PADINI HOLDINGS BERHAD

(50202-A)
(Incorporated in Malaysia)

Annual Report & Sustainability Report
2 0 1 9

vision

To Be The
Best Fashion Company
Ever

mission

To Exceed
Customers' Expectations
And
Our Brands' Promise

core value

PADINI

caring from the heart

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Eighth Annual General Meeting of the Company will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang Subang, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 19 November 2019 at 10:00 a.m. for the following purposes:-

AGENDA

Ordinary Business

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon.

2. To approve payment of Directors' fee of RM300,000 in respect of the financial year ended 30 June 2019 (2018: RM300,000). ***(Ordinary Resolution 1)***

3. To approve the payment of Directors' benefits (excluding Directors' Fees) up to an amount of RM30,000 payable to the Independent Directors from 1 July 2019 until the next Annual General Meeting to be held in 2020. ***(Ordinary Resolution 2)***

4. To re-elect the following Directors who are retiring in accordance with Clause 103(1) of the Company's Constitution:-

   i) Mdm Chong Chin Lin ***(Ordinary Resolution 3)***

   ii) Mr Andrew Yong Tze How ***(Ordinary Resolution 4)***

   iii) Mr Chia Swee Yuen ***(Ordinary Resolution 5)***

5. To re-appoint Messrs BDO PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Ordinary Resolution 6)***

Special Business

6. To consider and if thought fit, to pass the following as an ordinary resolution:-

   Retention of Independent Director

   "That Mr Foo Kee Fatt who has served the Board for more than nine years be retained as Independent Non-Executive Director of the Company." ***(Ordinary Resolution 7)***

7. To transact any other business of which due notice shall have been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Thirty Eighth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Clause 71 of the Company's Constitution and Section 34 (1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 8 November 2019. Only a depositor whose name appears on the Record of Depositors as at 8 November 2019 shall be entitled to attend the said meeting or appoint proxy/proxies to attend and/or vote on his behalf.

BY ORDER OF THE BOARD

HO MUN YEE (MAICSA 0877877)
TAM FONG YING (MAICSA 7007857)
Company Secretaries

Selangor
18 October 2019

Notice of Annual General Meeting (Cont'd)

Notes:

(i) A member entitled to attend and vote at a meeting, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) persons as his proxy to vote instead of the member at the meeting. There shall be no restrictions as to the qualifications of the proxy.

(ii) Where a member appoints more than one proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.

(iv) The instrument appointing a proxy must be completed and deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll, not less than twenty four (24) hours before the time appointed for the taking of the poll). You can also have the option to lodge the proxy appointment electronically via TIIH online at website https://tiih.online before the proxy form lodgement cut-off time as mentioned in the above. For further information on the electronic lodgement of proxy form, kindly refer to the Annexure of the Proxy Form.

Notes:

A. The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act 2016. Hence, this matter will not be put for voting.

B. The benefits payable to the Directors (excluding Directors' Fees) comprises meeting allowances payable to the Independent Directors. The estimated meeting allowances payable to the Directors from 1 July 2019 until the next Annual General Meeting of the Company, are calculated based on the number of scheduled meetings for Board of Directors, Board Committees and general meetings of the Company.

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. Retention of Independent Director

The Board of Directors has vide the Nominating and Remuneration Committee conducted an assessment of independence on Mr Foo Kee Fatt who has served as an Independent Non-Executive Director for a cumulative term of more than nine years and recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:-

Justifications

a) He has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and is therefore able to give independent opinion to the Board;
b) Being Director for more than nine years has enabled him to contribute positively during deliberations/ discussions at meetings as he is familiar with the operations of the Company and possess knowledge of the Company's operations;
c) He has contributed sufficient time and exercised due care during his tenure as an Independent Non-Executive Director;
d) He has discharged his professional duties in good faith and also in the best interest of the Company and shareholders;
e) He has the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and
f) He has never compromised on his independent judgement.

Notice of Annual General Meeting (Cont'd)

STATEMENT ACCOMPANYING THE NOTICE OF THE 38TH ANNUAL GENERAL MEETING

A Further details of Directors who are standing for re-election as Directors

The details of the Directors who are standing for re-election at the 38th Annual General Meeting are set out in the Directors' Profile of the Company's 2019 Annual Report. No individual other than the retiring Directors are seeking election as Directors at the 38th Annual General Meeting.

The retiring Directors have been assessed by the Nominating and Remuneration Committee and the Board of Directors and are recommended for re-election at the 38th Annual General Meeting.

CORPORATE INFORMATION

CHAIRMAN
Chia Swee Yuen

MANAGING DIRECTOR
Yong Pang Chaun

DIRECTORS
Andrew Yong Tze How
Benjamin Yong Tze Jet
Chong Chin Lin
Chew Voon Chyn
Foo Kee Fatt
Lee Peng Khoon
Sung Fong Fui

COMPANY SECRETARIES
Ho Mun Yee (MAICSA 0877877)
Tam Fong Ying (MAICSA 7007857)

AUDITORS
BDO PLT
Chartered Accountants

PRINCIPAL BANKERS
OCBC Al-Amin Bank Berhad

REGISTERED OFFICE
3rd Floor
No. 17, Jalan Ipoh Kecil
50350 Kuala Lumpur
Tel : 03 - 4044 3235
Fax : 03 - 4041 3959

PRINCIPAL PLACE OF BUSINESS
No. 19, Jalan Jurunilai U1/20
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Tel : 03 - 5021 0500
Fax : 03 - 7805 1066

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03 - 2783 9299
Fax : 03 - 2783 9222

STOCK EXCHANGE LISTING
Main Market
Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE

PADINI HOLDINGS BERHAD
(50202-A)

→ **100%**
MIKIHOUSE CHILDREN'S WEAR SDN. BHD. (164485-U)

→ **100%**
PADINI CORPORATION SDN. BHD. (22159-H)

→ **100%**
SEED CORPORATION SDN. BHD. (194391-K)

→ **100%**
YEE FONG HUNG (MALAYSIA) SDN. BHD. (15011-U)

→ **100%**
PADINI DOT COM SDN. BHD. (510558-H)

→ **100%**
VINCCI LADIES' SPECIALTIES CENTRE SDN. BHD. (73404-H)

→ **100%**
VINCCI HOLDINGS SDN. BHD. (97644-K)

→ **100%**
THE NEW WORLD GARMENT MANUFACTURERS SDN. BHD. (80490-U)

→ **100%**
PADINI INTERNATIONAL LTD., HONG KONG (896012)

→ **100%**
PADINI (CAMBODIA) CO., LTD. (00026592)

→ **100%**
PADINI (THAILAND) CO., LTD. (0105561096612)

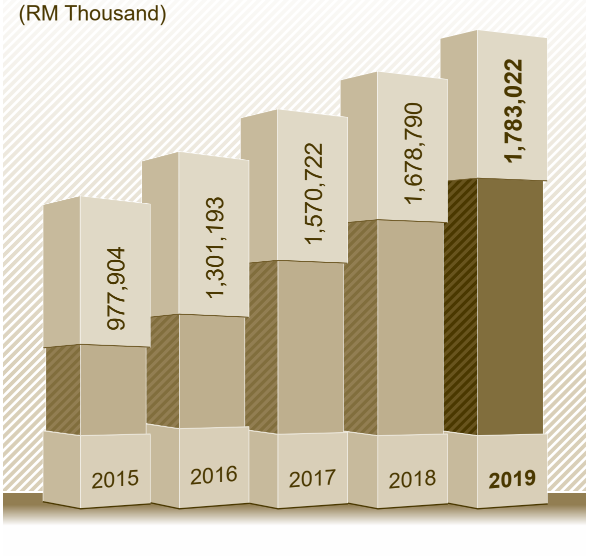
GROUP FINANCIAL HIGHLIGHTS

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	977,904	1,301,193	1,570,722	1,678,790	**1,783,022**
Profit before taxation	111,835	186,665	213,189	239,696	**219,265**
Profit attributable to equity holders of the Company	80,223	137,385	157,388	178,174	**160,166**
Basic earnings per share (sen) based on profit attributable to equity shareholders	12.19	20.88	23.92	27.08	**24.34**
Net assets	405,634	468,956	552,102	653,200	**740,344**
Net assets per share (sen)	61.7	71.3	83.9	99.3	**112.5**
Dividend per share (sen)	10	11.5	11.5	11.5	**11.5**
Increase in Revenue	111,646 12.9%	323,289 33.1%	269,529 20.7%	108,068 6.9%	**104,232** **6.2%**
(Decrease)/Increase in profit before taxation	-13,884 -11.0%	74,830 66.9%	26,524 14.2%	26,507 12.4%	**-20,431** **-8.5%**
(Decrease)/Increase in profit attributable to equity holders	-10,690 -11.8%	57,162 71.3%	20,003 14.6%	20,786 13.2%	**-18,008** **-10.1%**
Changes in basic earnings per share (sen)	-1.6 -11.8%	8.7 71.3%	3.0 14.6%	3.2 13.2%	**-2.7** **-10.1%**
Changes in net assets	17,970 4.6%	63,322 15.6%	83,146 17.7%	101,098 18.3%	**87,144** **13.3%**
Changes in net assets per share (sen)	2.8 4.6%	9.6 15.6%	12.6 17.7%	15.4 18.3%	**13.2** **13.3%**
Changes in dividend per share (sen)	-1.5 -13.0%	1.5 15.0%	– –	– –	**–** **–**

Group Financial Highlights (Cont'd)

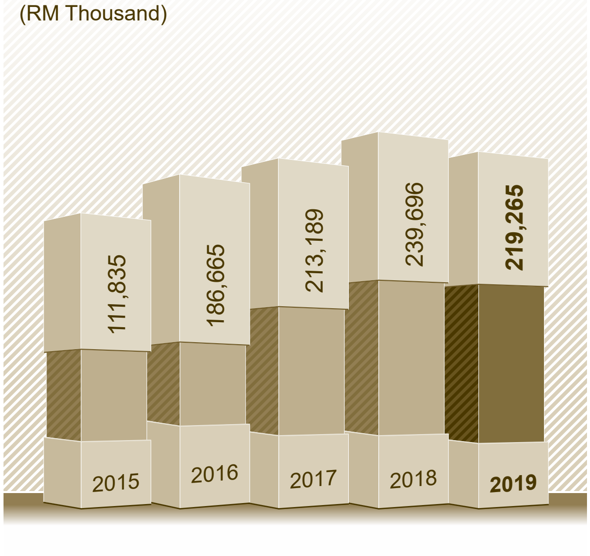
REVENUE

(RM Thousand)



