

BONIA CORPORATION BERHAD (“BONIA” OR “COMPANY”)

PROPOSED DISPOSAL BY BONIA TO MR. CHIANG SANG SEM (“MR. CHIANG” OR “PURCHASER”) OF ITS ENTIRE EQUITY INTEREST IN MAHA ASIA CAPITAL SDN BHD (“MAHA ASIA”), A WHOLLY-OWNED SUBSIDIARY OF BONIA (“PROPOSED DISPOSAL”)

This announcement is dated 8 May 2018 (“**Announcement**”)

1. INTRODUCTION

On behalf of the Board of Directors of Bonia (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company had on 8 May 2018, entered into a conditional share sale agreement (“**SSA**”) with Mr. Chiang for the disposal of 500,000 ordinary shares in Maha Asia (“**Sale Shares**” or “**Maha Asia Shares**”) representing 100% equity interest in Maha Asia for purchase price as detailed in Section 2.3.2.

The Proposed Disposal is deemed a related party transaction in view of the interest of Mr. Chiang, Group Executive Chairman cum Chief Executive Officer as well as a major shareholder of Bonia as set out in Section 7 of this Announcement.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on Maha Asia

Maha Asia is a wholly-owned subsidiary of Bonia, a private limited company incorporated in Malaysia on 7 October 2013 under the Companies Act, 1965 and having its registered office at L8-08, Level 8, Ikon Connaught, Lot 160, Jalan Cerdas, Taman Connaught, Cheras, 56000 Kuala Lumpur.

The issued and paid up share capital of Maha Asia is RM500,000 divided into 500,000 ordinary shares of RM1.00 each. Maha Asia is principally a property investment company. Maha Asia’s principal asset is a freehold land measuring 1,403.74 square meters together with a single-storey bungalow erected thereon (“**Maha Asia Property**”) located at No. 10, Jalan Delima, 55100 Kuala Lumpur. The original cost of investment of Maha Asia is RM500,000 as detailed in Section 2.5.

Other pertinent information of Maha Asia Property is as set out below: -

Title no.	:	Geran 27239
Lot no.	:	Lot 457 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur.
Registered owner	:	Maha Asia Capital Sdn Bhd
Market value ^(a)	:	RM24.00 million
Net book value (“ NBV ”) as at 30 June 2017 (audited)	:	RM21.00 million
Original cost of investment of Maha Asia Property	:	RM19.99 million
Date of investment	:	29 October 2013

- Existing use : Rented out as car park
- Encumbrances : Charged to AmBank (M) Berhad
- Planning provisions : As stated in the valuation report, based on the valuer's verbal enquiries with the planning department of Dewan Bandaraya Kuala Lumpur revealed that the Maha Asia Property is designated for "mixed use development" with permissible plot ratio of 1:4:0

Notes: -

- (a) *The market value of the Maha Asia Property is as ascribed by CH William Talhar & Wong Sdn Bhd, being the independent valuer ("Independent Valuer") vide its valuation report for the Maha Asia Property dated 18 April 2018 ("Valuation Report") by using the comparison method.*

The financial information of Maha Asia is as follows:

	Audited as at 30 June 2017	Unaudited as at 31 March 2018
	RM'000	RM'000
Loss for the financial year	945,627	625,732
Net liabilities	1,883,278	2,509,010

As at 04 May 2018 ("LPD"), the directors of Maha Asia are Dato' Sri Chiang Fong Tat and Mr. Chong Chin Look.

2.2 Information on the Purchaser

Mr. Chiang, 64 years old, Malaysian, is the Group Executive Chairman cum Chief Executive Officer of Bonia. He is also the founder of Bonia and was appointed to the Board on 16 June 1994 as Executive Chairman of the Company. He is also a major shareholder of Bonia with direct interest of 17,049,900 shares (representing approximately 2.12% of the total issued share capital of Bonia excluding treasury shares) and indirect interest of 377,109,704 shares (representing approximately 46.81% of the total issued share capital of Bonia excluding treasury shares) in Bonia as at LPD.

He currently holds directorships in several subsidiaries of the Company and does not have any other directorships of public companies.

His brothers, Mr. Chiang Sang Bon, Datuk Chiang Heng Kieng and his sons, Dato' Sri Chiang Fong Yee, Dato' Sri Chiang Fong Tat and Dato' Sri Chiang Fong Seng are also members of the Board.

