

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

ACQUISITION OF 49% SHARES IN BRAUN VERWALTUNGS-GmbH AND 49% SHARES IN BRAUN GmbH & CO. KG RESPECTIVELY FOR A TOTAL CASH CONSIDERATION OF EUR980,000.00;

ACQUISITION OF A LOAN RECEIVABLE OF SPARKASSE RHEIN-NAHE (Sparkasse”) IN THE NOMINAL AMOUNT OF EUR3,150,000.00 FOR A PURCHASE PRICE OF EUR2,200,000.00 IN CASH; AND

ACQUISITION OF THE TRADE MARK “BRAUN BÜFFEL” REGISTERED IN UNITED ARAB EMIRATES, UNITED STATES OF AMERICA AND CANADA FOR A TOTAL CASH CONSIDERATION OF EUR20,000.00.

(the above are collectively referred to as the “Acquisition”)

1. INTRODUCTION

The Board of Directors of the Company is pleased to announce that Jeco Pte Ltd (“Jeco”), a 70%-owned subsidiary company had on 29 December 2011, entered into the following agreements respectively in Germany for a total cash consideration of Euros (EUR) 3.20 million (approximately RM13,130,000.00) (“Total Cash Consideration”):

- (a) A sale and purchase agreement with Mrs Christiane Brunk (“CB”) (“SPA”) for the purpose of acquiring the 49% equity interests in Braun Verwaltungs-GmbH (“Braun GmbH”) and Braun GmbH & Co. KG (“Braun KG”) respectively for a total cash consideration of EUR 980,000.00 (approximately RM4,021,000.00);
- (b) A loan receivable sale agreement with Sparkasse Rhein-Nahe (“Sparkasse”), Bruan KG (“Borrower”), CB, BRAUN BÜFFEL Retail GmbH & Co. KG (“BB Retail”), BRAUN BÜFFEL Retail Management GmbH (“BB Retail GmbH”) and BRAUN BÜFFEL Suisse GmbH (“BB Suisse”) (collectively referred to the “Securities Provider”) (“Loan Receivable Sale Agreement”) for the purpose of restructuring the total debts of EUR3,150,000.00 owing by the Borrower to Sparkasse and to be settled by Jeco with a lump sum of EUR2,200,000.00 (approximately RM9,027,000.00); and
- (c) A trade mark purchase and transfer agreement with BRAUN BÜFFEL Markenverwertungs GmbH & KG (“BB KG”), Mr Karl-Heinz Braun (“Mr Braun”), Frau Liesel Braun (“Ms Braun”) (“Trade Mark Purchase and Transfer Agreement”) for the purpose of acquiring the trade mark “BRAUN BÜFFEL” that registered in United Arab Emirates (UAE), United State of America (USA) and Canada (“Trade Marks”) for a total cash consideration of EUR20,000.00 (approximately RM82,000.00).

Simultaneously with the signing of the SPA, Loan Receivable Sale Agreement and Trade Mark Purchase and Transfer Agreement, Jeco has also entered into the following agreements:

- (a) Cooperation agreement with Braun KG to govern the geographical areas and rights of distribution of the goods and services under the trade mark “BRAUN BÜFFEL” (“Cooperation Agreement”); and
- (b) Agency agreement with CB appointing CB as an agent to secure appropriate license partners for the distribution of goods under the trade mark “BRAUN BÜFFEL” in the world except Europe, countries of the former Soviet Union

and Turkey (“Jeco Area”) of which she shall be entitled to a success fee of 49% of any proceeds from such license agreements (“Success Fee”). The Success Fee shall not apply for licenses to China, Taiwan, Singapore, Indonesia, Malaysia, Hong Kong, India, Japan, Thailand, Bangladesh, Brunei, Guam, Laos, Macau, Maldives, Myanmar, New Zealand, Philippines, Saudi Arabia, Sri Lanka, Timor, Vietnam, Australia and South Korea (Asia Pacific region”) (“Agency Agreement”).

Unless otherwise stated, the exchange rate for the purpose of this Announcement is assumed to be EUR1.00 : RM4.103.