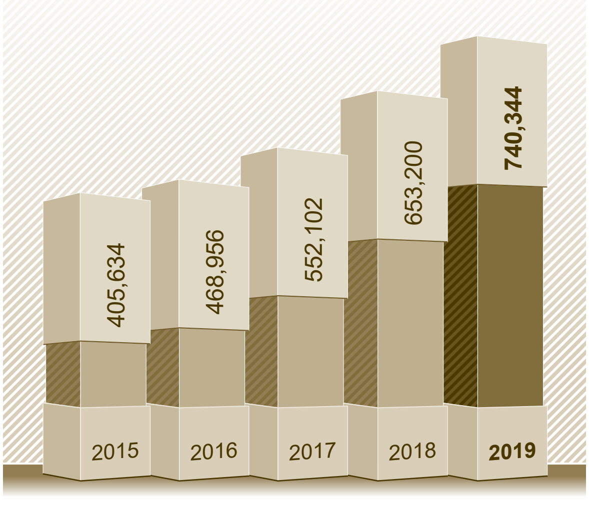
PROFIT BEFORE TAXATION

(RM Thousand)



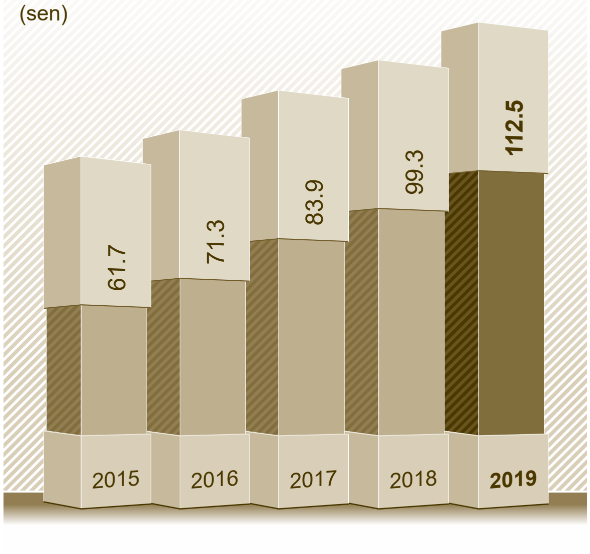
NET ASSETS

(RM Thousand)



NET ASSETS PER SHARE

(sen)



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and the Audited Financial Statements of Padini Holdings Berhad and its subsidiaries ("Padini" or "the Group") for the financial year ended 30 June 2019.

Group Performance Overview

The Group achieved a commendable business performance in the financial year 2019 despite the uncertain overall market outlook. For the financial year under review, the Group achieved consolidated revenues of RM1.78 billion, a commendable growth of 6.2% over the previous year's revenue of RM1.68 billion. However, profit before taxation fell 8.5%, from RM240 million achieved in the previous year to RM219 million in the current financial year. The drop in net profit is mainly due to the decrease in gross profit margin and reduction of fit out contributions from mall operators.

Management Discussion and Analysis in the following section discusses in more detail on Padini's performance and the risks and challenges the Group are exposed to.

Future outlook

The uncertainty in the global economies, trade war, volatility in currency and the intensifying regional business competition have made our operating environment very challenging. Global economy is forecasted to be slightly weaker in 2020 compared to 2019 with unresolved trade tensions between the US and China, and a slower-than-expected global growth.

The outlook for the domestic economy, on the other hand, is projected to be supported by strong consumer spending arising from a stable employment outlook, implementation of higher minimum wage rate and accommodative financing conditions. The Malaysian budget to be announced in October 2019 is expected to remain supportive of consumer spending, which would support the retail industry.

During the year, Padini continued to be affected by the rapidly-evolving retail industry, fueled by the continuous growth and the intensification of price competition driven by both pure digital seller and fully vertical retailers. In addition, e-commerce leads to changes in consumer consumption patterns. As a result, operating conditions have to be efficient, especially for brick and mortar stores, in order to survive. Good understanding of consumer needs, ability to deliver value and speed-to-market are critical for continued success. These components have been ingrained into all areas of the marketing, merchandising and supply chain of the Group, with constant reinforcement maintained. Digital retailing is also a component to extend the purchasing channels for consumers and for future growth.

The Group's domestic operations continue to be the main driver of its revenue and profit with a strong base built up on the domestic front as well as progressive fruition on the development of talent. Compared to domestic operation, the overseas markets are still at the infant stage and do not have significant financial impacts in the financial year 2019. The Group will continue monitoring the overseas markets for opportunities to increase our market presence in Asia, especially ASEAN countries.

With all these in mind and given the consistent execution of the Group's strategies to manage both the top and bottom lines, the Group is cautiously optimistic of delivering another year of profitable results for the shareholders.

Chairman's Statement (Cont'd)

Appreciation

On behalf of the Board of Directors, I wish to express my deepest appreciation to all our customers, shareholders, suppliers, professional service providers, bankers and all other business associates for their continuous support and trust. I would also like to thank my fellow Board members for their invaluable guidance and support to the Management.

Last but not least, I also want to acknowledge the hard work, dedication and commitment of employees across the Group, ranging from stores staff to those working in our office and overseas operations. Their continued contributions are key to our future success.

The Padini Group looks forward to being able to create more value for all the various stakeholders. May we continue to work together and forge ahead to achieve sustainable growth and success.

Chia Swee Yuen
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

The following management discussion and analysis is a review of the business and operation, discussion of the financial results and condition, performance of operating segments, risk and uncertainties and future outlook of Padini. This management discussion & analysis should be read in conjunction with the company's audited financial statements and the accompanying notes for the financial year ended 30 June 2019.

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

Padini's vision is to be the best fashion company ever in Malaysia and the region. Our mission is to exceed customers' expectations and our brands' promise. Forward planning, teamwork, resources and infrastructure development and consistent execution of strategies are required to achieve the aforesaid vision and mission. With the key enablers progressively put in place, the Group has continued to forge ahead notwithstanding the challenging economic environment.

Retail has always been and will continue to be ever changing and evolving. Fashion retailers need to be ever iridescent in the eyes of consumers, to attract and retain their interest and increase the traffic to our retail stores. As always, a good understanding of consumers' needs and speed of delivery are the utmost importance. The latest fashion trends need to be made available in store in the shortest time possible, at the right price, before it loses its appeal. The question lies in who can execute this and execute it well, every time. Padini is learning every day to improve the lead time in every step by improving the efficiency and processes.

Given the current and economic outlook, we shall continue to focus on prudent cost management at all operational levels and provide products that are good in value by increasing the efficiency throughout our value and supply chain.

Moving on, digital retailing will continue to be a growing feature in the retail industry. The digital retail revolution is given similar levels of threats and opportunities for those of us who make a living in retail. Padini will continue to leverage technology on our business growth and setting business strategy. However, we believe fashion items appreciate the touch-n-feel and brick and mortar is an important platform to create wonderful customer experience which cannot happen in the digital world. We believe in working towards the direction that brick and mortar model and online retail model complement each other to provide a richer shopping experience for our customers.

FINANCIAL RESULTS AND BUSINESS REVIEW

For the financial year under review, considering the challenging business environment, the Group had done well, achieving consolidated revenue of RM1.78 billion, a growth of 6.2% over the previous year's amount of RM1.68 billion. However, gross profit margin has decreased by 1.8% in the current year under review. Profit before taxation decreased by approximately RM20.4 million or 8.5% from the previous year's RM240 million. Total comprehensive income for the financial year attributable to the owners of the Company fell approximately 10.1% or RM18 million when compared to the amount of RM178 million achieved in the previous financial year.

The drop in the gross profit margin is within the acceptable range of the Group. Generally, margin of our products ranges from 38% to 42%. Margin moves up and down caused by many reasons including sales mix, type of promotion, type of product offer for sales, varied purchase cost and so on. This had a direct impact with a decrease in profit before tax.

Management Discussion & Analysis (Cont'd)

Retailing – Domestic and Abroad

The Group's domestic operations have continued to be the main driver of its revenues and profits, and garments, shoes and fashion accessories remain the main products of the Group.

In the domestic market, our products are sold through the numerous retail stores, consignment counters and internal and external online portal.

In the multi-brand Padini Concept Stores and single-brand stores, our products are carried under the following brand names; Vincci, Vincci Accessories, Vincci Mini, Padini Authentics, PDI, Padini, Seed, Miki, and P&Co, all of which are owned by the Group. All the aforementioned brands are widely known by Malaysian consumers and are easily available in the major urban shopping malls in Malaysia. In addition to those, the Group also utilises a greater number of house brands to market the value-for-money merchandise that it offers for sale in its Brands Outlet stores.

For the financial year under review, the individual performance of the five (5) trading subsidiaries are indicated in the table below.

Company	FYE 30.6.2019	FYE 30.6.2018	FYE 30.6.2017
Vincci Ladies' Specialties Centre SB			
Revenue	RM272.0 million	RM272.4 million	RM270.6 million
Profit before Taxation	RM41.2 million	RM42.4 million	RM55.6 million
Padini Corporation SB			
Revenue	RM575.5 million	RM549.5 million	RM523.8 million
Profit before Taxation	RM74.3million	RM84.1 million	RM62.3 million
Seed Corporation SB			
Revenue	RM145.8 million	RM154.3 million	RM153.7 million
Profit before Taxation	RM13.1million	RM19.4 million	RM22.5 million
Yee Fong Hung (M) SB			
Revenue	RM707.5 million	RM644.0 million	RM572.4 million
Profit before Taxation	RM70.0million	RM72.8 million	RM59.5 million
Mikihouse Children's Wear SB			
Revenue	RM43.9 million	RM48.1 million	RM49.3 million
Profit before Taxation	RM7.1million	RM8.7 million	RM6.1 million

The various trading subsidiaries have continued to produce steady results for financial year 2019.

Management Discussion & Analysis (Cont'd)

The following tables provide a snapshot of the Group's retail network, broken down according to our brands, and markets, as at the various dates indicated.