2.3 Salient Terms of the SSA

2.3.1 Sale and Purchase

Mr. Chiang shall purchase from Bonia, the Sale Shares free from any liens or encumbrances and with all rights attached to the Sale Shares, save that the right to receive dividend, declared, paid or to be paid shall be as at the Completion Date.

2.3.2 Purchase Price

The purchase price for the Sale Shares payable in cash shall be RM2,490,990.12 (“**Purchase Price**”), which is subject to the adjustment as mentioned below.

On the latest practical date prior to completion of the Proposed Disposal (“**Cut-Off Date**”), the parties hereby agree that the Purchase Price shall be adjusted as follows:-

- (a) where the total assets (excluding the net book value of the Maha Asia Property) of the Maha Asia on the Cut-Off Date is higher than that in the Maha Asia’s management accounts as at 31 March 2018 (“**Accounts**”), the Purchase Price shall be increased by that amount of total assets that has been increased and correspondingly in the event the total assets (excluding the net book value of the Maha Asia Property) is lower than in the Accounts, the Purchase Price shall be reduced by the amount; and
- (b) where the total liabilities of Maha Asia on the Cut-Off Date is higher than that in the Accounts, the Purchase Price shall be reduced by the amount of total liabilities that has been increased and correspondingly in the event the total liabilities is lower than in the Accounts, the Purchase Price shall be increased by the amount;

and in such case, any reference to the Purchase Price in this Announcement shall be deemed to be the reference to such adjusted Purchase Price.

2.3.3 Payment

Upon the execution of the SSA, Mr. Chiang shall pay the deposit of RM249,099.01, being the sum equivalent to 10% of the Purchase Price (“**Deposit**”).

Mr. Chiang shall pay Bonia the Final Purchase Price less Deposit (“**Balance**”) on completion of the Proposed Disposal.

On the completion date, Mr. Chiang shall also pay to Bonia the amount due to Bonia by Maha Asia. For information, the amount as at 31 March 2018 amounted to RM12.5 million.

2.3.4 Conditions Precedent (“CP”)

The CPs below are to be fulfilled on or before 3 months from the date of the SSA or such other period as maybe agreed (“**Conditions Precedent Cut-Off Date**”): -

- (i) the Purchaser shall be satisfied with the legal and financial due diligence on the Maha Asia that may be carried out by the Purchaser and/or the Purchaser’s consultants;
- (ii) the approval of the board of directors of Bonia for, inter-alia, the Proposed Disposal which was obtained on 30 April 2018;
- (iii) to obtain the necessary approval from the board of directors of Maha Asia for the registration of the Shares into the name of the Purchaser;
- (iv) the consent from AmBank (M) Berhad, being the lender of banking facilities to Maha Asia, for the sale of the Sale Shares to the Purchaser and changes of the directors of Maha Asia
- (v) Obtain a letter from AmBank (M) Berhad to discharge Bonia as the guarantor; and
- (vi) the Purchaser shall have been satisfied, at the Purchaser’s enquiry and investigation, that the Maha Asia Property is not subject to any compulsory land acquisition or setbacks of buildings erected or to be erected on the Maha Asia Property, surrender of any part of the Maha Asia Property to the local authority or impediments to the Maha Asia Property be it due to the mass rapid transit system 2 (Sungai Buloh–Serdang–Putrajaya line), Kuala Lumpur-Singapore high speed rail or any other rail, road or transportation project.

In the event of non-fulfilment of CPs and the SSA is terminated, any monies paid by the Purchaser shall be refunded by Bonia.

2.3.5 Completion Date

The completion in respect of the Proposed Disposal shall take place within 3 months from the fulfilment of all the CPs as specified in Section 2.3.4 of this Announcement with an extension period of 1 month subject to an interest at the rate of 8% per annum on the Balance or such part which remains unpaid calculated on a day to day basis.

2.3.6 Default

In the event of default by Bonia pursuant to the SSA, Mr. Chiang may give notice in writing to Bonia specifying the default or breach requiring Bonia to remedy the said default or breach within 10 business days of the receipt of such notice, failing which the Purchaser shall, without prejudice to any other rights and remedies or at law which may be available to the Purchaser, have the right to terminate the SSA or claim specific performance. In the event the Purchaser elects to terminate the SSA, the Vendor shall pay to the Purchaser 10% of the Purchase Price. Any monies paid by the Purchaser shall be refunded, free of interest to the Purchaser.

