



**BONIA CORPORATION BERHAD**

(223934-T)

27 November 2020

Minority Shareholder Watchdog Group  
Tingkat 11, Bangunan KWSP,  
No.3, Changkat Raja Chulan,  
Off Jalan Raja Chulan,  
50200 Kuala Lumpur

**Attention: Mr. Devanesan Evanson**

Dear Sir / Madam,

**BONIA CORPORATION BERHAD ("BONIA") TWENTY-NINE (29<sup>TH</sup>) ANNUAL GENERAL MEETING (AGM) TO BE HELD ON MONDAY, 30 NOVEMBER 2020**

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We refer to your letter dated 22 November 2020 in relation to the abovementioned matter. As requested, we wish to provide our replies to the issues raised by the Minority Shareholder Watchdog Group, which will also be presented to the shareholders of the Bonia at the 29<sup>th</sup> AGM.

**Operational & Financial Matters**

**Question 1:**

The Company's Profit After Tax (PAT) for FYE 2020 declined sharply to RM3.4 million or by around 86% compared to its PAT for FYE 2019 of RM23.3 million.

The Company's profitability was adversely affected by the Covid – 19 pandemic which had subdued the demand for its products. (Page 28 of AR 2020)

What are the measures being taken by the Company to ensure that it registers higher profitability in FYE 2021?

**Answer 1:**

First of all, we must recognise that the COVID-19 pandemic is far from over.

As such, we expect to face further challenges as the global and local economy remains uncertain and overall subdued consumer spending.

In view of the increasing macro-economic challenges, we have to be prudent in managing our costs and uphold the design and quality of our products to enable us to maintain our branding position in the region.

The Group will continue its rationalisation and consolidation efforts and to take further actions and measures to reorganise its resources including preserving cash, rescheduling its productions, purchases and expenditures as well as manpower planning its workforce.

With the current digitalisation of the retail sector and consumer spending pattern, new initiatives to be adopted include investment in the digital environment, as well as enhanced presence in social media and digital advertising.

**Question 2:**

The pandemic had resulted in many retail businesses turning to e-commerce to boost sales. The Company had followed suit to penetrate the e-commerce market, by establishing its own online marketing platform i.e. *bonia.com*, *braunbuffel.com* and *sembonia.com* to capture the attention of online shoppers. (Page 30 of AR 2020)

- a) For FYE 2020, what was the percentage of online sales compared to outlet sales
- b) Does the Company envisage closing more outlets in FYE 2021 and focus on online sales?
- c) What was the cost of maintaining its online presence in FYE 2020?

**Answer 2:**

- a) For FYE 2020, the online sales is approximately 3.5% as compared to outlets sales.
- b) The Management will continue to review the performance of each outlet and will not hesitate to close down those non-performing outlets as part of our consolidation process to preserve resources. For FYE 2021, we will still continue our primary focus on physical retail outlets as the online sales is only expected to contribute around 5-8% of our retailing revenue.
- c) The cost of maintaining online presence in FYE 2020 was approximately RM1.2 million.

**Question 3:**

The impairment on trade receivables increased sharply to RM8 million in FYE 2020 compared to RM1.6 million in FYE 2019?

- a) What are the reasons for the significant rise in impairments of trade receivables in FYE 2020?
- b) What is the amount of impairments which has been collected since June 30, 2020?

**Answer 3:**

- a) The significant increase in impairment loss or expected credit loss (ECL) during the year arose from revised forward-looking information used in the calculation of probabilities of defaults of trade receivables of the Group as a result of the COVID-19 pandemic as disclosed in Note 41(a) to the financial statement. Significant amounts of trade receivables, especially from overseas distributors, have been provided under the ECL computation due to their slowdown in payment after the outbreak of COVID-19 pandemic.
- b) As at 30/9/2020, out of the amount impaired, approximately RM8.2 million has been collected. However, there was an additional impairment of RM1.0 million for the first quarter ended 30th September 2020 based the ECL computation as the ageing of debts increases. We will continue to monitor closely all debts collection and strive to collect the remainder amounts owed.

## **Corporate Governance**

Question 1:

Practice 4.1 of the Malaysian Code of Corporate Governance stipulates that the at least half of the Board has to be made up of Independent Directors.

We note that as of June 30, 2020, only 3 out of the 9 Company's directors are independent. This represents only 33% and this does not comply to the Practice Note.

Does the Company intend to comply with this Practice Note and if yes, by when?

Answer 1:

**Our Company is led by an experienced and diverse Board. To reinforce independence, there are 4 Executive Directors, 2 Non-Independent Non-Executive Directors, 3 Independent Non-Executive Directors and 2 Alternate Directors on the Board.**

**Out of a total of 9 members on Board, only 4 members have executive functions. Although the number of independent directors is less than half of the Board (3 out of 9), the Board is of the view that the number of its Independent Directors is adequate at present to provide the necessary check and balance to the Board's decision-making process.**

Question 2:

We note that the Minutes of the Company's AGM of 2019 has not been updated on the Company's website. The last updates Minutes on the website were of the 2018 AGM.

Please update the Minutes of the AGM on a timely manner as it reflects good Corporate Governance practices.

Answer 2:

**The Minutes of the Company's AGM 2019 have since been uploaded to the Bonia Corporation Berhad website.**

We take that the above is sufficient for your record.

Yours faithfully,  
For and on behalf of

**BONIA CORPORATION BERHAD**



**CHONG CHIN LOOK**  
*Group Finance Director*