substantial shareholdings in BHSB, FTSB and KKSB; (ii) shares held in trust by AWAL (the shareholder of AWAL is HSBC International Trustee Limited, the trustee of a trust where the beneficiaries are CSS and his family members); and (iii) his spouse and children's direct interests in our Company.

^ Held through Maybank Nominees (Asing) Sdn Bhd.

\# Held through CIMB Group Nominees (Asing) Sdn Bhd - Exempt AN for DBS Bank Ltd.

(1) For information purposes, the above shareholders' shareholdings in our Company are calculated based on the issued share capital of our Company as at 30 April 2018 which excludes 636,000 Bonia Shares held as treasury shares. In the event these treasury shares are not resold before the ex-date (i.e. 2 market days prior to the Entitlement Date), these treasury shares are not entitled to the Proposed Dividend-in-Specie.

As the direct shareholdings of CSS and his PACs in CRG will increase to more than 50% of the total number of CRG Shares in issue upon completion of the Proposed Dividend-in-Specie, CSS and his PACs have sought an exemption from the SC from their obligations to undertake a mandatory take-over offer for the remaining CRG Shares not already held by them upon the completion of the Proposed Dividend-in-Specie. The relevant application for the Proposed Exemption has been made to the SC on 27 April 2018.

The identities of the PACs, as well as the pro forma effects of the Proposed Dividend-in-Specie on the shareholdings of CSS and his PACs in CRG (based on CRG's Register of Members, our Company's Record of Depositors, Register of Directors' Shareholdings and Register of Substantial Shareholders as at 30 April 2018) are set out below:

Names	Relationship with CSS	As at 30 April 2018				After Proposed Dividend-in-Specie^			
		Direct		Indirect		Direct		Indirect	
		No. of CRG Shares	%	No. of CRG Shares	%	No. of CRG Shares	%	No. of CRG Shares	%
CSS		-	-	20,000,000(1)	100.00	17,049,900	2.12	377,109,704(2)	46.81
PACs with CSS									
Chong See Moi	Spouse of CSS	-	-	-	-	3,950,600	0.49	25,069,300(3)	3.11
Yong Siew Moi	Spouse of CSS	-	-	-	-	2,550,000	0.32	21,277,700(3)	2.64
Dato' Sri Chiang Fong Yee	Son of CSS	-	-	-	-	5,250,000	0.65	-	-
Datin Sri Lo Kin Yee	Spouse of Dato' Sri Chiang Fong Yee / Daughter-in-law of CSS	-	-	-	-	-	-	5,250,000(4)	0.65
Dato' Sri Chiang Fong Tat	Son of CSS	-	-	-	-	2,069,400	0.26	100,000(4)	0.01
Datin Sri Tan Loo Yin	Spouse of Dato' Sri Chiang Fong Tat / Daughter-in-law of CSS	-	-	-	-	100,000	0.01	2,069,400(4)	0.26
Dato' Sri Chiang Fong Seng	Son of CSS	-	-	-	-	4,227,800	0.52	-	-
Datin Sri Linda Chen May Yen	Spouse of Dato' Sri Chiang Fong Seng / Daughter-in-law of CSS	-	-	-	-	-	-	4,227,800(4)	0.52
Chiang May Ling	Daughter of CSS	-	-	-	-	700,000	0.09	-	-
Chiang Fong Xiang	Son of CSS	-	-	-	-	-	-	-	-
Chiang Sang Bon	Brother of CSS	-	-	-	-	1,550,000	0.19	2,116,000(3)	0.26
Lau Yun Hwa	Spouse of Chiang Sang Bon / Sister-in-law of CSS	-	-	-	-	1,000,000	0.12	2,666,000(3)	0.33
Chiang Yen Fung	Daughter of Chiang Sang Bon / Niece of CSS	-	-	-	-	316,000	0.04	-	-
Wong Mun Keat	Spouse of Chiang Yen Fung / Nephew-in-law of CSS	-	-	-	-	-	-	316,000(4)	0.04
Chiang Fong Chyen	Son of Chiang Sang Bon / Nephew of CSS	-	-	-	-	800,000	0.10	-	-

Names	Relationship with CSS	As at 30 April 2018				After Proposed Dividend-in-Specie^			
		Direct		Indirect		Direct		Indirect	
		No. of CRG Shares	%	No. of CRG Shares	%	No. of CRG Shares	%	No. of CRG Shares	%
Catherine Wan Suet Yee	Spouse of Chiang Fong Chyen / Niece-in-law of CSS	-	-	-	-	-	-	800,000(4)	0.10
Chiang Sang Yau	Brother of CSS	-	-	-	-	-	-	-	-
Chiang Heng Pang	Brother of CSS	-	-	-	-	5,501,600	0.68	-	-
Chew Siew Moy	Spouse of Chiang Heng Pang / Sister-in-law of CSS	-	-	-	-	-	-	5,501,600(4)	0.68
Datuk Chiang Heng Kieng	Brother of CSS	-	-	-	-	-	-	176,000(4)	0.02
Datin Lim Teng Hong	Spouse of Datuk Chiang Heng Kieng /Sister-in-law of CSS	-	-	-	-	176,000	0.02	-	-
Chiang Boon Tian	Brother of CSS	-	-	-	-	4,078,000	0.51	-	-
Mok Gek Hiang	Spouse of Chiang Boon Tian /Sister-in-law of CSS	-	-	-	-	-	-	4,078,000(4)	0.51
Chiang Sang Ling	Sister of CSS	-	-	-	-	36,000	~(5)	-	-
Ng Cheng Gik	Spouse of Chiang Sang Ling / Brother-in-law of CSS	-	-	-	-	-	-	36,000(4)	~(5)
BHSB	CSS is a Director and direct substantial shareholder of BHSB	-	-	-	-	202,875,868	25.18	-	-
FTSB	CSS is a Director and indirect substantial shareholder of FTSB(6)	-	-	-	-	111,041,200	13.78	-	-
KKSB	CSS is a Director and direct substantial shareholder of KKSB	-	-	-	-	22,333,736	2.77	-	-
AWAL	A private investment company incorporated pursuant to a trust administered by HSBC International Trustee Limited for the benefits of CSS and his family members	-	-	-	-	22,111,100	2.74	-	-

Notes:

^ Calculated based on the total number of CRG Shares in issue upon the completion of the Proposed Dividend-in-Specie of 805,651,400 CRG Shares (which excludes 636,000 treasury shares).

(1) Deemed interested by virtue of his shareholding in our Company via: (i) shares held through his substantial shareholdings in BHSB, FTSB and KKSB; (ii) shares held in trust by AWAL (the shareholder of AWAL is HSBC International Trustee Limited, the trustee of a trust where the beneficiaries are CSS and his family members); and (iii) his spouse and children's direct interests in our Company.

(2) Deemed interested by virtue of his shareholding in CRG via: (i) shares held through his substantial shareholdings in BHSB, FTSB and KKSB; (ii) shares held in trust by AWAL (the shareholder of AWAL is HSBC International Trustee Limited, the trustee of a trust where the beneficiaries are CSS and his family members); and (iii) his spouse and children's direct interests in CRG.

(3) Deemed interested by virtue of his / her spouse's and children's direct interests in CRG.

(4) Deemed interested by virtue of his / her spouse's direct interest in CRG.

(5) Negligible.

(6) Deemed interested by virtue of his shareholding in CSS Trust Co. Ltd pursuant to Section 8 of the Act and his children's direct interests in FTSB.

2.5 Ranking of the CRG Shares

The CRG Shares to be distributed pursuant to the Proposed Dividend-in-Specie will be distributed to the Entitled Shareholders free from all encumbrances and will rank *pari passu* in all respects with the then existing CRG Shares with all rights and entitlements attached including dividends, rights, allotments and/or other distributions, save and except that the Entitled Shareholders shall not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid prior to the Entitlement Date.