In the event of default by the Purchaser, pursuant to the SSA, Bonia may give notice in writing to the Purchaser specifying the default or breach requiring the Purchaser to remedy the said default or breach within ten (10) Business Days of the receipt of such notice, failing which Bonia shall, without prejudice to any other rights and remedies or at law which may be available to Bonia, have the right to terminate the SSA and forfeit a sum equivalent to 10% of the Purchase Price. Any monies paid by the Purchaser in excess of the aforesaid 10% shall, be refunded, free of interest to the Purchaser.

2.4 Basis and Justification for the Purchase Price

The Purchase Price was arrived at on a willing buyer-willing seller basis after taking into consideration the unaudited net assets of Maha Asia as at 31 March 2018, after adjusting for the price agreed for the Maha Asia Property of RM26 million, subject to the adjustment as detailed in Section 2.3.2.

The March Adjusted NA as prepared by the management of Bonia is as follows: -

	Unaudited as at 31 March 2018
	RM
Net Assets (“NA”) of Maha Asia as at 31 March 2018	(2,509,009.88)
Incremental to the NA due to increase in value of Maha Asia Property based on the Maha Asia Property Agreed Value of RM26 million	5,000,000.00
Total	<u>2,490,990.12</u>

The price agreed for the Maha Asia Property of RM26 million is above its market value of RM24 million. The market value of the Maha Asia Property is as ascribed by the Independent Valuer vide its valuation report for the Maha Asia Property dated 18 April 2018 by using the comparison method.

For illustration purposes, based on Maha Asia’s unaudited NA as at 31 March 2018, the premium payable (on the basis that there is no deferred tax provision is required for the increase in the value of Maha Asia Property) by Mr. Chiang is as follows: -

	RM’000
Based on adjusted NA as prepared by the management: -	
- NA as at 31 March 2018 after adjusted for the price agreed for the Maha Asia Property of RM26 million	2,491
- NA as at 31 March 2018 after adjusted for the market value of Maha Asia Property of RM24 million	491
Premium paid by Mr. Chiang	<u>2,000</u>

2.5 Original Cost of Investment

The original cost and date of investment for Maha Asia are as follows: -

Date of Investment	Cost of Investment
	RM
7 October 2013	2
5 December 2013	499,998
Total	<u>500,000</u>

2.6 Utilisation of Proceeds

Based on the unaudited financial statement of Maha Asia as at 31 March 2018, the total proceeds to Bonia are expected to be as follows: -

	<u>RM'000</u>
Purchase Price	2,491
Amount owing to Bonia	12,509
Total cashflow to Bonia	<u>15,000</u>

The cash inflow arising from the Proposed Disposal is expected to be used as follows: -

<u>Details of Utilisation</u>	<u>Estimated Utilisation timeframe</u>	<u>RM'000</u>
Repayment of bank borrowing of Bonia Group ^(a)	12 Months	14,820
Estimated expenses for the Proposal ^(b)	6 Months	180
Total		<u>15,000</u>

Notes: -

- (a) *The repayment of the bank borrowings is expected to result in interest savings of approximately RM0.89 million per annum based on the average effective interest rate of 6% per annum.*
- (b) *Estimated expenses is inclusive of professional fees payable to the advisers.*

The actual cash inflow to be received for the Proposed Disposal will be subject to, inter alia, the Final Purchase Price, the amount owing to Bonia payable at completion as well as the final estimated expenses. In the event of any shortfall or excess from the amount stated above, such amount will be adjusted to repayment of bank borrowing.

2.7 Liabilities to be assumed

Save for the Purchaser's obligation under the SSA to settle the amount due to Bonia, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser arising from the Proposed Disposal.

3. RATIONALE OF THE PROPOSED DISPOSAL

The Proposed Disposal will enable Bonia to divest Maha Asia Property at a premium to the market value and realise a net gain on disposal of approximately RM4.82 million. At the same time, Bonia will also receive an estimated RM15 million cash inflow as detailed in Section 2.6 of this announcement. The cash inflows from the Proposed Disposal will enable Bonia to pare down its bank borrowing and thereon reduce its gearing.

4. RISK FACTOR

Completion of the Proposed Disposal is conditional upon the conditions precedent set out in Section 2.3.4 of this announcement being satisfied and/or waived (as the case may be). Whilst the Bonia Group endeavours to take all reasonable steps in relation to the completion of the Proposed Disposal, there can be no assurance that such the conditions precedent will be met.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Disposal will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company as the Proposed Disposal does not involve the issuance of new shares in Bonia.

5.2 Earnings and Earnings Per Share ("EPS")

Upon completion of the Proposed Disposal, Maha Asia shall cease to be a subsidiary of Bonia and the results of the Maha Asia will not be consolidated into Bonia Group.