Brands – Domestic Market	As at 30.6.2019	As at 30.6.2018	As at 30.6.2017
Vincci, Vincci Accessories, Vincci Mini			
Free-standing stores	15	18	18
Consignment counters	1	1	1
Seed			
Free-standing stores	1	1	1
Consignment counters	3	3	19
Padini Authentics			
Free-standing stores	2	2	3
Consignment counters	3	3	13
PDI			
Free-standing stores	9	9	13
Padini			
Free-standing stores	1	1	1
Consignment counters	2	2	7
Miki Kids			
Consignment counters	1	1	16
Brands Outlet			
Free-standing stores	55	54	47
Padini Concept Stores (Multi-brands)			
Free-standing stores	48	48	43
Total	**141**	**143**	**182**

For the overseas market, we either managed through licensees or managed by our own management. The following are retail stores managed by licensees and dealers, all these stores are selling shoes and fashion accessories carried under the Vincci (or VNC) label.

Brands – Foreign Market	Locations	As at 30.6.2019	As at 30.6.2018	As at 30.6.2017
Vincci/VNC				
Franchise Stores	ASEAN #	18	22	20
	UAE	16	17	17
	Oman	3	3	3
	Qatar	2	2	2
	Bahrain	1	1	1
	Pakistan	–	6	7
Dealer Stores	Thailand	–	9	9
Total		**40**	**60**	**59**

Management Discussion & Analysis (Cont'd)

Further breakdown as follows:-

	As at 30.6.2019	As at 30.6.2018	As at 30.6.2017
Brunei	1	1	1
Myanmar	3	3	3
Cambodia	–	3	3
Indonesia	14	15	13

The decrease in the number of overseas franchisee stores managed by licensees was mainly due to expiry of contract and management decided not to renew it. We have exited Pakistan upon expiry of contract due to political and policies instability and weak business performance. However, the cessation of business dealings in Pakistan do not have material impact to the Group.

The following are own-managed overseas stores:-

	As at 30.6.2019	As at 30.6.2018	As at 30.6.2017
Cambodia			
Brands Outlet Padini Concept Stores	1 2	1 2	– –
Total	**3**	**3**	**–**
Thailand			
Vincci/VNC	7	–	–

Own-managed overseas stores are still at the nursing stage of development and do not have significant financial impact to the Group in the financial year 2019.

Domestic operations accounted for about 95.5% of the Group's consolidated revenue in the financial year 2019, compared to 96.5% in the financial year 2018. Group revenue had grown by 6.2% or approximately RM104 million. In absolute value terms, exports sales increased by approximately RM21 million from that recorded in the financial year 2018, mainly contributed by Cambodia's outlets which have full year operation results.

In the domestic sector, the Group had as at 30 June 2019, a total of 141 retail stores divided into 28 single-brand stores, 48 Padini Concept Stores, 55 Brands Outlet stores and 10 consignment counters. Except for 6 Padini Concept Stores and 6 Brands Outlet stores which are located in Sabah and Sarawak, the rest of the stores are located throughout Peninsular Malaysia.

The Group had in the financial year of 2019, opened 2 Padini Concept Stores and 2 Brands Outlet stores. There were 2 Padini Concept Stores, 1 Brands Outlet store, 3 free standing stores closed during the financial year as part of the strategy to maximize return on equity and streamline operations.

The gross floor area for the new stores was approximately 70,000 square feet. Total floor area closed during the year was about 49,000 square feet. As at 30 June 2019, the total gross floor area operated by the Group was about 1,477,000 square feet, of which 762,000 square feet and 662,000 square feet respectively were for the Padini Concept Stores and Brands Outlet stores, whilst the balance reflected the area covered by our single-brand stores.

Management Discussion & Analysis (Cont'd)

Liquidity Indicators

	As at 30.6.2019	As at 30.6.2018
Liquidity ratio	3.92	2.93
Acid test ratio	2.58	1.95
Interest bearing liabilities	RM24 million	RM37 million
Shareholders' funds	RM740 million	RM653 million

Liquidity ratio attempts to measure Group's ability to pay off its short-term debt obligations. This is done by comparing Group's current assets with its short-term liabilities. For a healthy and financially sound company, its acid test should exceed 1. It means that the current assets are not highly dependent on inventories and the Group has the ability to pay their current liabilities as and when needed.

The Group has healthy liquidity indicators for both the financial years under review. Both liquidity ratios and acid test ratios indicate healthy cash reserve position and have improved over the year. The Group has been keeping relatively low level of liabilities for both the financial years under review and the gearing ratio has improved from 6% to 3% in the current financial year under review.

Capital Management

There was no change in the share capital of the Company during the financial year. There was no major capital investment during the financial year, other than as disclosed in Note 8 to the financial statements for the investment in Padini Thailand and Note 5 to the financial statements for the capital expenditure incurred during the financial year.

RISKS AND UNCERTAINTIES

The Group's business activities, operations, financial results and growth prospects are subject to the risks and uncertainties in the market place that it operates. There are inherent risks arising from unfavorable changes in general economic and business condition and rising costs that could result in outcomes differing from the planned result.

The following risks are not exhaustive and there may be other risks which are not known to the Group. The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict.

Economy uncertainty

The outlook for the domestic economy is projected to be stable in 2019 and 2020. The impact on consumer spending will very much depend on the delicate balancing act of the Government to control the budget deficit versus the aim to put more disposable income into the hands of the rakyat in the face of global uncertainties. Market confidence and employment are important elements in spending level and spending pattern.

The second Malaysian budget after the change of government in 2018, is expected to remain supportive of consumer spending, generous and friendly to the lower-income households. The direction of our business will continue to focus on offering more value for money clothing and accessories to all levels of income group. We believe affordable clothing will continue to be a necessity.

Trading condition is expected to remain uncertain and challenging for retailers for the second half of 2019 and 2020. Downside risks include rising trade war tensions, tighter global financial conditions and uncertainty over the government's fiscal situation. There will be lingering concerns over rising cost of living and its impact on consumer sentiment as consumers remain cautious and selective in their spending.

Management Discussion & Analysis (Cont'd)

The Group seeks to limit these risks through, among others, prudent management policies, continuous review and evaluation of the Group's operation and strategies, close working relationships with the stakeholders, continuous quality customer services, human resource development and technology upgrades.

Competition

Other than local economic and social developments, apparel players in Malaysia are also influenced by penetration of international players, which is the trend of borderless trading that promotes free trade among countries. Competition emerges in many ways; product quality, price comparison, product variety and speed of delivery of trendy apparel to market and product life cycle and distribution channels. This is the era that consumer has higher expectation on what a company is able to deliver, quality, value proposition, convenience, newness and innovation.

Fashion industry is also evolving into an important phase of digital adoption by the consumer, the continuous growth of e-commerce leading to changes in consumer consumption patterns. The availability of technology and the myriad of choices and information at the consumers' disposal have made it even more challenging for retailers to stay relevant to their customers. With the ease of reaching out information at consumers' fingertips, consumers are becoming less brand loyal. Consumers will switch brands when there are offers with better price and better value.

The country's competitive retail landscape is also witnessing signs of consolidation while at the same time, addition of new retail space as well as continuous transformation and modernisation of retail formats happen. Shopping landscape has changed from heavily on traditional business model, to a complex journey across online and offline touchpoints. Spending habit and purchase decision of consumer have also been greatly affected by new communication channels, especially social media, video streaming and peer reviews.

Supply Chain Capabilities and Performance

It is very important to have a robust supply chain for the Group to ensure good number of product varieties, good quality of products and speedy supply. Poor management in this area is a big risk to the survival of the Group.

Beside keeping good relationship with existing good suppliers, sourcing new suppliers that are capable of meeting our requirements is also one of the important key performance indicator for our Sourcing department. Basic factors to consider while sourcing new suppliers include pricing, quality, lead time, quality workmanship, production capacity and suppliers' ethical operation. The Group also further evaluate the environment, social and governance footprint of the supplier, such as ethical labour practices, sustainability of material used and production line.

Poor supply chain performance can lead to many problems that deteriorate profit of the Group. This includes insufficiency and discontinuity of best seller products, keeping excessive inventory, inefficient logistics arrangement and poor sourcing choices. This is a continuous effort and the performance is reviewed on regular basis.

Impact of MFRS 16 Leasing

A new accounting standard, Malaysian Financial Reporting Standards 16 ("MFRS 16"), is mandatorily effective for annual periods beginning on or after 1 January 2019. The Group's first set of financial statements adopting the new accounting standard is financial year 30 June 2020. MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, a company has to recognise the right-of-use of a lease assets representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

The adoption of the MFRS 16 have varying effects on different companies. The impact of adopting MFRS 16 may be different depending on the value of operating lease, tenure of lease period, discounted rate and others. The Group is still assessing the actual impact of this new accounting standard in the next financial statements.

Management Discussion & Analysis (Cont'd)

DIVIDENDS

In respect of the financial year under review, the following dividends were declared and paid:

- a first interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737.24 for the financial year ended 30 June 2019 that was declared on 27 August 2018 and was paid on 28 September 2018.
- a second interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737.11 for the financial year ended 30 June 2019 that was declared on 29 November 2018 and was paid on 28 December 2018.
- a third interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737.11 for the financial year ended 30 June 2019 that was declared on 27 February 2019 and was paid on 29 March 2019.
- a fourth interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737.11 for the financial year ended 30 June 2019 that was declared on 28 May 2019 and was paid on 28 June 2019.
- a special dividend of 1.5 sen per ordinary share (single tier) amounting to RM9,868,642.17 for the financial year ended 30 June 2019 that was declared on 28 May 2019 and was paid on 28 June 2019.

The Board does not intend to establish a fixed dividend policy at this point of time. The Board strives to provide consistent dividend streams to shareholders whilst ensuring to retain flexibility of cash flows to meet its business operation needs as well as its expansion plan.

FORWARD-LOOKING STATEMENT

Due to the difficulties in predicting the financial impacts of the risks and uncertainties on the business, the Group undertakes no obligation to publicly update any of the forward-looking statements in the event that any unforeseen circumstances arise which might affect them.

In tandem with the global environment, the year ahead will be an arduous journey riddled with uncertainties in all aspects, as the direction of global economy is uncertain and unpredictable.

Locally, Malaysia is still expected to remain on a steady path this year, supported by resilient domestic demand, exports and moderate inflation level. Increase of household earnings arising from better employment outlook, implementation of higher minimum wage rate and accommodative financing conditions. With the announcement of the New Budget in October 2019, we believe the government will continue with the policies that will increase disposable income of the medium-low income group, which should have a positive effect to the retail industry.

For the new financial year, we have not finalised any plan on new store opening or closures in Malaysia and Thailand. We will actively monitor the market condition and evaluate our business strategy on regular basis to maximize the returns. In Cambodia, we will open a Brands Outlet store in the financial year 2020.