2.6 Original cost of investment

Our original cost of investment in CRG as at the LPD is as follows:

Date of investment	No. of CRG Shares	Cost of investment (RM)
23 November 2009	2	2
1 June 2010	19,735,471	19,735,471
29 June 2010	264,527	264,527
Total	**20,000,000**	**20,000,000**

2.7 Liabilities to be assumed

There are no liabilities, including contingent liabilities or guarantees to be assumed by the Entitled Shareholders arising from the Proposed Dividend-in-Specie.

3. DETAILS OF THE PROPOSED LISTING

Subsequent to the completion of the Proposed Demerger as set out in Section 2 of this Circular, CRG will seek admission to the Official List of Bursa Securities and the listing of and quotation for its entire enlarged issued share capital of RM68,000,000 comprising up to 806,287,400 CRG Shares on the LEAP Market of Bursa Securities. The LEAP Market is a new market offered by Bursa Securities in 2017 to provide companies with greater fund raising access and visibility via the capital market. The LEAP Market of Bursa Securities is a qualified market which is meant mainly for Sophisticated Investors.

For information purposes, as prescribed under Part I of Schedules 6 and 7 of the CMSA, Sophisticated Investors can be categorised as accredited investors, high net-worth entities and high net-worth individuals. The criteria to become Sophisticated Investors are, amongst others, as follows:

(a) an individual whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3,000,000 or its equivalent in foreign currencies, excluding the value of the individual's primary residence;

(b) an individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding 12 months;

(c) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding 12 months;

(d) a corporation with total NA exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts;

(e) a partnership with total NA exceeding RM10 million or its equivalent in foreign currencies;

(f) a company that is registered as a trust company under the Trust Companies Act 1949 which has assets under management exceeding RM10 million or its equivalent in foreign currencies; or

(g) a corporation that is a public company under the Act which is approved by the SC to be a trustee under the CMSA and has assets under management exceeding RM10 million or its equivalent in foreign currencies.

For the avoidance of doubt, upon completion of the Proposed Listing, only Sophisticated Investors are allowed to buy and sell CRG Shares via Bursa Securities.

Those Entitled Shareholders (save for those who hold less than 1 board lot of Bonia Shares as at the Entitlement Date) who are not Sophisticated Investors:

(a) shall not buy or purchase CRG Shares via Bursa Securities, unless subsequently he becomes a Sophisticated Investor;

(b) will only be able to sell CRG Shares that they have received pursuant to the Proposed Dividend-in-Specie, after the Proposed Listing via Bursa Securities; and

(c) will only be able to deal with CRG Shares to be offered or issued by CRG (e.g. via a rights issue exercise by CRG) after the Proposed Listing via Bursa Securities.

The Proposed Listing will be implemented via listing by way of introduction and will not entail any fund raising upon admission to the LEAP Market of Bursa Securities. CRG will issue an Information Memorandum setting out the details of the Proposed Listing after receipt of our shareholders' approval and upon submission of a listing application to Bursa Securities for the Proposed Listing.

For the avoidance of doubt, our Company will remain listed on the Main Market of Bursa Securities after completion of the Proposals.

4. INFORMATION ON CRG GROUP

CRG was incorporated in Malaysia on 23 November 2009 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. CRG is principally an investment holding company. Its subsidiaries are principally involved in the design, manufacturing, marketing and retailing of women footwear, handbags and accessories; and provision of management services. Please refer to **Appendix I** of this Circular for further information on CRG Group.

5. INFORMATION AND FUTURE PLAN OF OUR GROUP

Subsequent to the completion of the Proposed Demerger, our Group will continue to focus on our flagship fashion labels of BONIA and BRAUN BüFFEL. As part of our product differentiation strategy, our Group (post Proposed Demerger) shall continue to cater the demands for upper-middle to high income consumers who are fashion-conscious with these brands. Presently, our Group offers a wide range of products such as bags, pocket items, men and ladies' shoes as well as men and ladies' accessories.

As at the LPD and assuming the Proposed Demerger has been completed, our Group still owns 664 sales outlets and 134 standalone boutiques in various markets that we serve (e.g. Singapore, Malaysia, China, Taiwan, Japan, Vietnam, Thailand, Cambodia, Myanmar, Indonesia, Brunei, Philippines, Australia, Hong

Kong, Kuwait, and Saudi Arabia). Our Group strives to increase brand recognition and accelerate expansion plans on our flagship fashion labels by introducing new line of products, not only in Malaysia but in various regional markets. Besides, our Group's focus is to expand in overseas markets by leveraging on existing networks, and venturing in new markets in the coming years.

The pro forma financial performance of our Group prior to and post the Proposed Demerger based on the audited financial statements for the FYE 2017, assuming the Proposed Demerger had been completed on 1 July 2016 is as follows:

	Our Group		
	Audited FYE 2017 (RM'000)	**Pro forma (Post Proposed Demerger) (RM'000)**	**Contribution of CRG Group to our Group (%)**
Revenue	613,159	517,844	15.5%
Gross profit	359,027	306,537	14.6%
PBT	56,168	51,245	8.8%
PAT attributable to owners of our Company	31,734	28,400	10.5%
EPS (sen)	3.94	3.52	10.7%

Our Company will cease to consolidate the profits generated by CRG Group upon the completion of the Proposed Dividend-in-Specie. In view of the above, to ensure future profitability of our Group is not materially affected, our Group intends to undertake the following:

(i) our Company shall continue to undertake targeted advertising and promotional activities on our flagship fashion labels of BONIA and BRAUN BüFFEL to further enhance our brand identity; spur new growth within our target market segment; as well as develop and increase customer loyalty;

(ii) keeping abreast with the latest fashion trends, consumer preferences and spending habits. We have and shall continue with our on-going product design development and quality improvement initiatives to expand our product range offerings and to create a variety of designs and quality products which are in line with current fashion trends and meets the preferences of our target markets; and

(iii) our Company is constantly assessing and exploring new distribution channels and business strategies to expand the market reach for our product offerings under our flagship fashion labels. We intend to continue on cost management to improve our overall profit margin. Rationalisation of operational structure and selective on store openings would ensure sustainable and efficient operations of our Group. We believe this will enhance our Group's medium to long term growth prospects.

6. RATIONALE FOR THE PROPOSALS

(i) Reward the Entitled Shareholders

The Proposed Listing is expected to unlock the value of CRG Group and to reward the Entitled Shareholders for their continuous support of our Company as well as to provide them with an opportunity to invest directly in CRG Group at zero subscription cost. It will enable the Entitled Shareholders to potentially benefit directly from the future performance of CRG Group.

(ii) Better focus on capital management and flexibility to pursue growth strategies

Our Group (after the Proposed Demerger) and CRG Group are involved in different market segments in terms of age group and product price range and thus have different business strategies, focus and capital requirements. The Proposed Demerger has taken into consideration their respective risk profiles, financial positions, cash flow generation capabilities and growth plans in the allocation of assets.

In addition, each standalone entity can focus on and pursue distinctive strategies to achieve revenue growth, investment strategies and investor relations strategies. This will accelerate performance through clearer and distinct business emphasis.

(iii) Enhanced investor awareness and greater visibility on business performance

The Proposed Demerger is expected to instill organisational focus through targeted management mandates and accountability, providing a clear and distinct platform for tailored strategies, performance management and capital management. As such, the Entitled Shareholders and other investors will be able to assess and evaluate the individual financial performance, merits and prospects of both our Group (after the Proposed Demerger) and CRG Group.

Greater visibility on the financial performance of the separate businesses can facilitate assessment by shareholders, investors and analysts and increase the likelihood of achieving optimal market valuation. As a more focused group, it should also improve investor understanding of the businesses and strategies of both our Group (after the Proposed Demerger) and CRG Group.

(iv) Gain recognition and enhance corporate stature

The Proposed Listing will enable CRG Group to gain recognition and corporate stature through its own listing status and further enhance its corporate reputation which will assist in its business expansion. This will enable CRG Group to have access to wider fund-raising options to fund its future business expansion strategies.