Based on the unaudited financial statements of Maha Asia for FYE 31 March 2018, the Proposed Disposal is expected to generate an estimated one off net gain on disposal of approximately RM4.82 million for Bonia, after taking into consideration the estimated expenses of RM0.18 million in respect of the Proposed Disposal.

5.3 NA and Gearing

The pro-forma NA and gearing of the Bonia Group (assuming that the Proposed Disposal is effected on 30 June 2017) based on audited financial statement of Bonia for FYE 30 June 2017 is as follows: -

	Audited as at 30 June 2017	After Proposed Disposal
	RM'000	RM'000
Share capital	201,572	201,572
Reserves	231,358	236,178 ^(a)
Shareholders' funds	<u>432,930</u>	<u>437,450</u>
Number of Shares ('000) ^(b)	805,651	805,651
NA per Share	0.54	0.54
Total borrowings	142,826	129,180 ^(c)
Gearing	0.33	0.30

Notes: -

- (a) *Including net gain on Proposed Disposal of RM4.82 million.*
- (b) *Excluding 636,000 treasury shares.*
- (c) *Assuming proceeds received amounted to RM13.83 million (i.e. purchased consideration based on the adjusted net assets as at 30 June 2017 of RM3.12 million and the amount owing to Bonia as at 30 June 2017 of RM10.71 million). RM13.65 million of the proceeds are assumed for repayment of borrowings and the balance of RM0.18 million are assumed for estimated expenses.*

6. APPROVALS REQUIRED

The Proposed Disposal is not subject to the approval of shareholders of the Company or any government authorities.

The Proposed Disposal is not conditional upon any proposals undertaken or to be undertaken by Bonia.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

7.1 Directors' Interest

Mr Chiang is the Purchaser and he is also the Executive Chairman cum Chief Executive Officer and a major shareholder of Bonia.

Mr. Chiang Sang Bon, Datuk Chiang Heng Kieng, Dato' Sri Chiang Fong Yee, Dato' Sri Chiang Fong Tat and Dato' Sri Chiang Fong Seng, are deemed person connected to Mr Chiang by virtue of their family relationship.

Mr. Chiang Sang Bon and Datuk Chiang Heng Kieng, are his brothers, whilst Dato' Sri Chiang Fong Yee, Dato' Sri Chiang Fong Tat and Dato' Sri Chiang Fong Seng, are his sons.

(the above directors shall collectively be referred as "**Interested Directors**")

The Interested Directors have and will continue to abstain from all deliberations at the Board meetings in respect of the Proposed Disposal.

7.2 Major Shareholders' Interest

The following major shareholders are deemed interested in the Proposed Disposal: -

- Mr. Chiang by virtue he is the Purchaser and the major shareholder of Bonia,
- Bonia Holdings Sdn. Bhd. by virtue of it being company controlled by Mr Chiang; and
- Freeway Team Sdn. Bhd by virtue of it being company controlled by Mr Chiang.

8. TRANSACTION WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Except for the recurrent related party transactions which have been approved by the non-interested shareholders of Bonia on 28 November 2017, there were no other transactions entered into with the Purchaser for the preceding 12 months.

9. ADVISERS

AmInvestment Bank has been appointed as the Principal Adviser to the Company for the Proposed Disposal.

10. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of the Company, after having considered all relevant aspects of the Proposed Disposal (including but not limited to the terms of the Proposed Disposal, rationale, financial effects and risk of the Proposed Disposal), is of the opinion that the Proposed Disposal is in the best interest of the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders of the Company.

11. DIRECTORS' STATEMENT

Save for the Interested Directors, the Board of Directors of Bonia, having considered all aspects of the Proposed Disposal, including but not limited to the terms of the Proposed Disposal, the rationale, financial effects and risk of the Proposed Disposal and the recommendation of the Audit Committee, is of the opinion that the Proposed Disposal is in the best interests of the Company, fair, reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders of Company.

12. HIGHEST PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02(g) of the Listing Requirements is 3.46% based on the latest audited financial statements of Bonia for the financial year ended 30 June 2017.

13. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED DISPOSAL

The Proposed Disposal is expected to be completed within 7 months from the date of this announcement.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The SSA and the Valuation Report is available for inspection by the shareholders of the Company at the Registered Office of the Company at No. 17-1 Plaza Danau Desa 2, Jalan 4/109F Taman Danau Desa, Off Jalan Kelang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Announcement.