To maintain, if not be better than we are now, our merchandising, pricing and promotional strategies will continue to be focused on being relevant to our customers; concentration will still be on design, quality and affordability, where we strive to bring the best value to our customers in the shortest time-to-market possible. The latest fashion trends need to be made available in store in the shortest time possible, at the right price, before it loses its appeal.

Whilst we are still very much centered on the brick and mortar business, a lot of effort has been put in to grow our online business by increasing the awareness of our products in our online store and improve the infrastructure for e-commerce. Developing new online shopping experience and enhance shopping convenience to our consumer is a continuous effort of the e-commerce division. We believe digital retailing of the Group will bring positive impact to the Group both as a complementary business channel and for future growth.

While we are not expecting major contribution from the new stores in Cambodia and Thailand in the financial year 2020, we envisage the Group will grow stronger and bigger along with the expansion in ASEAN region together with the online business in the longer term.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Padini Holdings Berhad has always been committed to ensure the fulfillment of the highest standards of Corporate Governance as set out in the Malaysian Code on Corporate Governance ("the Code/MCCG"), and is proactive to ensure Principles and Recommendations are practiced throughout the Group. The Board believes that strong corporate governance is essential in safeguarding and enhancing shareholders' value and for long-term sustainability and growth.

The Board is pleased to present the Corporate Governance Overview Statement ("this Statement") which seeks to provide shareholders and investors vital insights into the corporate governance ("CG") practices of the Group to the investors for the financial year of 2019.

This statement describes the approaches that the Group has taken with respect to the Principles of the MCCG 2017 and the extent of compliance with the Recommendations of the MCCG 2017 as required under the MCCG 2017, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Corporate Governance Guide ("CG Guide") issued by Bursa Malaysia Berhad during the financial year under review.

The detailed application for each practice as set out in the MCCG 2017 is disclosed in the CG report which is available in the Group's website, at http://corporate.padini.com

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD OF DIRECTORS

1.1 Board Charter and Code of Conduct of the Board

The Board has established a Board Charter which clearly sets out the principal roles of the Board, and responsibilities of the Board, Board Chairman, Managing Director and Board Committees.

The Board Charter is periodically reviewed by the Board and updated taking into consideration the needs of the Group as well as any development in relevant rules, regulations and laws that may have an impact on the discharge of the Board's duties and responsibilities.

The Board is also committed to conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Code of Conduct and Ethics reinforces the Group's core value on integrity by providing guidance on moral and ethical behaviour that is expected from all employees.

The Board Charter and Code of Conduct of the Board are made available for reference in the Group website at http://corporate.padini.com

1.2 Roles and Responsibilities of the Board

The Board is accountable and responsible for the overall performance and affairs of the Group by overseeing and appraising the Group's strategies and policies in achieving the objectives and long term goals of the Group.

In line with the practice of good corporate governance, the Board has established and implemented various processes to assist members of the Board in the discharge of their roles and responsibilities. The Board's roles and responsibilities include the following:-

1. Establishing and reviewing the Group's long-term direction through formulation of business objectives and strategies.
2. Approving the Group's annual business plans, annual budget and carries out periodic review of the achievements by the various operating divisions against their respective business target.
3. Promoting a sound corporate governance culture which reinforces ethical, business integrity, commitment to values, delivering sustainable values and managing shareholders' and stakeholders' expectation.
4. Ensuring the Group has appropriate business risk management process.
5. Ensuring that there is in place an appropriate succession plan for members of the Board and senior management.
6. To be accountable to its shareholders and stakeholders whom may be affected by the Group's decision.

Corporate Governance Overview Statement
(Cont'd)

1.3 Composition, Independence and Diversity of the Board

There are currently altogether nine members in the Board, comprising six Executive Directors and three Independent Non-Executive Directors. The current Board composition complies with the Listing Requirements but departed from MCCG 2017 in which the Board comprises a majority independent directors. A brief profile of each Board member is as set out in the Annual Report 2019 "Profile of Directors".

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making. The position of Chairman is held by Chia Swee Yuen, an Independent Non-Executive Director, while the position of Managing Director is held by Yong Pang Chaun. The Chairman is responsible in leading the Board in its collective oversight of Management whilst the Managing Director is responsible to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Group.

In promoting diversity, gender and opportunities, the Board, on the recommendation of the Nominating and Remuneration Committee ("NRC"), has adopted a Diversity Policy on the Board and workforce of the Group. The Board, via the NRC conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives. The Group takes into account the benefits of having different facets of diversity including gender, professional background, skills and experience in sourcing for suitable candidates for its Board. In appointing an appropriate individual to the Board, the NRC considers and recommends to the Board the suitable candidate after evaluating the candidate's skills, knowledge, competencies, expertise and experience, time commitment, professionalism, integrity and diversity.

In line with the Government's aspiration to have at least 30% women representation in decision-making positions of Malaysian public companies, the Company currently has 3 female members on the Board, representing 33% of the total Board Members. The Group also ensures diversity in its management level by having strong female representation at the management level which could potentially be a pipeline for future candidates to be appointed as Directors or Senior Management.

The Board has upon their assessment on the contributions of Foo Kee Fatt, who has served as an Independent Director of the Group for more than nine years, concluded that the length of service does not in any way interfere with the exercise of independent judgement and recommended him to continue in carrying out his professional duties as an Independent Director in the best interest of the Group and shareholders.

The Board is further supported by two (2) qualified and competent Group Secretaries. The Group Secretaries manage the logistics of all Board, Board Committees and the group subsidiaries meetings and ensures accurate and proper records of the proceedings and resolutions passed, are maintained in the statutory records at the registered office of the Group. The Group Secretaries regularly update and appraise the Board on new regulations issued by the regulatory authorities.

1.4 Board Committees

To ensure the effectiveness in discharging its duties and responsibilities, the Board has delegated its power to the relevant Board Committees such as the Audit Committee ("AC") and the Nominating and Remuneration Committee ("NRC"). Each committee operates its functions within their approved terms of reference by the Board which are reviewed by the Board as and when necessary.

Corporate Governance Overview Statement (Cont'd)

1.5 Nominating and Remuneration Committee Report

During the financial year up to the date of this Report, the Nominating and Remuneration Committee, carried out the following reviews and discussions in discharging their functions and duties:-

(1) Trainings attended by Directors to-date and assessed their further training needs and requirements;
(2) Number of Independent Directors in the light of MCCG's requirement for a majority of Independent Directors on the Board and the timeline to fulfil this requirement;
(3) Key Performance Indicators ("KPI") for the financial year ended 30 June 2019 and the Proposed KPI for the financial year 2019/2020;
(4) Nominating & Remuneration Committee Charter;
(5) Performance of the individual Directors and the Board, Audit Committee and its members including the Assessment of Independent Directors and the Board Skills Matrix;
(6) Proposed re-election of Directors retiring at the forthcoming Annual General Meeting in accordance with Clause 103 (1) of the Company's Constitution;
(7) Succession Planning of the Executive Directors and senior management;
(8) Directors' fee for the financial year ended 30 June 2019;
(9) Considered retention of the Independent Director;
(10) Directors' Benefits payable; and
(11) Extension of the period of service of an Executive Director.

All the above matters were subsequently brought to the attention of the Board of Directors for discussion and approval where necessary.

1.6 Board Meeting

The Board meets regularly, at least once in every quarter, to review the Group's operations and to approve the quarterly reports and annual financial statements. Additional meeting would be convened when urgent and important decision needs the Board's review and consideration between scheduled meetings. During the financial year under review, 5 meetings of the Board were held and all Directors have complied with the requirement in respect of Board Meeting attendance as provided in the Listing Requirements.

Details of the attendance are as follow:-

DIRECTORS		POSITION	BOARD MEETINGS ATTENDED
1	Chia Swee Yuen	Chairman	5/5
2	Yong Pang Chaun	Managing Director	5/5
3	Chong Chin Lin	Executive Director	5/5
4	Foo Kee Fatt	Independent Non-Executive Director	5/5
5	Lee Peng Khoon	Independent Non-Executive Director	5/5
6	Andrew Yong Tze How	Executive Director	5/5
7	Benjamin Yong Tze Jet	Executive Director	5/5
8	Chew Voon Chyn	Executive Director	5/5
9	Sung Fong Fui	Executive Director	5/5

Corporate Governance Overview Statement (Cont'd)

1.7 Directors' Training

The Directors attended courses, seminars, conferences and talks to enhance their skill sets and knowledge to enable them to carry out their duties and discharge their responsibilities as Directors of the Company. Additionally, the Directors kept themselves updated with the changes in the business and regulations through sharing and discussion in official Board meetings and unofficially through small group discussions among the Directors.

The Board had undertaken an assessment of the trainings attended by the Directors and the training needs and requirements. The Board will continue to identify training topics that can further enhance its knowledge in the latest development relevant to the Group.

The training programs attended in financial year 2019 are as follows:-

NO	TRAINING/ COURSES	Chia Swee Yuen	Yong Pang Chaun	Chong Chin Lin	Foo Kee Fatt	Lee Peng Khoon	Andrew Yong Tze How	Benjamin Yong Tze Jet	Chew Voon Chyn	Sung Fong Fui
1	Bursa - Sustainability Engagement Series for Directors / CEOs					✓				
2	Bursa/MIA - Evolution of Future CFOs									✓
3	Bursa/PWC - Sustainability Engagement Series for Directors / CEOs									✓
4	Iclif: Talk Event - "Let's Get Real" on Anti-Bribery	✓								
5	Iclif: CG Watch - How Does Malaysia Rank?					✓				
6	In House Programme: Industry 4.0 Introduction and Overview	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	Bursa/Deloitte: CG Advocacy Programme - Cyber Security in The Boardroom					✓				✓

Corporate Governance Overview Statement (Cont'd)

1.7 Directors' Training (continued)

The training programs attended in financial year 2019 are as follows (continued):-

NO	TRAINING/ COURSES	Chia Swee Yuen	Yong Pang Chaun	Chong Chin Lin	Foo Kee Fatt	Lee Peng Khoon	Andrew Yong Tze How	Benjamin Yong Tze Jet	Chew Voon Chyn	Sung Fong Fui
8	SST 2018: Practical & Effective Implementation of SST									✓
9	MIA: MIA International Accountants Conference 2018									✓
10	Grant Thornton: MFRS 9 - Expected Loss Model									✓
11	Deloitte TaxMax									✓
12	BDO/Sunway University: The Growing Relevance of Integrated Reporting in Creating a more Sustainable World									✓
13	MIA: CFO Conference 2019 - The Future CFO: Digitally Ready, Strategically Sound									✓
14	MIA: 2019 Budget Seminar				✓					
15	MIA: MFRS 16 Leases - What it entails and its effects				✓					

Corporate Governance Overview Statement (Cont'd)

1.8 Directors' Remuneration

The Group has in place a remuneration framework and procedures to determine the remuneration of the Directors which is clear and transparent, designed to attract and retain the right talent in the Board taking into consideration factors such as their fiduciary obligations and responsibilities, time commitment, and the Group's performance and market conditions. Each individual Director abstained from discussion on their own remuneration/fees.