2. DETAILS OF THE ACQUISITION

2.1 Background Information on the Acquisition

Pursuant to the existing agreements entered into between Braun KG and Jeco, Jeco is having the rights for use of the trade mark “BRAUN BÜFFEL” and “BULL Device” in the Asia Pacific region until 30 June 2034 (“BB Marks”) and for such trademarks registered under Class 25 in China, until 30 June 2074. Subsequent to the expiry of the agreement, Braun KG agrees to grant to Jeco a licence to use such trademark at a royalty rate not exceeding 6% of annual turnover of the products bearing such trademarks.

Upon execution of the above agreements, the Acquisition entails Jeco acquired 49% equity interest in Braun GmbH and Braun KG respectively and become the rights owner of the trade mark “BRAUN BÜFFEL” in UAE, USA and Canada. And, the rights for use of the trade mark “BRAUN BÜFFEL” and “BULL Device” in the above mentioned Asia Pacific region shall be indefinite by paying Braun KG a license fee of SGD100,000.00 per annum (“License Fee”) with effect from 1 July 2034 and the License Fee shall increase every 10 years in the amount of SGD10,000.00.

2.2 Background Information of Jeco

Jeco was incorporated in Singapore under the Companies Act (Cap. 50) of Singapore as a limited private company on 2 October 1972.

The issued and paid-up share capital of Jeco as at 3 January 2012 is Singapore Dollars (SGD) 500,000 comprising 500,000 ordinary shares of SGD1.00 each.

Bonia is holding 70% equity interest in Jeco. The remaining 30% equity interest is held by Mr Liao Tien Fook and Liao Tian Sze respectively and equally.

The principal activities of Jeco are the management and exploitation of intellectual property relating to bags, leather goods, accessories, and related products in Singapore and the Asia Pacific region.

2.3 Salient Terms of the SPA

The salient terms of the SPA include, inter-alia, the followings:

CB wishes to sell a 49% share in Braun KG (“KG-Share”), i.e. an interest of EUR 98,000.00, and 49% of the shares in Braun GmbH (“GmbH-Shares”), i.e. shares of nominal EUR 12,250.00 free from any lien, encumbrance, preemptive, option and any other third party rights, and Jeco wishes to acquire the KG-Share and the GmbH-Shares subject to the condition precedent of payment of the purchase price of EUR980,000.00. Jeco has to pay the

purchase price pursuant to the terms and conditions of the SPA within three (3) banking days upon the notarization of the SPA.

The sale of KG-Share and GmbH-Shares is subject to the approval of Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH, a venture capital firm.

2.3.1 Background Information on the Seller

CB is the director and sole shareholder of:

Braun Verwaltungs-GmbH (“Braun GmbH”), a company registered with the Commercial Register of the Local Court of Bad Kreuznach in Germany under the registration number HRB 4226 and having its business address at Industriestraße 10, 55606 Kirn/Nahe, Germany. The share capital of Braun GmbH amounts to EUR 25,000.00 and is fully paid up. The share capital is divided into 2 shares in the nominal amount of EUR 24,500.00 and EUR 500.00 and held by CB.

The principal activities of Braun GmbH are production and sales of leather goods under the trade mark “BRAUN BÜFFEL”.

CB is the sole limited partner (*Kommanditist*) and Braun GmbH is the sole general partner (*persönlich haftender Gesellschafter*) of:

Braun GmbH & Co. KG (“Braun KG”), a company registered with the Commercial Register of the Local Court of Bad Kreuznach in Germany under the registration number HRA 2192 and having its business address at Industriestraße 10, 55606 Kirn/Nahe, Germany.

The fixed capital (*Festkapital*) and the liable capital (*Haftkapital*) of Braun KG amounts to nominal EUR 200,000.00. CB holds a registered share of EUR 200,000.00 in Braun KG. Braun GmbH holds a general partner’s share (*Komplementäranteil*) without a fixed capital share and without a liable capital share.