(v) Listing on the LEAP Market of Bursa Securities

Our Board is of the view that the LEAP Market of Bursa Securities is an appropriate listing platform for the CRG Group after taking into consideration the following:

- act as an initial step to prepare CRG Group for any subsequent transfer of listing to other markets of Bursa Securities;
- LEAP Market of Bursa Securities provides a transparent platform for price discovery of CRG Shares as compared to private markets; and
- lower cost of listing on the LEAP Market of Bursa Securities and lower compliance cost subsequent to the Proposed Listing (as compared to the ACE Market of Bursa Securities).

7. RISK FACTORS

The risk factors which may be inherent to our Group in relation to the Proposals, which are by no means exhaustive, are as follows:

7.1 Risks relating to the Proposals

(i) Non-realisation of benefits expected from the Proposals

Our Board's anticipated benefits from the Proposals are forward looking in nature and are subject to uncertainties and contingencies. Although our Board holds that its expectations are reasonable at this point of time given the prevailing circumstances, there can be no certainty that such expectations will materialise.

(ii) Loss of potential future income contribution from CRG Group

CRG Group will cease to be our subsidiaries after the Proposed Demerger and our Company will no longer consolidate the financial results of CRG Group in future. The Proposed Demerger to certain extent will affect overall financial performance of our Group, going forward.

(iii) Delay or non-completion of the Proposals

The completion of the Proposals is conditional upon approvals being obtained from the relevant authorities and/or parties as set out in Section 10 of this Circular. There is no assurance that all the said conditions may in fact be fulfilled or be fulfilled in a timely manner, in which case the Proposals may be aborted or there may be a delay in their implementation.

7.2 Risks relating to CRG Group's business and operation

(i) Consumer spending pattern

The CRG Group's business is dependent on consumer spending patterns which could be affected by numerous factors including, *inter alia*, the state of the economy, fluctuation of income levels, consumer preferences and brand loyalty.

Consumers' demands and preferences are ever changing and greatly depending on the designs of the goods and accessories of CRG Group's designers' team. Inability of the designers' team to identify the customers' needs and expectations may result in CRG Group losing out in its sales opportunities to compete with other fashion brands in the market. Hence, CRG Group's designers' team and sales personnel are always keeping close tabs to the latest trend of consumers' fashion preferences and expectations so to ensure CRG Group's products are sought after by the consumers in the market. In addition, CRG Group will take all reasonable steps to ensure quality control procedures are continuously implemented for CRG Group's products to meet customers' expectation.

(ii) Seasonality

Fashion industry is seasonal in nature. During major festivals or peak sales period, industry players will usually experience higher sales as compared to other periods of the year. This seasonality in sales presents a stock forecasting challenge. Under-stocking during the peak sales period would result in the loss of revenue opportunity whereas over-stocking may affect the industry players' financial performance.

Nonetheless, CRG Group will continue to monitor and appropriately estimate the market demand to react swiftly to either capitalise or counter any increase or decrease in demand.

(iii) Counterfeit products

The CRG Group currently holds Carlo Rino and CR2 under its brand portfolio. Notwithstanding this, there can be no guarantee that third parties will not make and sell an inferior replica of GRG Group's products via counterfeit products.

To avoid any imitation and infringement, CRG Group would need to take necessary steps and actions to safeguard its trademark rights. If no legal action is taken on a timely basis by CRG Group, there is a possibility that imitation of CRG Group's products may be widely distributed and sold in the markets. This may consequently reduce demand for its products, which will in turn adversely affect its business and performance and undermine its marketing efforts in building brand recognition.

In addition, customers who inadvertently purchase these counterfeit products from third parties may be disgruntled by, amongst others, the inferior quality of such products, and may then spread negative word-of-mouth that will tarnish the reputation of CRG Group and its range of products. Nevertheless, CRG Group has retail presence through boutiques, outlets, and departmental store counters; as well as CRG Group's online platform and third-party e-commerce platforms, allowing customers to purchase authentic Carlo Rino and CR2 range of products. Hence, this would reduce the likelihood of inadvertent purchases of counterfeit products sold under the Carlo Rino and CR2 brands.

(iv) Competition

CRG Group faces competition from other footwear and handbag retailers, be it existing competitors or new competitors seeking to penetrate markets that CRG Group operates in. There can be no assurance that CRG Group's performance will not be affected by competition and that it will be able to compete successfully against existing or new competitors in the future. Increased competition may result in lower profit as well as reduced profit margins, loss of market share and/or increased difficulty in market penetration. All of these could adversely affect CRG Group's operations and financial results.

Notwithstanding the above, the management of CRG Group believes that its marketing strategies and experienced key management team will enable it to remain competitive in the future.

(v) Continual supply and fluctuation in material prices

CRG Group is subject to risks relating to the supply of materials for its handbag and accessory products as the materials are sourced directly from suppliers. These materials will either be delivered to its manufacturing facility or contract manufacturers for the manufacturing of handbag and accessory products. CRG Group is not affected by risks relating to supply of materials for its footwear products as these materials are sourced by appointed contract manufacturers.

The principal materials used in the production of CRG Group's handbag and accessory products include leather, microfibre, jacquard and satin. These materials are typically sourced from foreign suppliers in China, and as such, fluctuations in currency may affect the prices of materials. If the suppliers fail to provide timely delivery of materials or if the cost of material rises significantly, CRG Group's business, financial conditions and results of operations could be adversely affected.

In mitigation of the abovementioned risks, CRG Group assesses and screens potential suppliers and undertakes quality control procedures to determine the quality of incoming materials. Further, CRG Group is also not dependent on any particular supplier or particular material. Should there be any increases in prices of materials, the management of CRG Group is of the opinion that it would have the experience to seek other cost competitive options.

7.3 Risks relating to CRG Shares

(i) No prior trading for CRG Shares

There was no public trading market for CRG Shares prior to the Proposed Listing. The listing of and quotation for CRG Shares on the LEAP Market of Bursa Securities does not guarantee that an active market for the trading of CRG Shares will develop. Further, there can be no assurance that an active market for CRG Shares will develop or if such a market develops, that it will be sustained.

If an active trading market does not develop or is not maintained, the liquidity and trading price of CRG Shares could be adversely affected and investors may have difficulty in realising their investment in CRG Shares. Any investment in CRG Shares shall be viewed as long-term investment.

(ii) Trading and performance of CRG Shares

Upon completion of the Proposed Listing, the trading price of CRG Shares could be subject to significant fluctuation due to factors specific to CRG Group or the industry in which CRG Group is operating. These factors include, but not limited to, the variations in the results of CRG Group's operations due to changes in general market conditions and broad market fluctuations.

In addition, the performance of securities listed on the regional and global equity market could be affected by external factors such as the performance of the regional and world bourses, the investors' sentiments and the inflow or outflow of foreign funds, which in turn are highly driven by the regulatory, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes and prices of securities on Bursa Securities, thus adding risks to the market price of CRG Shares.

Furthermore, the LEAP Market is limited to Sophisticated Investors only, which in turn limits the potential liquidity level in the market. It may be more difficult for the Sophisticated Investors to realise their investment on the LEAP Market than to realise an investment in a company whose shares are quoted on the Main Market or ACE Market of Bursa Securities.

8. EFFECTS OF THE PROPOSALS

The Proposed Capitalisation, Proposed Subdivision, Proposed Conversion and Proposed Listing will not have any effect on the share capital and number of issued Shares, NA and gearing, earnings and EPS of our Group as well as the substantial shareholders' shareholdings in our Company, save for the Proposed Dividend-in-Specie. The overall effects of the Proposed Demerger to our Group are as follows:

8.1 Share capital

The Proposed Demerger will not have any effect on our Company's issued share capital and number of issued Shares as the Proposed Demerger does not involve the issuance of any new Bonia Shares.