The objective of the Group's remuneration policies is to provide fair and competitive remuneration to its Board and senior management personnel in order for the Group to benefit by attracting and retaining a high quality team.

A summary remuneration of the Directors for the financial year ended 2019 distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components are set out below in Ringgit Malaysia (RM):

Group

Director	Fees	Salaries & Bonuses	Statutory Contributions	Other Emoluments*	Total
Chia Swee Yuen	110,000	–	–	6,000	116,000
Yong Pang Chaun	–	1,736,931	84,189	39,282	1,860,402
Chong Chin Lin	–	1,226,482	56,785	40,973	1,324,240
Foo Kee Fatt	100,000	–	–	6,000	106,000
Lee Peng Khoon	90,000	–	–	6,000	96,000
Andrew Yong Tze How	–	603,261	72,392	43,689	719,342
Benjamin Yong Tze Jet	–	603,261	72,392	6,840	682,493
Chew Voon Chyn	–	507,261	60,872	28,180	596,313
Sung Fong Fui	–	867,261	107,312	33,840	1,008,413

Company

Director	Fees	Salaries & Bonuses	Statutory Contributions	Other Emoluments*	Total
Chia Swee Yuen	110,000	–	–	6,000	116,000
Foo Kee Fatt	100,000	–	–	6,000	106,000
Lee Peng Khoon	90,000	–	–	6,000	96,000

* Included in other emoluments are allowances and benefits-in-kind.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE

The Audit Committee was established by the Board to provide assistance to the Board of Directors in overseeing the financial reporting process, monitoring the accuracy and integrity of the Group's annual and quarterly financial statements. The Audit Committee also reviews and evaluates the performance of external audit and internal audit in ensuring efficiency and effectiveness of the Group's operation, adequacy of internal control system, compliance with established policies and procedures, transparency in decision-making process and accountability of financial and management information.

The Group's current Audit Committee is made up of three independent Non-Executive Directors. The Chairman of the Audit Committee is Foo Kee Fatt, an Independent Non-Executive Director, and is not the Chairman of the Board so as not to impair the objectivity of the Board's view of the Audit Committee's findings and recommendations.

Please refer to the Audit Committee Report for further details.

2. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that risk management is an integral part of good management practices. The Board has in place risk management and internal control systems which enables Management to identify, assess, prioritise and manage risks on a continuous and systematic basis.

The Group's risk management and internal control systems are designed to meet the Group's particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group's business objectives, and to provide information for accurate reporting and ensure compliances with regulatory and statutory requirements. This system, by its nature, can only provide reasonable but not absolute assurance against material misstatement, fraud or loss. Any major changes to risks or emerging significant risk of the business units in the Group together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the Management.

In last financial year, the Group carried out a major review of the risk management process and introduced a new Enterprise Risk Management (''ERM'') framework for the Group. This is an ongoing process and the Audit Committee has reviewed the updated risk management policy and guidelines, and the risk appetite of the Group.

For detailed information, please refer to the Statement on Risk Management and Internal Control in the Annual Report of the Group.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

The Board strives to maintain an open and transparent channel of communication with its shareholders, institutional investors and the investing public at large with the objective of providing as clear and complete picture of the Group's performance and position as possible. Such information is communicated on a timely basis through the following channels:

- The various private and group meetings with financial analysts, fund managers, private and institutional inventors;
- The various disclosures and announcements on Bursa Securities' website including quarterly and annual results;
- The annual report;
- The AGM; and
- The Group's website, http://corporate.padini.com

2. CONDUCT OF GENERAL MEETINGS

The Group's General Meetings remain the main channel of communication with the Group's shareholders, in particular private investors. The Board will ensure suitability of venue and timing of meeting and undertake other measures to encourage shareholder's participation in the meetings. At each General Meeting, shareholders are given the opportunity to seek clarification on any matter pertaining to the business activities and financial performance of the Group.

Shareholders are entitled to appoint proxy/proxies to vote on their behalf in their absence. This is in line with the amendments of the Listing Requirements in mandating poll voting for all resolutions set out in the notice of general meetings. The Group shall ensure, through its Polling Agent, that all valid proxy or corporate representatives or attorney appointments are properly received and recorded.

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year. In preparing the financial statements, the Directors have ensured that the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities have been applied. The Directors are responsible for taking such steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

3. SENIOR MANAGEMENT

The Group has disclosed the information of the top senior management's remuneration from an alternate perspective which is intended to achieve a similar outcome.

The remuneration package of senior management is established to ensure a good balance between attracting, retaining and motivating staff. The total remuneration package of the top 20 senior management has been disclosed in practice 7.2 of the Corporate Governance Report. Corporate Governance Report is available via an announcement on the website of Bursa Securities. This has excluded the remuneration of Executive Directors which has been declared under the Directors' Remuneration.

Fixed remuneration refers to basic salary and other fixed income which commensurate with the role, position, experience, qualifications and responsibility of an individual. Variable remuneration refers to discretionary bonus which is cash based and does not consist of non-cash instruments. The pool of the variable remuneration is determined by the Group's financial performance, achievement of key performance indicators and overall economic outlook.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Padini Holdings Berhad is pleased to present the Audit Committee Report of the Board for the financial year ended 30 June 2019.

Composition of the Audit Committee

The present members of the Audit Committee of the Company are:

i. Mr Foo Kee Fatt (Independent Non-Executive Director; Chairman)
ii. Mr Lee Peng Khoon (Independent Non-Executive Director; Member)
iii. Mr Chia Swee Yuen (Independent Non-Executive Director; Member)

Terms of Reference

The details of the terms of reference of the Audit Committee are available for reference at http://corporate.padini.com.

Attendance of Audit Committee Meetings

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 30 June 2019 are as follows:-

Directors	Meetings attended by the Directors/Total Number of Meetings held during the financial year ended 30 June 2019	% of Attendance
Mr Foo Kee Fatt	5/5	100%
Mr Lee Peng Khoon	5/5	100%
Mr Chia Swee Yuen	5/5	100%

The Group's Consolidated Financial Statements are prepared by finance personnel with the appropriate level of qualifications and expertise. The Committee reviews any published financial information including the Annual Report and quarterly financial reports. The Committee reports its views to the Board to assist in its approval of the results announcements and the Annual Report.

The Committee also reviews reports by the Statutory Auditors on year-end audit procedures which highlight any issues identified from the work undertaken on the audit. The significant issues that the Committee considered in relation to the significant financial issue impacting Financial Statements 2019 are discussed by the Committee during the meeting.

Summary of the Work of the Audit Committee

During the financial year and up to the date of this Report, the Audit Committee carried out the following in discharging their function and duties:

1. Financial Reporting

- Reviewed the quarterly results and annual audited financial statements of the Group and of the Company before recommending to the Board for release to Bursa Securities. The review focused primarily on:
  i. changes in or implementation of major accounting policy changes;
  ii. significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  iii. compliance with accounting standards and other legal requirements.
- Discussed with Management and the statutory auditors, amongst others, on the quarterly financial results and annual audited financial statements regarding the accounting principles and standards that were applied and their judgement exercised on the items that may affect the financial results and statements; and
- Review for any related party transactions.

Report of the Audit Committee (Cont'd)

Summary of the Work of the Audit Committee (continued)

2. External Audit

- Reviewed with the statutory auditors, their audit plan for the financial year ended 30 June 2019 to ensure that their scope of work adequately covers the activities of the Group.
- Reviewed the results and issues arising from their audit of the annual financial statements and their resolution of such issues as highlighted in their presentation to the Committee.
- Reviewed the statutory auditors' report.
- The Audit Committee met with the statutory auditors twice during the year, without the presence of management, to review key issues within their sphere of interest and responsibility. During the private session with the statutory auditors, it was noted that there were no major concerns from the statutory auditors.
- Reviewed audit and non-audit fees for services awarded to the statutory auditors. Generally, the Group's statutory auditor is prohibited from providing any services that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence. During the financial year, BDO PLT's audit fee amounted to RM213,600 and BDO PLT's non-audit fees was RM77,100.
- Reviewed and assessed the performance, suitability and independence of the statutory auditors based on, amongst others, the quality of service, sufficiency of resources, communication and interaction, as well as independence, objectivity and professional skepticism. The statutory auditors provide an annual confirmation of their independence in accordance with the terms of all professional and regulatory requirements. The Audit Committee was satisfied with the performance and the audit independence of the statutory auditors. Accordingly, it was recommended to the Board to re-appoint BDO PLT as auditors of the Company. A resolution for their re-appointment will be tabled for approval at the forthcoming Annual General Meeting.

3. Internal Audit

- Reviewed the reports by internal auditors, representations made and corrective actions taken by the management in addressing and resolving issues as well as ensuring that all issues were adequately addressed on a timely basis. During the financial year, 4 new reports and 4 follow-up reports were presented to the Audit Committee focusing on the following matters:
  - Merchandising Function & Sales Operation
  - Sourcing Management and Quality Control Function
  - Group Human Resource Management and Payroll Function
  - E-Commerce Sales Operation and Card & Customer Relation Management
  - Group Finance and Account Function
- Reviewed the follow-up reports from the internal audit and to ensure the issues were appropriately addressed on a timely basis.
- The Audit Committee met with the internal auditors once during the year, without the presence of management, to review key issues within their sphere of interest and responsibility. During the private session with the internal auditors, it was noted that there were no major concerns from the internal auditors.
- Reviewed the effectiveness of the audit process and assessed the performance of the overall Internal Audit function.
- Reviewed the internal audit plan for the financial years ending 30 June 2019 and 2020.
- Reviewed the Internal Audit Charter.

