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**NIRVANA ASIA LTD**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1438)**

## **VOLUNTARY ANNOUNCEMENT ACQUISITION OF TARGET ASSETS**

This announcement is made by Nirvana Asia Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The board of directors of the Company (the “**Directors**”) is pleased to announce that on 2 March 2015, Nirvana Memorial Park Sdn. Bhd. (the “**Purchaser**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with WFS Memorial Tomb Management Sdn. Bhd. (the “**Vendor**”), and Wong Chen Hoong and Wang Siew Yuen (collectively, the “**Guarantors**”), pursuant to which, among other things, the Purchaser has agreed to purchase, and the Vendor has agreed to sell, the following free from all liens, liabilities or such other encumbrances and with complete legal and beneficial titles (the “**Acquisition**”), at an aggregate consideration of 15,000,000 Malaysian Ringgit (“**RM**”) (equivalent to approximately 4,162,500 United States dollars (“**US\$**”)) (the “**Consideration**”):

- (a) all the business together with all goodwill and rights attached thereto, dealings or trade as a contractor for the design and construction of tombs at six memorial parks of the Group (the “**Relevant Memorial Parks**”) and throughout Malaysia, as conducted by the Vendor prior to the Acquisition (the “**Business**”); and
- (b) the business assets owned by the Vendor prior to the Acquisition, which include property, plant and equipment, inventories, licenses and permits.

It is the intention of the Purchaser, the Vendor and the Guarantors that, following completion of the Acquisition, the Purchaser shall be entitled to enjoy 75% of the economic interest or benefit of the Business, and the Guarantors shall be entitled to enjoy the remaining 25% of the economic interest or benefit of the Business by way of dividends that may be declared on their Preference Shares (as defined below), further details of which are set out below. It is also the current intention of the Purchaser, the Vendor and the Guarantors that, for a period of at least five years following completion of the Acquisition and to the extent deemed appropriate by the Purchaser, the Business shall continue

to be managed by the Guarantors and other key management staff of the Vendor or its related companies who shall, following completion of the Acquisition, be employed by the Purchaser or its related companies.

Subject to the profit guarantees as set out in the Sale and Purchase Agreement and below, the Consideration shall be paid by the Purchaser to the Vendor or its nominated recipient(s) in the following manner:

- (a) the first payment of the Consideration in the amount of RM7,000,000 (equivalent to approximately US\$1,942,500) shall be made within seven days of the date of the Sale and Purchase Agreement;
- (b) the second payment of the Consideration in the amount of RM4,000,000 (equivalent to approximately US\$1,110,000) shall be made within 120 days after 31 December 2015; and
- (c) the third payment of the Consideration in the amount of RM4,000,000 (equivalent to approximately US\$1,110,000) shall be made within 120 days after 31 December 2016.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms after taking into account factors including the profit guarantees. In particular, the Consideration represents four times the profit guarantee for the Business for the financial year ending 31 December 2016 less 25% thereon to which the Guarantors may be entitled pursuant to their holding of the Preference Shares.

Completion of the Acquisition shall take place on the date of the Sale and Purchase Agreement.

Under the Sale and Purchase Agreement, the Guarantors, being the directors and shareholders of the Vendor, together with the Vendor, have agreed to provide profit guarantees to the Purchaser as follows:

- (a) a guaranteed audited net profit after tax for the Business in the amount of RM4,000,000 (equivalent to approximately US\$1,110,000) for the financial period of 10 months ending 31 December 2015;
- (b) a guaranteed audited net profit after tax for the Business in the amount of RM5,000,000 (equivalent to approximately US\$1,387,500) for the financial year ending 31 December 2016; and
- (c) a guaranteed audited net profit after tax for the Business in the amount of RM5,500,000 (equivalent to approximately US\$1,526,250) for the financial year ending 31 December 2017.

Pursuant to the terms of the Sale and Purchase Agreement, the Guarantors and the Purchaser have also entered into a deed of guarantee and indemnity on 2 March 2015 pursuant to which, among other things, the Guarantors have agreed to give certain representations, guarantees (including the profit guarantees as set out above), indemnities and warranties in favour of the Purchaser.

In connection with the Acquisition, each of the six subsidiaries of the Group having its operations at the respective Relevant Memorial Parks has agreed to allot and issue one irredeemable non-convertible "Class A" preference share with a nominal value of RM1.00 (collectively, the "**Preference Shares**")

to the Guarantors at the issue price of RM1.00 each. Such Preference Shares may entitle the Guarantors to a fixed, non-cumulative cash dividend of 5% of the nominal value of the Preference Shares and a special dividend representing 25% of the audited net profit after tax for the Business. The declaration of such dividends shall be determined at the sole discretion of the respective subsidiaries subject to, among other things, compliance with applicable laws and regulations as well as applicable financial and reporting accounting standards, any documentation entered into in connection with any bank financing, and the need to maintain sufficient funds for the purposes of cash flow management, capital expenditure and working capital requirements of the Business. Holders of the Preference Shares do not have voting rights at the general meetings of the relevant subsidiaries of the Group save and except in certain limited circumstances where the value of the Preference Shares is affected. The Preference Shares are not convertible into ordinary shares and will not be listed on any stock exchange.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners and the Guarantors are third parties independent of the Company and the connected persons of the Company.

The Acquisition presents an attractive opportunity for the Group to acquire the business of tomb design and construction from its tomb contractors, which will form part of the Group's operations upon completion of the Acquisition. The Directors believe that this downstream acquisition would allow the Group to strengthen its capabilities in the death care service sector while pursuing diversified development along the industry value chain. Furthermore, the Directors are of the view that the Acquisition would help create synergies with the Group's existing death care service business and may help enhance the gross profit margin of the Group's tomb design and construction segment.

Unless otherwise specified, amounts denominated in RM have been translated, for the purpose of illustration only, into US\$ in this announcement at the following exchange rate RM1.00 : US\$0.2775. No representation is made that any amounts in RM were or could have been or could be converted into US\$ at such rate or any other exchange rates on such date or any other date.

By order of the Board

**Nirvana Asia Ltd**

**Dato' Kong Hon Kong**

*Managing Director and Chief Executive Officer*

Hong Kong, 2 March 2015

*As at the date of this announcement, the executive directors of the Company are Dato' Kong Hon Kong, Kong Yew Foong, Soo Wei Chian and Kong Yew Lian; the non-executive directors of the Company are Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Li Gabriel, Ang Teck Shang and Tse Po Shing Andy and the alternate director to Tse Po Shing Andy is Barnes II, William Wesley; and the independent non-executive directors of the Company are Tan Sri Chan Kong Choy, Ng Soon Lai @ Ng Siek Chuan, Foong Soo Hah and Anita Chew Cheng Im.*