8.2 NA and gearing

For illustration purposes only, the pro forma effects of the Proposed Demerger (in particular the Proposed Dividend-in-Specie) on the NA and gearing of our Group based on our audited consolidated statements of financial position as at 30 June 2017 and on the assumption that the Proposed Demerger had been effected on that date are as follows:

	(Audited) As at 30 June 2017 (RM'000)	(I) After the Proposed Demerger (RM'000)
Share capital	201,572	201,572
Available-for-sale reserve	(65)	(65)
Exchange translation reserve	13,622	13,334
Treasury shares	(355)	(355)
Retained earnings	218,156	148,583(1)
Shareholders' funds / NA	**432,930**	**363,069**
No. of Bonia Shares in issue	806,287,400	806,287,400
No. of Bonia Shares in issue (excluding treasury shares)	805,651,400	805,651,400
NA per Bonia Share (RM)(2)	0.54	0.45
Total borrowings	142,826	126,228
Gearing (times)	0.33	0.35

Notes:

(1) Inclusive of the estimated expenses relating to the Proposed Demerger of approximately RM500,000 (comprising professional fees, fees payable to the relevant authorities, other incidental expenses in relation to the Proposed Demerger and miscellaneous expenses).

The pro forma retained earnings of our Group is derived as follows:

	(RM'000)
Retained earnings of our Group per audited statements of financial position as at 30 June 2017	218,156
Less: Estimated expenses relating to the Proposed Demerger	(500)
Less: Amount to be utilised for the Proposed Dividend-in-Specie	(69,542)
Add: Gain on Proposed Dividend-in-Specie*	469
Pro forma retained earnings of our Group after the Proposed Demerger	**148,583**

Note:

* The gain on Proposed Dividend-in-Specie is derived based on:

	(RM'000)
Amount to be utilised for the Proposed Dividend-in-Specie^	69,542
Less: Consolidated NA of CRG Group as at 30 June 2017 after consolidation adjustments	(69,073)
Gain on Proposed Dividend-in-Specie	**469**

Note:

^ Being the NA of CRG Group as at 31 December 2017, computed based on the NA per CRG Share as at 31 December 2017 (post completion of the Proposed Subdivision) of RM0.08625 (rounded to 5 decimal places) multiplied by the number of CRG Shares in issue (post completion of the Proposed Subdivision).

(2) Computed based on the number of issued Bonia Shares (excluding treasury shares).

8.3 Earnings and EPS

As the Proposals are only expected to be completed in the 3rd quarter of calendar year 2018, they will not have any material effect on the consolidated earnings of our Group for FYE 2018. Upon completion of the Proposed Demerger, our Group will cease to consolidate the results of CRG Group and this will have a financial impact to our Group's earnings for FYE 2019.

For illustration purposes only, the pro forma effects of the Proposed Demerger on our Group's earnings and EPS based on its audited consolidated financial statements for the FYE 2017, assuming the Proposed Demerger had been completed on 1 July 2016 are as follows:

	(Audited) As at 30 June 2017 (RM'000)	(I) After the Proposed Demerger (RM'000)
PAT attributable to the owners of our Company	31,734	31,734
Less: Reversal of earnings of CRG Group	-	(3,334)
PAT of our Group	**31,734**	**28,400**
Weighted average number of Bonia Shares in issue (excluding treasury shares)	805,917,400	805,917,400
EPS (sen)	3.94	3.52

8.4 Substantial shareholders' shareholdings

The Proposed Demerger will not have any effect on the shareholdings of the substantial shareholders of our Company.

8.5 Convertible securities

As at the LPD, our Company does not have any outstanding options, warrants or convertible securities.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Dividend-in-Specie pursuant to Paragraph 10.02(g) of the Listing Requirements is 15.78% based on CRG Group's audited NA as at 30 June 2017 of RM68.30 million compared against our Group's audited NA as at 30 June 2017 of RM432.93 million and based on the deemed disposal consideration of RM68.30 million against our Group's audited NA as at 30 June 2017 of RM432.93 million.

As the percentage ratio does not exceed 25% as provided under the Listing Requirements, the Proposed Dividend-in-Specie does not require our shareholders' approval at the EGM to be convened.

10. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained from:

(i) Bursa Securities for the Proposed Listing;

(ii) our shareholders for the Proposed Listing at the EGM to be convened;

(iii) our Company's creditors/lenders (where applicable) for the Proposed Dividend-in-Specie;

(iv) CBM's, CRL's, CRF's and CRG's creditors/lenders (where applicable) for the Proposed Dividend by CBM, Proposed Dividend by CRG's Subsidiaries and Proposed Dividend by CRG, respectively; and

(v) any other relevant authorities, if required.

11. CONDITIONALITY

The Proposed Dividend-in-Specie is conditional upon the Proposed Exemption.

The Proposed Listing is conditional upon the Proposed Demerger.

The implementation of the Proposed Capitalisation, Proposed Subdivision and Proposed Conversion are conditional upon approval from our shareholders for the Proposed Listing but not conditional upon the approval-in-principle being obtained from Bursa Securities for the Proposed Listing. However, the Proposed Dividend-in-Specie will only be implemented after approval-in-principle being obtained from Bursa Securities for the Proposed Listing. Hence, the Proposed Dividend-in-Specie is inter-conditional with the Proposed Listing.

The Proposed Dividend-in-Specie is conditional upon the Proposed Dividend by CRG's Subsidiaries, the Proposed Dividend by CRG and the Proposed Dividend by CBM.

The Proposals are not conditional upon any other corporate proposals of our Company.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of our directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed Listing, save for their respective entitlements under the Proposed Dividend-in-Specie which rights are also applicable on a pro-rata basis to all the shareholders of our Company.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Listing including but not limited to the rationale, risks and effects of the Proposed Listing, is of the opinion that the Proposed Listing is in the best interest of our Company and our shareholders, and accordingly recommend you to vote **IN FAVOUR** of the resolution in respect of the Proposed Listing to be tabled at our forthcoming EGM.

14. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, our Board expects the Proposed Listing to be completed in the 3rd quarter of calendar year 2018.

The indicative timetable of events in relation to the Proposals is set out below:

Tentative dates	**Events**
25 May 2018	• EGM
Mid June 2018	• Implementation of the Proposed Capitalisation
Mid June 2018	• Implementation of the Proposed Subdivision
Mid June 2018	• Implementation of the Proposed Conversion
End June 2018	• Lodgement of Information Memorandum with the SC and submission of listing application to Bursa Securities
End July 2018	• Receipt of approval-in-principle from Bursa Securities for the Proposed Listing
Mid August 2018	• Implementation of the Proposed Dividend-in-Specie
Early September 2018	• Completion of the Proposed Listing

15. OTHER CORPORATE EXERCISES WHICH HAVE BEEN ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, our Board is not aware of any corporate exercise which we have announced but not yet completed prior to the printing of this Circular.

16. EGM

Our EGM, the notice of which is set out in this Circular, will be held at Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpur, Wilayah Persekutuan, Malaysia on Friday, 25 May 2018 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Listing.

If you are unable to attend and vote in person at our EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions provided thereon so as to arrive at our Share Registrar, Bina Management (M) Sdn Bhd, located at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding our EGM or any adjournment thereof.

The lodging of the Form of Proxy will not, however, preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
BONIA CORPORATION BERHAD

DATUK NG PENG HONG @ NG PENG HAY
Senior Independent Non-Executive Director

1. HISTORY AND BUSINESS

CRG was incorporated in Malaysia on 23 November 2009 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. CRG is principally an investment holding company. Its subsidiaries are principally involved in the design, manufacturing, marketing and retailing of women footwear, handbags and accessories; and provision of management services.

As at the LPD, CRG Group has 39 boutiques and outlets and 124 departmental store counters in Malaysia. CRG Group has also appointed authorised distributors/dealers in Vietnam, Indonesia, Saudi Arabia and Brunei.

CRG Group's products comprise women footwear, handbags and accessories targeted at young working adults between the ages of 18 and 35. The brands carried by CRG Group are Carlo Rino and CR2.