4. Risk Assessment

In last financial year, the Group carried out a major review of the risk management process and adopted a new Enterprise Risk Management ("ERM") framework for the Group. During this financial year, the Committee continues to review the risk management policy and guidelines, and the risk appetite of the Group. For detailed information, please refer to the Statement on Risk Management and Internal Control in the Annual Report of the Group.

Report of the Audit Committee (Cont'd)

Internal Audit Function

The Group has outsourced its internal audit function to an independent external party, Baker Tilly Monteiro Heng Governance Sdn. Bhd. which reports directly to the Committee. The Committee reviews internal audit and monitors its relationship with the Statutory Auditor, including plans and performance. It reviews and assesses the quarterly Internal Audit reports together with management's actions on findings to gain assurance as to the effectiveness of the internal control framework throughout the Group.

The Group's annual professional fee for internal audit services charged by the outsourced internal auditor is RM56,000.

Statutory Auditor

The Committee is responsible to the Board for recommendations on the appointment, re-appointment and removal of the Statutory Auditor. As part of this process the Committee assesses annually the independence and objectivity of the Statutory Auditor taking into account relevant professional and regulatory requirements and the relationship with the Statutory Auditor as a whole, including the provision of any non-audit services. The Committee also assesses the Statutory Auditor's performance and effectiveness during the exercise of their duties.

The Statutory Auditor attended three (3) meetings of the Committee of which the activities are as disclosed under 'Summary of the Work of the Audit Committee'.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The main features and the adequacy of Padini Group's risk management and internal control system, hereinafter referred to as "the System", are primarily guided by the objective that the System is meant to accomplish, and that is to assure that the achievement of the Group's strategic and operational goals is done within an environment where losses and liabilities arising from risks, uncertainty and random events can be minimised, protected against and even avoided altogether.

The Group carried out a major review of the risk management process and implemented the new ERM framework in the last financial year. To operationalize the new ERM system, a week-long risk management programme was held. This included whole day training for directors and workshop for all the managers from different functions and divisions. The ERM framework that the Group adopts consists of six (6) elements, which is in line with globally accepted risk management standards. (i.e.ISO31000:2018). Periodic discussions are held internally with each division and the consolidated risk register and action plans are updated accordingly. The updated consolidated risk register and major matters are then discussed at the Board meetings.

The six (6) elements are:

Leadership and commitment: Top Management and oversight bodies (e.g. Risk Management Committee (''RMC'')) should demonstrate leadership and commitment and ensure that risk management is integrated into all organization activities.

Integration: Risk management should be a part of, and not separate from, the organizational purpose, governance, leadership and commitment, strategy, objectives and operations.

Design: This comprises understanding the Group and its context, articulating risk management commitment, assigning organizational roles, authorities, responsibilities and accountabilities, allocating resources and establishing communication and consultation.

Implementation: This comprises developing a plan, identifying where, when and how different types of decisions are made, modifying decision-making processes where necessary, and ensuring the Group's arrangements for managing risks are understood and practised.

Evaluation: The Group shall periodically measure risk management framework performance against its purpose, implementation plans, indicators and expected behaviour, and determine whether it remains suitable to support achieving the objectives of the Group.

Improvement: The Group shall continually monitor and adapt the risk management framework to address external and internal changes. As relevant gaps or improvement opportunities are identified, the Group shall develop plans and tasks and assign them to those accountable for implementation.

Statement on Risk Management and Internal Control (Cont'd)

Our risk assessment process is as follows:
- Define processes/ activities/ objectives
- Determine risk parameter
- Identify risk
- Determine cause
- Determine consequences
- Determine likelihood
- Determine gross risk rating
- Identify controls
- Determine control effectiveness
- Challenge/ Revise ratings
- Determine current residual risk rating
- Develop risk profile
- Risk treatment

A Risk Appetite Statement that articulates the levels and types of risk the Group is willing to accept in the pursuit of its value or meet its strategic objectives is then developed and adopted.

The internal audit form an integral part of the risk management process and assists the Board to assess that the system of internal controls is in place and relevant for the Group's business. As such, the internal audit function is involved in reviewing the adequacy and operating effectiveness of the risk management processes and validating the results of these processes. The internal audit function examines the risk management system for its completeness, comprehensiveness and reliability, besides testing the ERM system for its adequacy and operating effectiveness vis-à-vis the objectives of the Group.

The latest internal audit plan covering the period from 2018 to 2020 and involving 8 auditable areas whose risk impact have been assessed as between medium to high, was proposed to the Audit Committee by the internal auditors in August 2018. The internal audit plan was subsequently tabled and adopted by the Audit Committee. The Audit Committee has subsequently reviewed the audit plan on an annual basis, with changes made where required in line with the current developments.

As a matter of practice, the internal auditor engages with our managers and executives to find out about the policies and practices already in place for a selected process, performs tests, determines the adequacy and effectiveness of existing controls, and then presents a summary of observations requiring remedial measures together with recommendations for improvement to management for their response. Subsequent to management's response, an audit report is prepared and forwarded to the Audit Committee for consideration and deliberation with the internal auditors in attendance.

Acting on the audit report and the responses and opinions given by the internal auditor and management, the Audit Committee is then ready to bring the pertinent risk management or internal control issues to the Board for further consideration. Where the internal auditor's recommendations have not been adopted, the Board then seeks to satisfy itself that the alternative policies or processes adopted are appropriate for strategic or practical reasons specific to the business activity in question, and that there is sufficient oversight over the alternatives used so that risks can be minimised. Where management agrees to implement the internal auditor's recommendations, the Audit Committee and the Board then seeks a time-line for adoption and keeps themselves apprised of the progress of the process of adoption.

On the matter of internal control, especially in relation to risks of financial loss arising from fraud, collusion and/or negligence, currently the activities of the Group, except for the payroll function, are controlled and monitored via an enterprise resource planning ("ERP") solution provided by SAP. All activities involving the procurement of assets (whether for trade or otherwise), and contracting for services, are all documented and recorded according to the protocols of the said ERP, which in most cases involve various duties performed separately and in rigid sequence by several persons attached to various departments. The underlying principle at work here is that the party that initiates an order for procurement must not be the one who will receive the items later on directly from the suppliers. A disinterested third party is tasked to receive such items, acknowledge the receipt and proceed to record the transaction into the system. In addition to that, where practicable, at least one more other party would be inserted between the one who initiated a procurement and the one who would receive the items procured.

Statement on Risk Management and Internal Control (Cont'd)

Overall, a review of the system of risk management and internal control already in place showed that it is both adequate and effective in managing the business risks faced as well as the risk of fraudulent behaviours. The internal audit function has always been properly instituted and is progressive in keeping with the developments and changing needs of the Group's business as it grows. The employees, including management, of the Group are subject to the activities of the internal audit function and are aware of the objectives of risk management and the need for the various checks and balances put in place to achieve effective internal control. The Group also has in place a formal code of conduct and whistle-blowing policy, both of which has been widely disseminated to the employees. A summary of the code of conduct and the whistle-blowing policy are posted on Padini's corporate website.

Report from the Internal Auditors

Our internal auditors, Baker Tilly Monterio Heng Governance Sdn Bhd, have carried out and completed the internal audit review based on the Internal Audit Plan approved by the Audit Committee. The results of the internal audit review were satisfactory, having found no major control weaknesses which may pose significant risk exposures to the Group's operations during the financial year under review. The internal auditors have also carried out subsequent follow up review on the agreed action plans, which has been commented and agreed by the management to address the relevant findings highlighted in the internal audit reports, and noted that most of the agreed action plans have been/are being implemented.

Review of the statement by Statutory Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Statutory Auditors have reviewed the Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Malaysia Approved Standard on Assurance Engagement, ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and Audit and Assurance Practice Guide 3 ("AAPG3") *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.* issued by the Malaysian Institute of Accountants (''MIA'') and procedures have been performed to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors have adopted.

AAPG 3 does not require the Statutory Auditors to consider whether this Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group including the assessment and opinion by the Board of Directors and management thereon. Based on their procedures performed, the Statutory Auditors have reported to the Board of Directors that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

Conclusion

In the Board of Directors' meeting held on 24 September 2019, the Managing Director and Chief Financial Officer have given the assurance to the Board that the risk management and internal control system currently in place is adequate and effective for the Group.

PROFILE OF DIRECTORS

Chia Swee Yuen

62 years of age,

Malaysian,

Male

(Chairman of the Board, Member of the Audit Committee, Nominating and Remuneration Committee, Independent Non-Executive Director)

Mr Chia was appointed to the Board on 2 May 2014.

He graduated from the University of Malaya with a Bachelor of Accounting (1st Class Hons). He is a member of the Malaysian Institute of Accountants ("MIA"). He was formerly a member of the Examination Committee of the Certified Credit Professional (Business) of the Asian Institute of Chartered Bankers ("AICB") (formerly known as Institut Bank-Bank Malaysia). In recognition of his contributions and services rendered to AICB and the banking Industry, he was elected by the Council as an Associate Fellow of AICB.

He started his career in 1980 with SGV-Kassim Chan Sdn Bhd, a management consultancy firm, conducting financial feasibility and marketing studies, review of operational processes and financial training.

From 1984 to 1987, he was with Malaysian Resources Corporation Berhad, a diversified listed group with businesses in the manufacturing, trading, credit & leasing, credit card, construction and property development areas, in charge of the corporate planning, accounting and tax, information technology and general administration areas.

Since 1988 up to his retirement in the financial year 2015, he has been with the banking sector, heading varied areas of marketing, branch management, credit evaluation, credit operations and risk management with Overseas Union Bank (M) Bhd and Ambank (M) Bhd. Customer segment handled is mainly in business banking.

Other than his directorship with Padini Holdings Berhad, he is also an independent non–executive director of New Hoong Fatt Holdings Berhad.

For the financial year under review, he has attended all 5 meetings of the Board of Directors.

Yong Pang Chaun

68 years of age

Malaysian

Male

(Managing Director and Key Senior Management)

Mr Yong was appointed to the Board on 26 March 1992.

An entrepreneur with extensive hands–on experience in the textiles and apparel industry, he has been and still is primarily responsible for the achievements of the Group.

After completing his secondary education, he joined a textile merchant in Singapore where he gained considerable experience in the textile trade. Returning to Malaysia several years later, he set up the Company's first subsidiary in 1971 to manufacture ladies fashion. From there, other businesses were set up and since then he has always set the strategies for the development of the Group. The recent success of the Group's brands and the presence that the brands command in the domestic market today are attestations to his entrepreneurial skills. His ability to analyse fashion trends and to react quickly to take advantage of changes in market conditions and consumers' preferences, has resulted in the Group being provided with tremendous opportunities for continued growth. Today, he continues to manage the strategies and plans for the Group's future.