Braun KG is the sole shareholder of Braun Büffel Suisse GmbH, a company having its registered seat in Zurich, Switzerland, registered under no. CH-020.4.039.539-3 (“**BB Suisse**”). The share capital of BB Suisse amounts to CHF 20,000.00 and is fully paid up. The share capital is divided into 200 shares in the nominal amount of CHF 100.00 and held by Braun KG.

Braun KG is a family-run business entity with a long tradition which specializes in the manufacturing and distribution of high quality leather goods. It also owns a production facility in Germany.

2.4 Salient Terms of the Loan Receivable Sale Agreement

The salient terms of the Loan Receivable Sale Agreement include, inter-alia, the followings:

Sparkasse wishes to sell the loan receivables in the nominal amount of EUR 3,150,000.00 including any ancillary rights relating to such receivables according to the loan agreements (“Loan Receivables”) and Jeco wishes to accept the sale and assignment of the Loan Receivables. The assignment of the Loan Receivables is with effect in rem (*dinglicher Wirkung*) and is

subject to the condition precedent of payment of the purchase price amounts to EUR 2,200,000.00. The purchase price shall become due and payable within three (3) banking days from the date of the Loan Receivable Sale Agreement.

In addition to the Loan Receivables assigned to Jeco, any and all other claims and rights relating to the Loan Receivables, in particular payment and compensation claims, shall also be transferred to Jeco.

Upon the full payment made by Jeco, Sparkasse shall:

- (i) release all the guarantees and securities executed by the Securities Provider in favour of Sparkasse as regards to the total loan granted by Sparkasse to Braun KG;
- (ii) re-transfer and re-assign the security goods and sale claims to Braun KG;
- (iii) reassign to Braun KG any and all the trade mark "BRAUN BÜFFEL" which were assigned by Braun KG as security for the loans;
- (iv) release the trade mark "BRAUN BÜFFEL" for the countries of UAE, USA and Canada to Braun Büffel Markenverwertungs GmbH & Co. KG ("BB KG")

2.5 The Salient Terms of Trade Mark Purchase and Transfer Agreement

The salient terms of the Trade Mark Purchase and Transfer Agreement include, inter-alia, the following:

Mr Braun and Ms Braun ("Spouses Braun") are joint owners of the trade mark "BRAUN BÜFFEL" for the countries UAE, USA and Canada ("Trade Marks"). The Trade Marks were injected to BB KG of which Spouses Braun are the sole limited partners thereof. Mr Braun holds 60% interest and Ms Braun holds 40% interest respectively therein. BB KG has licensed the said trader marks to Braun KG.

The Spouses Braun wish to sell and transfer the Trade Marks to Jeco and Jeco wishes to accept the sale and transfer of the Trade Marks with the consent granted by BB KG.

The transfer of the Trade Marks with effect in rem (*dingliche Wirkung*) is subject to the condition precedent of payment of the purchase price of EUR20,000.00 Spouses Braun within five (5) banking days after the execution of the Trade Mark Purchase and Transfer Agreement.

2.6 The Salient Terms of Cooperation Agreement

The salient terms of the Cooperation Agreement include, inter-alia, the following:

Pursuant to the Acquisition and as regards to the business of production and distribution of luxury leather goods under the trade mark "BRAUN BÜFFEL" (word and/or bull device) and other luxury goods, Braun KG and Jeco wish to split of the geographical markets cooperate closely in the areas of the development of new markets, product design and sourcing, and to expand the business of Braun KG as follows:

2.6.1 Geographical Areas for BB Leather Goods

Braun KG shall only distribute luxury leather goods under the trade mark “BRAUN BÜFFEL” (word and/or bull device) (“BB Leather Goods”) in Europe, countries of the former Soviet Union and Turkey (“Braun KG Area”).

Jeco shall only distribute BB Leather Goods in all countries which are not covered by the Braun KG Area, including India, Japan, Australia and Africa (“Jeco Area”).

2.6.2 Distribution of BB Leather Goods

In case Jeco distributes leather goods through its shops or any other distribution channel in the Middle East, USA or Canada (“Jeco Shops”), Jeco shall offer BB Leather Goods from the production of Braun KG in these Jeco Shops.