The Carlo Rino brand has been in the market over last 30 years. In 2008, the trademarks to the Carlo Rino brand in Malaysia were assigned to CR Boutique Sdn Bhd, which was then a subsidiary of our Company. CR Boutique Sdn Bhd was subsequently acquired by CRG in 2010 via an internal restructuring. In 2012, CRG Group was further licensed with the trademarks to the Carlo Rino brand, allowing it to have presence in Indonesia and Vietnam through dealers.

In 2014, the trademarks to the CR2 brand were licensed to CRF, CRL and CRV Sdn Bhd. This has enabled CRG Group to market its CR2 range of products in and outside of Malaysia.

In 2015, CRG Group launched its online platform under https://shop.carlorino.net, extending its sales channels. At present, CRG Group also markets its products via third-party e-commerce platforms, such as Lazada and Zalora.

To further expand its presence in Indonesia and Vietnam, CRG Group incorporated PT CRI Mitra Sejati and CRR Vietnam Co., Ltd in 2016 to undertake the wholesale and marketing of Carlo Rino and CR2 range of products through an authorised distributor and dealer. PT CRI Mitra Sejati and CRR Vietnam Co., Ltd were licensed with trademarks to the Carlo Rino and CR2 brands for a period of 5 years in 2016 and 2017, respectively. Since then, CRG Group has retail presence through 7 boutiques and 7 departmental store counters in these 2 countries through an authorised distributor and dealer.

CRG Group made its foray into Saudi Arabia in 2017 when it appointed Kafak International Company as its authorised distributor for Carlo Rino brand. Kafak International Company was granted the exclusive rights to use the Carlo Rino brand as well as operate and manage boutiques carrying the Carlo Rino range of products in the Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Kingdom of Bahrain and Sultanate of Oman. Kafak International Company has since launched a boutique in Saudi Arabia.

CRG Group's revenues by principal market in the FYEs 2016 to 2017 and 6M-FPE 2017 are as follows:

Principal markets	**FYE 2016**		**FYE 2017**		**6M-FPE 2017**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	110,048	97.6	93,320	97.9	52,244	97.0
Vietnam	918	0.8	237	0.3	964	1.8
Indonesia	341	0.3	210	0.2	325	0.6
Others[(1)]	1,445	1.3	1,548	1.6	315	0.6
Total	**112,752**	**100.0**	**95,315**	**100.0**	**53,848**	**100.0**

Note:

(1) Others include Brunei, Singapore, Cambodia, Myanmar, Kuwait and Saudi Arabia.

CRG Group's manufacturing facility is located in Cheras. At present, its manufacturing facility primarily undertakes the manufacturing of limited edition handbags. All other manufacturing activities for footwear, handbags and accessories, are typically carried out by contract manufacturers.

CRG Group's revenues are derived via the following means:

(i) Retail sales

CRG Group sets up and manages its boutiques in shopping malls and retail centers for Carlo Rino and CR2 brands, as well as premium outlets for the Carlo Rino brand. Displayed products in these boutiques and outlets are sold directly to consumers. Currently, the revenue from e-commerce activities is classified as part of the retail sales.

(ii) Consignment sales

CRG Group places its Carlo Rino and CR2 range of products in departmental stores on a consignment basis in Malaysia. These departmental stores charge a trade margin on the sales value of products sold. The net sales (after trade margin) will be paid by the departmental stores to CRG Group.

(iii) Distributor/dealer sales

CRG Group sells its Carlo Rino range of products on a wholesale basis to its authorised distributors/dealers such as Kafak International Company which mainly in overseas markets.

2. SHARE CAPITAL

As at the LPD, CRG has an issued share capital of RM20,000,000 comprising 20,000,000 CRG Shares.

3. DIRECTORS AND DIRECTORS' SHAREHOLDINGS

The directors of CRG and their shareholdings in CRG as at the LPD are as follows:

			Direct		**Indirect**	
Name	**Designation**	**Nationality**	**No. of CRG Shares**	**%**	**No. of CRG Shares**	**%**
CSS	Director	Malaysian	-	-	20,000,000[(1)]	100
Dato' Sri Chiang Fong Yee	Director	Malaysian	-	-	-[(2)]	-

Notes:

(1) Deemed interested by virtue of his shareholding in our Company via: (i) shares held through his substantial shareholdings in BHSB, FTSB and KKSB, (ii) shares held in trust by AWAL (the shareholder of AWAL is HSBC International Trustee Limited, the trustee of a trust where the beneficiaries are CSS and his family members), and (iii) his spouse and children's direct interests in our Company.

By virtue of his substantial interests in our Company, CSS is also deemed to be interested in the CRG Shares to the extent that our Company has an interest.

(2) Negligible interest.

[The rest of this page has been intentionally left blank]

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The substantial shareholders of CRG and their shareholdings in CRG as at the LPD are as follows:

		Direct		Indirect	
Name	**Country of incorporation / Nationality**	**No. of CRG Shares**	**%**	**No. of CRG Shares**	**%**
Bonia	Malaysia	20,000,000	100	-	-
BHSB	Malaysia	-	-	20,000,000[(1)]	100
CSS	Malaysian	-	-	20,000,000[(2)]	100

Notes:

(1) Deemed interested by virtue of its shareholdings in our Company pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his shareholding in our Company via: (i) shares held through his substantial shareholdings in BHSB, FTSB and KKSB, (ii) shares held in trust by AWAL (the shareholder of AWAL is HSBC International Trustee Limited, the trustee of a trust where the beneficiaries are CSS and his family members), and (iii) his spouse and children's direct interests in our Company.

By virtue of his substantial interests in our Company, CSS is also deemed to be interested in the CRG Shares to the extent that our Company has an interest.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

CRG has the following subsidiaries as at the LPD:

Name of company	Principal Activities	Share capital	Date and place of incorporation	Effective equity interest (%)
CR Boutique Sdn Bhd	Retailing of women footwear, handbags and accessories	RM2,500,002	27 July 2006, Malaysia	100%
CRF	Designing, promoting and marketing of women footwear	RM500,000	28 July 2006, Malaysia	100%
CRL	Designing, promoting and marketing of women handbags and accessories	RM500,000	28 July 2006, Malaysia	100%
CRI Sdn Bhd	Manufacturing and marketing of fashionable goods	RM2,500,002	29 November 2011, Malaysia	100%
CRV Sdn Bhd	Marketing and distribution of fashionable goods and accessories, and provision of management services	RM2,500,002	26 August 2011, Malaysia	100%
PT CRI Mitra Sejati	Wholesaling of fashionable goods and accessories	Indonesian Rupiah 11,612,720,000	11 April 2016, Indonesia	100%
CRR Vietnam Co., Ltd	Management consultancy activities and to implement the right of import, distribution, wholesales of goods	Vietnamese Dong 1,125,000,000	10 August 2016, Vietnam	100%

As at the LPD, CRG does not have any associated company.

6. MATERIAL COMMITMENT

Save as disclosed below, as at the LPD, there is no material commitment incurred or known to be incurred by CRG or CRG Group that is likely to have a material adverse effect on CRG Group's financial position:

	As at the LPD RM'000
Operating lease agreements (lease arrangements for boutiques, offices and staff hostel)	10,665

7. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the board of directors of CRG is not aware of any contingent liability incurred or known to be incurred by CRG or CRG Group, which upon becoming enforceable, may have a material impact on the financial position of CRG Group:

	As at the LPD RM'000
Corporate guarantees to financial institutions for banking facilities granted to subsidiaries	2,827
Corporate guarantees to landlords for tenancy agreements entered into by subsidiaries	326
Total	**3,153**

8. MATERIAL CONTRACT

As at the LPD, CRG Group has not entered into any material contract (being a contract entered into out of the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

9. MATERIAL LITIGATION

As at the LPD, CRG Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the board of directors of CRG Group is not aware of any proceedings pending or threatened against CRG Group or of any facts likely to give rise to any proceedings, which may materially and/or adversely affect the financial position or business of CRG Group.