Other than his directorship with Padini Holdings Berhad, he is not serving as a director in any other public companies.

For the financial year under review, he has attended all 5 meetings of the Board of Directors.

Profile of Directors (Cont'd)

Chong Chin Lin

66 years of age

Malaysian

Female

(Executive Director and Key Senior Management)

Madam Chong was appointed to the Board on 29 March 1995.

While still in the second year of her sixth form education, she was called upon to help in the family business which dealt in the wholesale and retail of fashion accessories and costume jewellery. After three years and gaining considerable experience in the trade, she left and joined a boutique retailing ladies fashion. After Vincci Ladies' Specialities Centre Sdn Bhd got incorporated in 1981, she joined the company as a merchandiser for ladies fashion wear and accessories. Since then she has been with the Group and has contributed much to the development of the Group's major brands like Seed, Padini Authentics and Miki.

When she was merchandiser for ladies fashion, she got involved in garment manufacturing operations and was able to later use this experience to oversee the Group's garment manufacturing operations.

Other than her directorship with Padini Holdings Berhad, she is not serving as a director in any other public companies.

For the financial year under review, she has attended all 5 meetings of the Board of Directors.

Foo Kee Fatt

53 years of age

Malaysian

Male

(Chairman of the Audit Committee, Member of Nominating and Remuneration Committee, Independent Non-Executive Director)

Mr Foo was appointed to the Board on 2 January 2009.

He is a member of Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He is also an approved company auditor under the Malaysian Companies Act 2016.

In 1987, he joined and served his articleship with one of the reputable international accounting firms. From 1993 to 2006, he was with a local accounting firm with international affiliation. He is currently in public practice.

Other than his directorship with Padini Holdings Berhad, he is also an independent non–executive director of MMS Ventures Berhad and Can One Berhad.

For the financial year under review, he has attended all 5 meetings of the Board of Directors.

Profile of Directors (Cont'd)

Lee Peng Khoon

66 years of age

Malaysian

Male

(Chairman of Nominating and Remuneration Committee, Member of the Audit Committee, Senior Independent Non-Executive Director)

Mr Lee was appointed to the Board on 6 January 2014.

He qualified as a Chartered Accountant in 1978 in a London firm of chartered accountants. He is a member of the Malaysian Institute of Accountants, The Institute of Chartered Accountants in England & Wales and Chartered Tax Institute of Malaysia.

On his return to Malaysia in 1981, he joined a big four auditing firm as an audit senior and later audit manager. He then held senior management positions in private and public companies that were involved in plantation, property development, credit financing, manufacturing & trading, countertrade and trade financing, investment holding and chartering & engineering in the oil and gas sector.

He is presently a self-employed general consultant.

Other than his directorship with Padini Holdings Berhad, he is not serving as a director in any other public companies.

For the financial year under review, he has attended all 5 meetings of the Board of Directors.

Andrew Yong Tze How

38 years of age

Malaysian

Male

(Executive Director and Key Senior Management)

Mr Andrew Yong was appointed to the Board on 3 December 2015.

He graduated from the California State University, Northridge, Los Angeles, California with a Bachelor's Degree in Computer Science. From April 2006 to May 2008, he worked as a AS400 programmer contracted to Patimas PSG and a system operator in Prudential services.

He joined Padini in June 2008 as IT manager in Padini Dot Com Sdn Bhd managing all IT operations, system implementations and IT assets for the Group. He is promoted to General Manager – Operations in August 2015 and oversees, manage and direct overall operations of support departments of the Group.

Other than his directorship with Padini Holdings Berhad, he is not serving as a director in any other public companies.

For the financial year under review, he has attended all 5 meetings of the Board of Directors.

Benjamin Yong Tze Jet

35 years of age

Malaysian

Male

(Executive Director and Key Senior Management)

Mr Benjamin Yong was appointed to the Board on 15 July 2016.

After graduating with a Bachelor's Degree in Arts, Media & Communication from the University of Melbourne, Victoria, Australia in 2005, Mr Benjamin Yong started his career as a Merchandising Assistant with Padini Merchandising department in September of the same year. He was promoted to the position of Merchandiser in 2007 and appointed as the Brand Manager for Padini Workwear in 2009. He is now the Head of Design, Merchandising and Retail of the Group and is responsible for the overall management, development and organisation of the design, merchandising, retail and branding activities for the brands assigned to him.

Other than his directorship with Padini Holdings Berhad, he is not serving as a director in any other public companies.

For the financial year under review, he has attended all 5 meetings of the Board of Directors.

Profile of Directors (Cont'd)

Chew Voon Chyn

36 years of age

Malaysian

Female

(Executive Director and Key Senior Management)

Ms Chew was appointed to the Board on 20 February 2017.

She graduated from Parsons School of Design, New York with a Bachelor's Degree in Business Administration, majoring in Design & Management. She worked as a merchandising assistant in Calvin Klein Jeans, New York in year 2005.

She joined Vincci in August 2005 as Design & Merchandising Executive till July 2007. From August 2007 till June 2009, she was redesignated as Trend Developer cum Merchandiser, who managed the Research & Development department. She was promoted to Brand Manager for Vincci Accessories & Vincci + in July 2009 till December 2013. From Jan 2014 till present, she is the Brand Manager for the entire Vincci group.

Other than her directorship with Padini Holdings Berhad, she is not serving as a director in any public companies.

For the financial year under review, she has attended all 5 meetings of the Board of Directors.

Sung Fong Fui

45 years of age

Malaysian

Female

(Executive Director and Key Senior Management)

Ms Sung was appointed to the Board on 23 May 2018.

She is currently holding the position of Group Chief Financial Officer in Padini Holdings Berhad. She is a member of the Malaysian Institute of Accountants and Fellow of Chartered Certified Accountant, UK.

She has more than eighteen years of experience in audit and assurance, listing and corporate advisory work. Prior joining Padini in May 2017, she was an audit partner in a large international accounting firm who was also the technical partner of the firm. Apart from audit, she has wide range of experience covering due diligence review, business advisory work and technical support to corporate exercises engagements varying from reverse takeover, initial public offerings and others. Her client portfolio includes local and international companies covering a broad spectrum of industries.

Other than her directorship with Padini Holdings Berhad, she is not serving as a director in any public companies.

For the financial year under review, she has attended all 5 meetings of the Board of Directors.

Profile of Directors (Cont'd)

Other Information

i. *Family Relationship*
Yong Pang Chaun is the spouse of Chong Chin Lin. Andrew Yong Tze How and Benjamin Yong Tze Jet are both sons of Yong Pang Chaun and Chong Chin Lin. Chew Voon Chyn is the niece of Yong Pang Chaun as well as cousin to Andrew Yong Tze How and Benjamin Yong Tze Jet. None of the other Directors above have any family relationship with one another. Yong Pang Chaun and Chong Chin Lin are the major shareholders in the company by virtue of their interest in Yong Pang Chaun Holdings Sdn Bhd which owns a 43.74% interest in the shares in the Company as at 30 June 2019.

ii. *Conflict of Interest*
None of the Directors have any conflict of interest with the company.

iii. *Convictions for offences*
None of the Directors have been convicted for offences within the past ten years other than for traffic offences, if any.

iv. *Material Contracts*
No material contracts had been entered into for the financial year under review between the Group and the Directors and/or Major Shareholders.

v. *No. of board meetings held*
Five (5) Board meetings were held during the financial year ended 30 June 2019.

vi. *Non-audit fee*
There was a non-audit fee of RM77,100 paid to BDO PLT during the financial year.

vii. *Key senior management*
The key senior management are also the Executive Directors of the Company and their particulars are disclosed in the Director's Profile.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

Pursuant to paragraph 15.26 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as required by Companies Act 2016 in Malaysia, the Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and its subsidiaries as at the end of the financial year, and of the financial performance and cash flows for the financial year ended.

In ensuring the preparation of these financial statements of Padini Holdings Berhad, the Directors have ensured the following:-

- Adopted suitable accounting policies and apply them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Making of judgments and estimates that are appropriate, reasonable and prudent.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy the financial position of the Company and ensuring that the financial statements comply with the provisions of the Companies Act 2016.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group, and to prevent and detect fraud and other such irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	160,166	94,949

DIVIDENDS

Dividends proposed, declared or paid since the end of the previous financial year were as follows:

	Company RM'000
In respect of financial year ended 30 June 2019:	
First interim single tier dividend of 2.5 sen per ordinary share, paid on 28 September 2018	16,448
Second interim single tier dividend of 2.5 sen per ordinary share, paid on 28 December 2018	16,448
Third interim single tier dividend of 2.5 sen per ordinary share, paid on 29 March 2019	16,448
Fourth interim single tier dividend of 2.5 sen per ordinary share, paid on 28 June 2019	16,448
Special single tier dividend of 1.5 sen per ordinary share, paid on 28 June 2019	9,868
	75,660

The Directors do not recommend the payment of final dividend in respect of the current financial year. On 27 August 2019, the Directors declared a first interim single tier dividend of 2.5 sen per ordinary share amounting to RM16,448,000 in respect of the financial year ending 30 June 2020, which will be payable on 30 September 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

Directors' Report
(Cont'd)

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Padini Holdings Berhad

Yong Pang Chaun
Chong Chin Lin
Chia Swee Yuen
Foo Kee Fatt
Lee Peng Khoon
Andrew Yong Tze How
Benjamin Yong Tze Jet
Chew Voon Chyn
Sung Fong Fui

Subsidiaries of Padini Holdings Berhad

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Yong Pang Chaun
Yong Lai Wah
Chong Chin Lin
Andrew Yong Tze How
Benjamin Yong Tze Jet
Christopher Yong Tze Yao
Chew Voon Chyn

In accordance with Article 103(1) of the Company's Constitution, Chong Chin Lin, Andrew Yong Tze How and Chia Swee Yuen retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Report
(Cont'd)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	[------ Number of ordinary shares ------]			
	Balance as at 1.7.2018	**Bought**	**Sold**	**Balance as at 30.6.2019**
Shares in the Company				
Direct interests				
Yong Pang Chaun	1,500,000	1,600,000	–	3,100,000
Chong Chin Lin	3,219,990	–	–	3,219,990
Indirect interests				
Yong Pang Chaun	290,983,490	–	–	290,983,490
Chong Chin Lin	289,263,500	1,600,000	–	290,863,500
Chew Voon Chyn	5,000	–	–	5,000
Sung Fong Fui	–	10,000	–	10,000

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Yong Pang Chaun and Chong Chin Lin are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as Directors of the subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 34 to the financial statements.