2.6.3 Geographical Areas for Other Luxury Goods

Jeco shall have the right to produce and distribute any other luxury goods (e.g. watches, sunglasses, clothing etc.) under the trade mark “BRAUN BÜFFEL” (“BB Other Luxury Goods”) in all countries worldwide. In case of production and distribution by Jeco or licensing to third parties of BB Other Luxury Goods in Braun KG Area, Braun KG shall be duly informed.

Braun KG shall have the right to distribute BB Other Luxury Goods through its own shops within the Braun KG Area. Jeco or its licensees shall supply BB Other Luxury Goods at favourable terms to the shops of Braun KG if Braun KG requests delivery.

2.6.4 Trade Mark “BRAUN BÜFFEL”

Braun KG shall own and register the trade mark “BRAUN BÜFFEL” in Class 18 (leather goods) in the Braun KG Area. At its discretion Braun KG may own, register and maintain the trade mark “BRAUN BÜFFEL” in Class 25 (clothing) or any other classes in the Braun KG Area.

Jeco may own and register the trade mark “BRAUN BÜFFEL” in Class 25 (clothing) or any other classes in any country outside the Braun KG Area.

2.6.5 Licensing

The existing agreements entered into between Braun KG and Jeco shall remain in effect.

Jeco and Braun KG herewith conclude a perpetual license agreement on the BB Marks as follows:

- (a) Jeco shall be entitled to a license to use all BB Marks to which Braun KG holds titled, rights or interests to on or at any time after 1 July 2034.

- (b) Starting from 1 July 2034, Jeco shall pay to Braun KG a license fee of SGD100,000.00 per annum which shall increase by SGD10,000.00 every ten (10) years and thereafter the prevailing license fee payable shall fall due on 1 July of each calendar year.
- (c) if Jeco is in default of payment of the License Fee and does not pay the outstanding prevailing license fee payable within seven (7) working days after receipt of a payment reminder, the license agreement and all rights to the trade mark “BRAUN BÜFFEL” shall automatically expire.

2.7 The Salient Terms of Agency Agreement

The salient terms of the Agency Agreement include, inter-alia, the following:

Pursuant to the Cooperation Agreement concluded between Jeco and Braun KG, Braun KG may distribute leather goods under the trade mark BRAUN BÜFFEL to Braun KG Area whereas Jeco is entitled to distribute leather goods under the trade mark “BRAUN BÜFFEL” to Jeco Area.

CB and Jeco wish to jointly strengthen and expand the geographical reach and distribution of high quality products under the trade mark “BRAUN BÜFFEL”. CB shall support Jeco in finding appropriate license partners for the distribution of goods under the trade mark “BRAUN BÜFFEL” in the Jeco Area of which she shall be entitled to a success fee of 49% of any proceeds from the license agreements (“Success Fee”). The Success Fee shall not apply for licenses to China, Taiwan, Singapore, Indonesia, Malaysia, Hong Kong, India, Japan, Thailand, Bangladesh, Brunei, Guam, Laos, Macau, Maldives, Myanmar, New Zealand, Philippines, Saudi Arabia, Sri Lanka, Timor, Vietnam, Australia and South Korea

The Agency Agreement shall be effective upon execution and shall have an unlimited term.

Each party shall be entitled to terminate the Agency Agreement by observing a six (6) months period of notice upon the end of each calendar year. Jeco shall not be entitled to give notice of termination as long as it is shareholder of Braun KG. The right to an early termination for cause shall not be affected by the foregoing.

2.8 Basis of Arriving at the Total Cash Consideration

The Total Cash Consideration of EUR3.20 million (approximately RM13,130,000.00) was arrived at on a “willing-buyer willing-seller” basis after taking into consideration of the following:

- (a) the acquisition of the 49% share in Braun KG (“KG-Share”), i.e. an interest of EUR 98,000.00, and 49% of the shares in Braun GmbH (“GmbH-Shares”), i.e. shares of nominal EUR 12,250.00 free from any lien, encumbrance, pre-emptive, option and any other third party rights, for a total cash consideration of EUR980,000.00;
- (b) the acquisition of the Loan Receivables in the nominal amount of EUR3,150,000.00 including any ancillary rights relating to such receivables according to the loan agreements (“Loan Receivables”) from Sparkasse at the purchase price of EUR 2,200,000.00;

- (c) the acquisition of the trade mark “BRAUN BÜFFEL” registered in UAE, USA and Canada from Spouses Braun for a total consideration of EUR20,000.00;
- (d) a perpetual rights for the use of the trade mark “BRAUN BÜFFEL” has been granted to Jeco in the Asia Pacific region.