[The rest of this page has been intentionally left blank]

10. PRO FORMA EFFECTS OF THE PROPOSALS ON THE NA AND GEARING OF CRG GROUP

	(Audited) As at 30 June 2017 (RM)	(I) After the Proposed Demerger (RM)	(II) After (I) and the Proposed Listing (RM)
Share capital	20,000,000	68,000,000	68,000,000
Exchange translation reserve	296,711	296,711	296,711
Retained earnings/(Accumulated losses)	48,001,226	1,226	(848,774)[(1)]
Shareholders' funds / NA	**68,297,937**	**68,297,937**	**67,447,937**
No. of CRG Shares in issue	20,000,000	806,287,400	806,287,400
NA per CRG Share (sen)	341.49	8.47	8.37
Total borrowings	16,598,214	16,598,214	16,598,214
Gearing (times)	0.24	0.24	0.25

Note:

(1) Inclusive of the estimated expenses of approximately RM850,000 in relation to the Proposed Listing which are expected to be funded via internally-generated funds and profits from the FYE 2018.

The pro forma retained earnings / (accumulated losses) are arrived at as follows:

	(RM)
Retained earnings of CRG Group as per audited statements of financial position as at 30 June 2017	**48,001,226**
Less: Proposed Dividend by CRG *(of RM48,000,000 substantially settled by way of capitalisation via issuance of up to 48,000,000 new CRG Shares)*	(48,000,000)
Pro forma (I) - After the Proposed Demerger	**1,226**
Less: Estimated expenses in relation to the Proposed Listing	(850,000)
Pro forma (II) - After (I) and the Proposed Listing	**(848,774)**

[The rest of this page has been intentionally left blank]

11. SUMMARY AND COMMENTARIES OF FINANCIAL INFORMATION

The summary of the audited financial information of CRG Group for the FYEs 2015 to 2017 and 6M-FPEs 2016 and 2017 is as follows:

	← Audited →			← Unaudited →	
	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000	6M-FPE 2016 RM'000	6M-FPE 2017 RM'000
Revenue	111,564	112,752	95,315	48,224	53,848
PBT	16,759	14,433	4,923	4,737	2,879
PAT	12,420	10,965	3,334	3,368	1,737
Shareholders' funds / NA	53,921	64,929	68,298	68,573	69,542
Share capital	20,000	20,000	20,000	20,000	20,000
Borrowings	18,553	17,317	16,598	16,947	23,093
No. of CRG Shares in issue/ Weighted average no. of CRG Shares in issue ('000)	20,000	20,000	20,000	20,000	20,000
Gross earnings per CRG Share (RM)(1)	0.84	0.72	0.25	0.24	0.14
Basic earnings per CRG Share (RM)(2)	0.62	0.55	0.17	0.17	0.09
NA per CRG Share (RM)(3)	2.70	3.25	3.41	3.43	3.48
Current ratio (times)	5.02	9.14	6.93	3.74	6.57
Gearing ratio (times)	0.34	0.27	0.24	0.25	0.33

Notes:

(1) PBT divided by the weighted average number of CRG Shares in issue for the financial years/periods under review.

(2) PAT divided by the weighted average number of CRG Shares in issue for the financial years/periods under review.

(3) NA divided by the number of CRG Shares in issue as at the end of the financial years/periods under review.

FYE 2016 vs. FYE 2015

CRG Group's revenue increased by 1.07% to RM112.75 million in FYE 2016 (FYE 2015: RM111.56 million), mainly due to the discount pricing strategy adopted in FYE 2016 which cushioned the adverse impact resulting from the tough business operating environment after the implementation of goods and services tax in Malaysia.

CRG Group recorded a decrease of RM1.45 million or 11.71% in PAT for the FYE 2016 of RM10.97 million (FYE 2015: RM12.42 million), mainly due to:

(i) reduced profit margins as a result of the discount pricing strategy adopted; and

(ii) higher finance cost of RM1.23 million in FYE 2016 (FYE 2015: RM1.12 million) as a result of a full year recognition of term loan interest.

FYE 2017 vs. FYE 2016

CRG Group's revenue decreased by 15.46% to RM95.32 million in FYE 2017 (FYE 2016: RM112.75 million), mainly due to weaker consumer spending as well as softening retail market.

CRG Group's PAT decreased by 69.59% to RM3.33 million in FYE 2017 (FYE 2016: RM10.97 million), mainly due to:

(i) lower revenue recorded for the FYE 2017 as detailed above; and

(ii) increase in general and administrative expenses by RM2.71 million to RM18.48 million in the FYE 2017 (FYE 2016: RM15.77 million) as a result of unfavourable unrealised foreign exchange losses due to weakening of RM against United States Dollar and operating cost for newly incorporated foreign subsidiaries.

6M-FPE 2017 vs. 6M-FPE 2016

CRG Group's revenue increased by 11.66% to RM53.85 million in 6M-FPE 2017 (6M-FPE 2016: RM48.22 million). The increase in revenue was mainly attributable to better performances of outlets and boutique stores. On top of that, management's renewed focus on e-commerce has yielded positive results which have contributed to the increase in revenue.

CRG Group's PAT decreased by 48.43% to RM1.74 million in 6M-FPE 2017 (6M-FPE 2016: RM3.37 million) as a result of decrease in gross profit margins by 3.75% to 3.23% in 6M-FPE 2017 (6M-FPE 2016: 6.98%) as a result of lower margin from e-commerce and outlet sales.

For the past FYEs 2015 to 2017 under review:

(i) there were no exceptional or extraordinary items;

(ii) there were no accounting policies adopted by CRG Group which are peculiar to CRG Group because of the nature of its business or the industry in which it is involved in; and

(iii) there were no audit qualifications of the financial statements of CRG Group.

12. COMPETITIVE STRENGTHS AND ADVANTAGES

(i) Established market reputation and positioning

CRG Group has been actively involved in the design, marketing and brand management, distribution and manufacturing of women footwear, handbags and accessories for over 8 years. The Carlo Rino brand itself is an established brand which having been in the market over last 30 years.

Since its inception, CRG Group's marketing strategies and product designs have been focused on young working adults between the ages of 18 and 35 years old. CRG Group ensures its retail presence through boutiques, outlets and departmental store counters are located in upcoming and prime locations. In Malaysia, CRG Group has retail presence in upcoming and prime shopping malls, retail centers and premium outlets such as Genting Highlands Premium Outlets, Johor Premium Outlets, Mitsui Outlet Park Kuala Lumpur International Airport, Mid Valley Megamall, Pavilion Elite and Sunway Velocity Mall.

CRG Group believes that this has been the foundation for building its brand image as a fashionable mid-range footwear, handbag and accessory brand in South East Asia and Middle East.

(ii) Multi-channel sales network

At present, CRG Group markets and sells its Carlo Rino range of products through boutiques, outlets, departmental store counters, authorised distributors/dealers and e-commerce platforms. It also sells its CR2 range of products through departmental store counters and e-commerce platforms.

CRG Group operates its own boutiques, outlets and departmental store counters in Malaysia. As at the LPD, it has 39 boutiques and outlets and 124 departmental store counters in Malaysia. CRG Group has also appointed authorised distributors/dealers to operate its retail locations in overseas markets (i.e. Vietnam, Indonesia, Saudi Arabia and Brunei). Through its authorised distributors/dealers, CRG Group has retail presence through 8 boutiques and 9 departmental store counters in Vietnam, Indonesia, Saudi Arabia and Brunei.

In order to ensure a consistent brand image, the authorised distributors/dealers operate these retail locations in accordance with CRG Group's requirements. CRG Group works closely with these authorised distributors/dealers on site selection, store renovation, retail operations and staff training to ensure that the retail and customer touch points are well managed.

The said multi-channel sales network has assisted in the growth of CRG Group and will continue to provide the platform for CRG Group's growth.

(iii) Continuous RD&D efforts to keep up with latest trends and designs

Women footwear, handbags and accessories are subject to changes in fashion trends. In line with market practices, CRG Group launches 2 - 4 season collections in a year. Thus, CRG Group recognises RD&D to be crucial in ensuring its competitiveness.

