



BONIA CORPORATION BERHAD

(223934-T)

27 November 2019

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-EIGHTH (28TH) ANNUAL GENERAL MEETING (AGM) OF BONIA TO BE HELD
ON THURSDAY, 28 NOVEMBER 2019**

We refer to your letter dated 15 November 2019 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 Bonia at the 28th AGM.

Question 1:

65.7% of the Group revenue is from leather-wear, 16.5% from footwear, 10.2% from apparel and 7.6% from accessories. (Page 42 of the Annual Report)

- (a) Does the above product mix represent the optimum product mix? Is the current product mix expected to change in the near future?
- (b) Have consumer preference and trends towards leather products changed?

Answer 1:

- (a) **Bonia Group is primarily a producer of leather goods and is well known for its Bonia, Braun Buffel and Sembonia brands. Over the years, Bonia Group has recognised opportunities in the market and has launched complementary products that has extended to footwear, apparels and accessories. The Group carries out extensive surveys and market research, and based on these and sales achieved, as well as keeping an eye on trends through a network of associates in the industry, plans and produces for what the market requires. Apart from the classics, the Group's designers plan for designs, materials and product mix that the market desires. Consumer demand is dynamic and the Group has proper processes in place to understand consumer demands. The Group is also conscious of different price points required by the market and to meet these requirements, it has also launched different brands to attract differing customer profiles. This is an on-going process and, if necessary, the Group will revisit its brand strategies to stay relevant in the market.**
- (b) **The consumer preference and trends have been changing especially with the influx of online marketing and influences by the digital world. Bonia has also been actively promoting our products on digital platforms and social media in order to stay relevant in the market place.**

Question 2:

To penetrate the e-commerce market, the Company has established its own platform as well as leveraging on other well-known online marketplace in the region. As stated, the revenue contribution of online marketplaces is insignificant yet encouraging. (Page 40 of the Annual Report)

- (a) Will the Company invest in a bigger scale to expand its online marketplace, moving forward?
- (b) What is the target revenue (in percentage) from online marketplace in the next 3 years?

Answer 2:

- (a) Yes, Bonia group will definitely invest in a bigger scale to expand our online marketplace in the near future. This includes new initiatives and investment in digital system, advertising and upgrading of our own online platform as well as enhancing presence in social media.**
- (b) We hope to achieve contribution from online marketplace to be in the region of 5-8% in the next 3 years.**

Question 3:

Based on the Five-Year Group Financial Highlights on page 38 of the Annual Report, Profit After Tax drops by 41% to RM23.261 million in FY2019 from RM39.398 million in FY2017.

What are the strategies to increase the profitability of the Company?

Answer 3:

The Group's performance has been challenging due to the weak retail market conditions and overall subdued consumer sentiment. The decrease in profit was also partially due to the demerger of CRG Group during the FY2019. Moving forward, the main focus for the Group to address the declining performance is to focus on profitability and prudent cash flow management. The Management has put in place several measures to consolidate and transform the company's performance in what has been a very difficult retail environment. These measures, which include various cost saving measures, refreshing the brands, revamping products and product lines, improving supply chain management, increasing advertising and promotion budgets as well as increasing visibility of the brands, are expected to show positive results in the coming years. As it stands, the Group has already implemented its treasury management program and tax efficiency plan, as well as rationalising its non performing outlets.

Question 4:

What is the Group rationale for scrapping its plan to sell its wholly owned subsidiary Maha Asia Capital Sdn Bhd to its founder, CEO and Group Executive Director, Chiang Sang Sem since the plan was to reduce the Group borrowings?

Answer 4:

As announced to the Bursa Malaysia on 8th of October 2019, the parties have mutually agreed to the termination of the Share Sale Agreement ("SSA") as certain conditions precedent of the SSA have not been fulfilled.

Question 5:

The investment properties of the Group increased to RM51.647 million from RM21.442 million. (Page 114 of the Annual Report) The rental income derived from the investment properties amounted to RM1.263 million (2018: RM1.053 million), representing a rental yield of 2.4%.

Moving forward, what is the expected rental income from the investment properties of the Group?

Answer 5:

Please refer to Note 8 (Page 173 of the Annual Report).

The increase was due to reclassification from property, plant and equipment of RM10.948 million and reclassification from assets held for sale of RM24.0 million. It was reduced by disposals of properties of RM3.6 million and a fair value adjustment amounting to RM1.558 million.

The Group continues to review its property portfolio and will rationalise it as appropriate. Disposals will take place but at prices deemed acceptable to the Group and as advised by professional valuers.

Question 6:

Based on page 197 of the Annual Report, approximately RM5.172 million of trade receivable were provided as "third party impairment in FY2019" as compared to RM4.637 million in FY2018.

- (a) What are the reasons for the increase?
- (b) How much of these impaired and amounts have been recovered to-date?

Answer 6:

(a) The increase was mainly due to foreign exchange translation loss for the old debts and an additional impairment for overdue debts of RM389,000 under MFRS 9.

(b) None of the impaired amounts have been recovered to-date.

Corporate Governance Matters

The Minutes of the AGM has not been updated in the Company's website. The last updated minutes in the website are Minutes of the AGM for FY2017.

Please update the Minutes of the AGM on a timely manner to promote good Corporate Governance practices.

Answer:

The Company has updated the Minutes of 27th AGM duly held on 26 November 2018 in the Company's 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