2.9 Source of Funding

The Acquisition is to be financed by internally-generated funds.

2.10 Liabilities to be Assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Jeco and/or Bonia pursuant to the Acquisition.

3. RATIONALE FOR THE ACQUISITION

The Acquisition has extended the licensing rights for the use of the trade mark “BRAUN BÜFFEL” for an indefinite term for the Asia Pacific region and to enable Bonia Group to have closer cooperation with Braun KG for a joint and concerted brand building effort in Europe, Asia and other part of the world for higher international brand recognition and brand positioning.

The Board believes that with the long established brand of “BRAUN BÜFFEL”, it will enable Bonia Group to further grow its market share and recognition in Asia Pacific region as well as other part of the world.

The Acquisition is expected to widen earnings base of the Bonia Group and this eventually enhance Bonia’s shareholders value.

4. PROSPECTS OF THE ACQUISITION

Overall, the industry outlook on the fashion retail industry remains optimistic. The rebound in the economy after the 2008 crisis is slowly graining consumer confidence. Retailers are seeing improved spending patterns from its customers. Some department stores are also looking to expand their operations, while other retailers are looking to grow their market share both locally and overseas.

A growing population, increased employment and income levels, coupled with better education, results in growth in the middle and upper middle class segment. This segment offers a large market potential for the fashion retail industry.

With the Acquisition, Jeco will be able to capitalize on the potential growth of “BRAUN BÜFFEL” world widely. With the expected higher international brand image and a wider acceptance of the brand, licensing opportunity of related lifestyle products in Asia Pacific, Europe, USA and the Middle East countries will be tremendous.

The Acquisition will also enable Jeco to work very closely with Braun KG in order to build a common uniform international brand image. thus enlarge its international recognition.

5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

The Acquisition will not materially change the risks of the Bonia Group as the Bonia Group is already involved in the fashion retail industry and it thus exposed to the same business, operational, financial and investment risks inherent in the fashion retail industry. These risks include, but are not limited to competition from other

industry players, compliance with licenses, conditions, raising operating costs, political and economic conditions, operational risks and dependence on key personnel.

Pursuant to the Acquisition, there is no assurance that the anticipated benefits and or synergies from the Acquisition will be realized.

6. HIGHEST PERCENTAGE RATIO

The highest percentage ratio pursuant to paragraph 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad is 5.66% based on the Group's audited financial statements for the financial year ended 30 June 2011.

7. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition has no material effect on the earnings per share, net tangible assets per share of the Group, share capital and the substantial shareholdings of the Company for the financial year ending 30 June 2012.

8. APPROVAL REQUIRED

The Acquisition does not require the approvals of the shareholders of the Company and any relevant authority.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders of the Company or persons connected to them and its subsidiaries have any interest, direct or indirect, in the Acquisition.

10. DIRECTORS' STATEMENT

The Board of Directors of Bonia is of the opinion that the terms of the Acquisition are fair, reasonable and on normal commercial terms and are not detrimental to the interest of the minority shareholders. The Board is also of the opinion that the Acquisition is in the best interest of Bonia Group.

11. ESTIMATED TIME FRAME FOR THE COMPLETION OF THE ACQUISITION

The Acquisition is expected to be completed within one (1) month from the date of the abovementioned agreements.

12. DOCUMENTS FOR INSPECTION

The abovementioned agreements are available for inspection at the Registered Office of the Company at Lot 10 The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia from Mondays to Fridays (except public holidays) during the normal office hours for a period of three (3) months from the date of this announcement.

This announcement is dated 3 January 2012.