CRG Group's RD&D department is tasked to create new designs and collections that are in line with the latest fashion trends. In doing so, the RD&D department constantly monitors new design trends based on local and international consumer preferences and spending habits.

(iv) Experienced key management team

CRG Group is led by an experienced and committed Board and management team. Its key management team possesses extensive experience in the key functions in the company including corporate management, marketing, brand management and finance. All of its key management personnel have over 10 years of experience in their respective fields.

Their experience, drive and passion for CRG Group's business have been instrumental to CRG Group's vision and growth strategies.

13. FUTURE PLANS AND STRATEGIES

(i) Increasing geographical footprint in South East Asia and the Middle East

At present, CRG Group has online presence through its own online platform known as https://shop.carlorino.net. It also has online presence through third-party e-commerce platforms such as Lazada and Zalora. Recognising the potential of the e-commerce market, CRG Group plans to develop a strong online presence in the South East Asia market over the next 5 years.

In addition, CRG Group has granted Kafak International Company the exclusive rights to use the Carlo Rino brand as well as operate and manage boutiques carrying the Carlo Rino range of products in the Middle East for a period of 10 years. Through this distributorship arrangement, CRG Group intends to expand its retail presence to other countries in the Middle East, including the United Arab Emirates, Qatar and Bahrain.

(ii) Expansion of product range

CRG Group intends to extend its product range to include accessories and fashion related collections such as watches and fragrances. At present, CRG Group has a limited range of accessories which include handbag accessories such as tassels and chains.

CRG Group is in the midst of undertaking research on the market for accessories and fashion related collections. It intends to launch various accessory product ranges over the next 5 years.

The on-going development of new products is necessary for CRG Group to expand its market presence and remain competitive.

Company No:
880257 - A

CRG INCORPORATED SDN. BHD. (880257 - A)

(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

30 JUNE 2017

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

CONTENTS

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year ended 30 June 2017.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owner of the parent	3,333,723	4,624,902
Non-controlling interest	-	-
	3,333,723	4,624,902

DIVIDENDS

No dividend has been proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any payment of final dividend in respect of the financial year ended 30 June 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year ended 30 June 2017.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year ended 30 June 2017.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year ended 30 June 2017.

Company No:
880257 - A

DIRECTORS OF CRG INCORPORATED SDN. BHD.

The Directors who have held for office since the date of the last report are:

Chiang Sang Sem
Dato' Sri Chiang Fong Yee
Datin Sri Lo Kin Yee

DIRECTORS OF SUBSIDIARIES OF CRG INCORPORATED SDN. BHD.

Pursuant to Section 253 of the Companies Act 2016, the Directors of the subsidiaries of CRG Incorporated Sdn. Bhd. during the financial year and up to the date of this report are as follows:

Dato' Sri Chiang Fong Yee
Datin Sri Lo Kin Yee
Pham Kieu Nhien
Christina

DIRECTORS' INTERESTS

Pursuant to Section 59 of the Malaysian Companies Act 2016, the interests in shares of the Company and of its related corporations of Chiang Sang Sem and Dato' Sri Chiang Fong Yee who were Directors at the end of the financial year 2017, was disclosed in the Directors' report of the Company's holding company.

According to the Register of Directors' shareholdings, the interests of the other Director in office at the end of the financial year in ordinary shares of the Company and its related corporations (other than wholly-owned subsidiaries, if any) during the financial year ended 30 June 2017 was as follows:

	← Number of ordinary shares of →			
	Balance as at 1.7.2016	**Additions**	**Sold/ Transferred**	**Balance as at 30.6.2017**
The holding company				
Bonia Corporation Berhad				
<u>Direct interests</u>				
Datin Sri Lo Kin Yee	40,000	-	(40,000)	-
<u>Indirect interests</u>				
Datin Sri Lo Kin Yee	5,050,600	49,400	-	5,100,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have derived by virtue of the remuneration received and receivable by the Directors from the related corporations in their capacity as Directors of those related corporations and those transactions entered into in the ordinary course of business with companies in which certain Directors of the Company and subsidiaries have substantial interests as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 29(c) to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnity was given by the Group and the Company to any Director or officer of the Group and of the Company during the financial year. A corporate liability insurance was however effected for the Directors and officers of Bonia Corporation Berhad and its subsidiaries. The cost of such insurance thereon is disclosed in the Directors' Report of Bonia Corporation Berhad.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year ended 30 June 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year ended 30 June 2017 in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

HOLDING COMPANY

The holding company of the Company is Bonia Corporation Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

SUBSIDIARIES

Details of subsidiaries are set out in Note 10 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 32 to the financial statements.

Company No:
880257 - A

5

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Details of auditors' remuneration are set out in Note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Dato' Sri Chiang Fong Yee	**Datin Sri Lo Kin Yee**
Director	Director

Kuala Lumpur
12 October 2017

Company No: 880257 - A 6

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 11 to 79 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

....	....
Dato' Sri Chiang Fong Yee	**Datin Sri Lo Kim Yee**
Director	Director

Kuala Lumpur
12 October 2017

STATUTORY DECLARATION

I, Dato' Sri Chiang Fong Yee, being the Director primarily responsible for the financial management of CRG Incorporated Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 11 to 79 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
12 October 2017)

Dato' Sri Chiang Fong Yee

Before me:

Commissioner for Oaths
Kuala Lumpur

PESURUHJAYA SUMPAH
NO. W 668
LAI DIN
MALAYSIA

B-3A-4, Megan Avenue 2,
12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur.

BDO

Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CRG Incorporated Sdn. Bhd., which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 79.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws* (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance or conclusion thereon.

Company No:
880257 - A

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Company No:
880257 - A

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Company No:
880257 - A

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

BDO
AF: 0206
Chartered Accountants

Chan Wai Leng
02893/08/2019 J
Chartered Accountant

Kuala Lumpur
12 October 2017

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	33,656,215	33,484,449	590,632	499,224
Goodwill	8	19,750	19,750	-	-
Investment properties	9	-	-	22,802,490	22,802,490
Investments in subsidiaries	10	-	-	24,883,127	25,414,315
Deferred tax assets	11	703,000	540,000	63,000	31,000
		34,378,965	34,044,199	48,339,249	48,747,029
Current assets					
Inventories	12	18,243,357	19,088,047	-	-
Trade and other receivables	13	22,236,768	21,689,129	8,142,159	2,968,629
Current tax assets		1,875,314	681,522	-	114,900
Cash and bank balances	14	16,564,103	12,574,820	2,344,156	2,340,597
		58,919,542	54,033,518	10,486,315	5,424,126
TOTAL ASSETS		93,298,507	88,077,717	58,825,564	54,171,155
EQUITY AND LIABILITIES					
Equity attributable to owner of the parent					
Share capital	15	20,000,000	20,000,000	20,000,000	20,000,000
Reserves	16	48,297,937	44,928,844	23,126,835	18,501,933
TOTAL EQUITY		68,297,937	64,928,844	43,126,835	38,501,933
LIABILITIES					
Non-current liabilities					
Borrowings	17	15,914,003	16,634,442	13,146,295	13,656,109
Provision for restoration costs	20	586,538	601,135	-	-
		16,500,541	17,235,577	13,146,295	13,656,109

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (continued)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
LIABILITIES (continued)					
Current liabilities					
Trade and other payables	21	7,612,290	4,906,274	2,008,911	1,527,741
Borrowings	17	684,211	683,022	477,523	485,372
Provision for restoration costs	20	51,528	-	-	-
Current tax liabilities		152,000	324,000	66,000	-
		8,500,029	5,913,296	2,552,434	2,013,113
TOTAL LIABILITIES		25,000,570	23,148,873	15,698,728	15,669,222
TOTAL EQUITY AND LIABILITIES		93,298,507	88,077,717	58,825,564	54,171,155

The accompanying notes form an integral part of the financial statements.

Company No:
880257 - A

13

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		**Company**	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	24	95,314,951	112,751,683	14,015,520	17,632,055
Cost of sales	25	(42,824,667)	(54,222,865)	-	-
Gross profit		52,490,284	58,528,818	14,015,520	17,632,055
Other operating income		990,713	1,268,876	305,533	400,764
Selling and distribution expenses		(29,019,762)	(28,369,354)	-	-
General and administrative expenses		(18,478,786)	(15,767,173)	(8,872,292)	(7,349,720)
Finance costs		(1,059,786)	(1,228,448)	(581,788)	(661,548)
Profit before tax	26	4,922,663	14,432,719	4,866,973	10,021,551
Tax expense	27	(1,588,940)	(3,468,083)	(242,071)	(76,580)
Profit for the financial year		3,333,723	10,964,636	4,624,902	9,944,971
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations	27	35,370	42,884	-	-
Total other comprehensive income, net of tax		35,370	42,884	-	-
Total comprehensive income		3,369,093	11,007,520	4,624,902	9,944,971
Profit attributable to owner of parent		3,333,723	10,964,636	4,624,902	9,944,971
Total comprehensive income attributable to owner of the parent		3,369,093	11,007,520	4,624,902	9,944,971

The accompanying notes form an integral part of the financial statements.

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Non-distributable		Distributable	
Group	Share capital RM	Exchange translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 30 June 2015	20,000,000	218,457	33,702,867	53,921,324
Profit for the financial year	-	-	10,964,636	10,964,636
Foreign currency translation, net of tax	-	42,884	-	42,884
Total comprehensive income	-	42,884	10,964,636	11,007,520
Balance as at 30 June 2016	20,000,000	261,341	44,667,503	64,928,844
Profit for the financial year	-	-	3,333,723	3,333,723
Foreign currency translation, net of tax	-	35,370	-	35,370
Total comprehensive income	-	35,370	3,333,723	3,369,093
Balance as at 30 June 2017	20,000,000	296,711	48,001,226	68,297,937

The accompanying notes form an integral part of the financial statements.

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Company	Non-distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 30 June 2015	20,000,000	8,556,962	28,556,962
Profit for the financial year	-	9,944,971	9,944,971
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	9,944,971	9,944,971
Balance as at 30 June 2016	20,000,000	18,501,933	38,501,933
Profit for the financial year	-	4,624,902	4,624,902
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	4,624,902	4,624,902
Balance as at 30 June 2017	20,000,000	23,126,835	43,126,835

The accompanying notes form an integral part of the financial statements.

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		4,922,663	14,432,719	4,866,973	10,021,551
Adjustments for:					
Depreciation of property, plant and equipment	7	3,481,890	2,960,636	194,906	201,952
Loss/(Gain) on disposal of property, plant and equipment		1,685	(4,716)	-	-
Dividend income	24	-	-	(5,000,000)	(9,500,003)
Impairment losses on amount owing from a related company	13	-	203,127	-	-
Impairment losses on cost of investment in subsidiary		-	-	737,063	-
Interest expenses		702,375	857,622	580,786	660,881
Interest income		(48,419)	(752)	(1)	(1)
Property, plant and equipment written off	7	7,235	72,186	-	-
Reversal of impairment losses on amount owing from a related company	13	(203,127)	-	-	-
Unrealised loss/(gain) on foreign exchange, net		171,244	(108,470)	303,556	(60,412)
Unwinding of discount on provision for restoration costs	20	48,799	15,226	-	-
Operating profit before changes in working capital		9,084,345	18,427,578	1,683,283	1,323,968
Changes in working capital:					
Inventories		844,690	(4,520,703)	-	-
Trade and other receivables		(557,472)	(249,086)	(76,081)	(841,676)
Trade and other payables		2,087,630	75,971	232,867	(361,048)
Cash generated from operations		11,459,193	13,733,760	1,840,069	121,244
Tax paid		(3,188,661)	(4,178,513)	(164,100)	(267,180)
Tax refunded		70,929	225,232	70,929	1,667
Net cash generated from/(used in) operating activities		8,341,461	9,780,479	1,746,898	(144,269)

Company No:
880257 - A

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayments to holding company		-	(1,978,570)	-	(2,000,318)
Advances from/(Repayments to) related companies		217,743	(1,003,451)	-	(1,022,049)
(Repayment to)/Advances from subsidiaries		-	-	1,657	(5,054,412)
Repayments from/(Advances to) related companies		201,780	676,552	(187)	170
Repayments from/(Advances to) subsidiaries		-	-	(5,245,055)	1,281,069
Subscription of shares in a subsidiary	10	-	-	(205,875)	(802,826)
Interest received		48,419	752	1	1
Dividends received	24	-	-	5,000,000	9,500,003
Proceeds from disposal of property, plant and equipment		19,499	56,883	-	-
Purchase of property, plant and equipment	7(a)	(3,544,485)	(3,214,964)	(286,314)	(286,102)
Net cash (used in)/from investing activities		(3,057,044)	(5,462,798)	(735,773)	1,615,536
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(702,375)	(857,622)	(580,786)	(660,881)
Repayments of bankers' acceptances		-	(582,344)	-	-
Repayments of hire purchase and lease creditor		(31,031)	(60,069)	(31,031)	(60,069)
Repayments of term loans		(734,746)	(639,298)	(522,210)	(444,543)
Drawdown of term loans		46,527	46,527	35,578	35,578
Net cash used in financing activities		(1,421,625)	(2,092,806)	(1,098,449)	(1,129,915)
Net increase/(decrease) in cash and cash equivalents		3,862,792	2,224,875	(87,324)	341,352
Effects of exchange rate changes on cash and cash equivalents		126,491	22,806	90,883	60,412
Cash and cash equivalents at beginning of financial year		12,574,820	10,327,139	2,340,597	1,938,833
Cash and cash equivalents at end of financial year	14	16,564,103	12,574,820	2,344,156	2,340,597

The accompanying notes form an integral part of the financial statements.

Company No:
880257 - A

18

CRG INCORPORATED SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

1. CORPORATE INFORMATION

CRG Incorporated Sdn. Bhd. ("Company") is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at L8-08, Level 8, Ikon Connaught, Lot 160, Jalan Cerdas, Taman Connaught, Cheras, 56000 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The principal place of business of the Company is located at 5^{th} Floor, Asmah Tower, Jalan Cerdas, Taman Connaught, Cheras, 56100 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The holding company of the Company is Bonia Corporation Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements for the financial year ended 30 June 2017 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 12 October 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year ended 30 June 2017.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of accounting (continued)

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(i) Power over the investee;

(ii) Exposure, or rights, to variable returns from its involvement with the investee; and

(iii) The ability to use its power over the investee to affects its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual agreements; and

(iii) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owner of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owner of the Company. Profit or loss and each component of other comprehensive income are attributed to the owner of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owner of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations (continued)

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that (continued):

(c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.8 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for property under construction, are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Buildings	2%
Electrical installation	15%
Furniture, fittings and counter fixtures	15% - 33⅓%
Motor vehicles	20%
Office equipment	15% - 20%
Plant and machinery	20%
Renovation	25%

Leasehold land is depreciated over the leasehold period of seventy-one (71) years.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

(c) Leases of land and building

For leases of land and building, the land and building elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and building are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and building are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.7 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Company. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group is able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group shall measure that property at its fair value.

The fair value of investment properties reflect among other things, rental income from current leases and other assumptions that market participants would use when pricing investment properties under current market conditions.

Fair values of investment properties are based on valuations by registered independent valuers with appropriate recognised professional qualification and has recent experience in the location and category of the investment properties being valued.

A gain or loss arising from a change in the fair value of investment properties is recognised in profit or loss for the period in which it arises.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment properties (continued)

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in the profit or loss in the period of the retirement or disposal.

4.8 Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.9 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries), inventories, deferred tax assets and investment properties measured at fair value, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill has an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets (continued)

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. Cost of consumables and raw materials comprises all costs of purchase plus other costs incurred in of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.