Directors' Report (Cont'd)

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total amount of insurance premium paid for the Directors and the officers of the Group and of the Company are RM15,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that provision need not be made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2019 are disclosed in Note 29 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Yong Pang Chaun
Director

Andrew Yong Tze How
Director

Kuala Lumpur
24 September 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 51 to 112 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Yong Pang Chaun
Director

Andrew Yong Tze How
Director

Kuala Lumpur
24 September 2019

STATUTORY DECLARATION

I, Sung Fong Fui (CA 22177), being the Director primarily responsible for the financial management of Padini Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 112 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
24 September 2019)

……………………………….
Sung Fong Fui

Before me

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PADINI HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Padini Holdings Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Inventories written down and inventories written off

As at 30 June 2019, inventories of the Group were RM277,236,000. The details of the inventories have been disclosed in Note 11 to the financial statements. During the financial year, there were inventories written down and inventories written off recognised as cost of sales of RM1,977,000 and RM1,999,000 respectively.

Writing down and writing off of slow moving and obsolete inventories to their net realisable values are mainly based on management estimates, which have been derived from expectations on current market prices and future demand of which different expectations would impact the carrying amounts of the inventories and if not accounted for properly, may lead to the valuation of inventories being misstated. We have focused on this area as a key audit matter as this involves significant judgments and high degree of estimation uncertainty.

Independent Auditors' Report
To the Members of Padini Holdings Berhad (Cont'd)
(Incorporated in Malaysia)

Key Audit Matters (continued)

1. Inventories written down and inventories written off (continued)

Audit response

Our audit procedures included the following:

a. obtained an understanding of the process implemented by management over the determination of lower of cost and net realisable value used in the write down of slow moving inventories;

b. tested the reliability of the inventories ageing report by seasons and re-performed weighted average cost of inventories;

c. analysed and assessed the inventories ageing by brands, seasons or periods prepared by management in determining slow moving and obsolete inventories, which have been derived from expectations of current market prices and future demand; and

d. ascertained inventories were stated at the lower of cost and net realisable value by verifying actual margins and testing the selling prices of inventories sold from sales invoices subsequent to the end of the reporting period.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report
To the Members of Padini Holdings Berhad (Cont'd)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report
To the Members of Padini Holdings Berhad (Cont'd)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Yeong Tat
03315/07/2021 J
Chartered Accountant

24 September 2019
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	132,029	143,685	48,308	46,466
Intangible assets	6	5,659	6,280	–	–
Investment property	7	5,270	5,031	–	–
Investments in subsidiaries	8	–	–	258,614	258,436
Other investments	9	145	705	–	560
Deferred tax assets	10	3,245	2,886	–	–
		146,348	158,587	306,922	305,462
Current assets					
Inventories	11	277,236	257,022	–	–
Trade and other receivables	12	57,810	55,730	1,025	1,086
Amounts due from subsidiaries	13	–	–	103,681	89,189
Current tax assets		1,596	1,272	–	–
Cash and bank balances	14	472,031	451,389	35,713	34,754
		808,673	765,413	140,419	125,029
Non-current asset held for sale	15	560	–	560	–
TOTAL ASSETS		955,581	924,000	447,901	430,491
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	16	69,563	69,563	69,563	69,563
Reserves	17	670,781	583,637	374,207	354,918
		740,344	653,200	443,770	424,481
Non-controlling interests		–	– **	–	–
TOTAL EQUITY		740,344	653,200	443,770	424,481

** Less than RM1,000

Statements of Financial Position
As At 30 June 2019
(Cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	18	2,459	3,561	1,617	3,374
Provision for restoration costs	20	5,313	4,693	–	–
Provision for employee benefits	21	69	–	–	–
Deferred tax liabilities	10	1,121	1,116	–	–
		8,962	9,370	1,617	3,374
Current liabilities					
Trade and other payables	22	168,995	217,074	579	641
Borrowings	18	21,444	33,461	1,765	1,675
Contract liabilities	23	5,449	–	–	–
Provision for restoration costs	20	1,186	601	–	–
Current tax liabilities		9,201	10,294	170	320
		206,275	261,430	2,514	2,636
TOTAL LIABILITIES		215,237	270,800	4,131	6,010
TOTAL EQUITY AND LIABILITIES		955,581	924,000	447,901	430,491

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue	26	1,783,022	1,678,790	91,305	158,506
Cost of sales	27	(1,085,182)	(991,288)	–	–
Gross profit		697,840	687,502	91,305	158,506
Other income		16,807	26,312	7,477	4,977
Selling and distribution costs		(407,702)	(389,627)	–	–
Administrative expenses		(85,844)	(81,821)	(2,512)	(2,022)
Profit from operations		221,101	242,366	96,270	161,461
Finance costs	28	(1,836)	(2,670)	(226)	(299)
Profit before tax	29	219,265	239,696	96,044	161,162
Tax expense	31	(59,099)	(61,522)	(1,095)	(1,079)
Profit for the financial year		160,166	178,174	94,949	160,083
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations	31(d)	2,638	(1,416)	–	–
Total other comprehensive income/(loss), net of tax		2,638	(1,416)	–	–
Total comprehensive income, net of tax		162,804	176,758	94,949	160,083
Profit attributable to:					
Owners of the parent		160,166	178,174	94,949	160,083
Non-controlling interests		–	– **	–	–
		160,166	178,174	94,949	160,083
Total comprehensive income attributable to:					
Owners of the parent		162,804	176,758	94,949	160,083
Non-controlling interests		–	–**	–	–
		162,804	176,758	94,949	160,083
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic and diluted	33	24.34	27.08		

** Less than RM1,000

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		[-------------------Non-distributable	--------------------	-------------------]	Distributable			
Group	**Note**	**Share capital RM'000**	**Available-for-sale reserve RM'000**	**Exchange translation differences RM'000**	**Retained earnings RM'000**	**Total attributable to owners of the parent RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Balance as at 1 July 2017		69,563	29	5,528	476,982	552,102	–	552,102
Profit for the financial year		–	–	–	178,174	178,174	– **	178,174
Foreign currency translations, net of tax		–	–	(1,416)	–	(1,416)	–	(1,416)
Total comprehensive income		–	–	(1,416)	178,174	176,758	– **	176,758
Transactions with owners								
Dividends paid	32	–	–	–	(75,660)	(75,660)	–	(75,660)
Total transactions with owners		–	–	–	(75,660)	(75,660)	–	(75,660)
Balance as at 30 June 2018		69,563	29	4,112	579,496	653,200	– **	653,200

** Less than RM1,000

Consolidated Statement of Changes in Equity For the Financial Year Ended 30 June 2019 (Cont'd)

		[----Non-distributable	----	----]	Distributable			
Group	**Note**	**Share capital RM'000**	**Available-for-sale reserve RM'000**	**Exchange translation differences RM'000**	**Retained earnings RM'000**	**Total attributable to owners of the parent RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Balance as at 1 July 2018, as previously reported		69,563	29	4,112	579,496	653,200	–**	653,200
Adjustment on initial application of MFRS 9	36.1	–	(29)	–	29	–	–	–
Balance as at 1 July 2018, as restated		69,563	–	4,112	579,525	653,200	–**	653,200
Profit for the financial year		–	–	–	160,166	160,166	–**	160,166
Foreign currency translations, net of tax		–	–	2,638	–	2,638	–	2,638
Total comprehensive income		–	–	2,638	160,166	162,804	–	162,804
Transactions with owners								
Dividends paid	32	–	–	–	(75,660)	(75,660)	–	(75,660)
Total transactions with owners		–	–	–	(75,660)	(75,660)	–	(75,660)
Balance as at 30 June 2019		69,563	–	6,750	664,031	740,344	–	740,344

** Less than RM1,000

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Company	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Balance as at 1 July 2017		69,563	270,495	340,058
Profit for the financial year		–	160,083	160,083
Other comprehensive income, net of tax		–	–	–
Total comprehensive income		–	160,083	160,083
Transaction with owners				
Dividends paid	32	–	(75,660)	(75,660)
Total transactions with owners		–	(75,660)	(75,660)
Balance as at 30 June 2018		69,563	354,918	424,481
Profit for the financial year		–	94,949	94,949
Other comprehensive income, net of tax		–	–	–
Total comprehensive income		–	94,949	94,949
Transaction with owners				
Dividends paid	32	–	(75,660)	(75,660)
Total transactions with owners		–	(75,660)	(75,660)
Balance as at 30 June 2019		69,563	374,207	443,770

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		219,265	239,696	96,044	161,162
Adjustments for:					
Amortisation of intangible assets	6	1,643	1,545	–	–
Depreciation of property, plant and equipment	5	41,402	39,448	1,170	881
Dividend income from:					
- subsidiaries	26	–	–	(91,305)	(157,970)
- unit trust funds		–	(1,205)	–	(536)
Fair value adjustments on investment property	7	(85)	(427)	–	–
Net (gain)/loss on disposals of:					
- property, plant and equipment		(341)	(46)	44	–
- unit trust funds		–	58	–	35
Intangible assets written off	6	47	24	–	–
Interest expense		1,651	2,514	226	299
Interest income		(10,455)	(9,582)	(1,344)	(649)
Inventory losses	11	4,692	4,805	–	–
Inventories written down	11	1,977	1,466	–	–
Inventories written off	11	1,999	2,967	–	–
Property, plant and equipment written off	5	452	2,891	–	–
Rebate of management fees in the form of unit trust units in other investments		–	(9)	–	(5)
Reversal of impairment losses on property, plant and equipment	5	(507)	–	–	–
Reversal of inventories written off and written down	11	–	(23,247)	–	–
Reversal of provision for restoration costs	20	(648)	(5,961)	–	–
Net unrealised (gain)/loss on foreign exchange		(874)	1,400	(1,813)	(206)
Operating profit before changes in working capital		260,218	256,337	3,022	3,011
Increase in inventories		(28,669)	(49,801)	–	–
Increase in contract liabilities		5,449	–	–	–
(Increase)/Decrease in trade and other receivables		(895)	9,182	61	(925)
(Decrease)/Increase in trade and other payables		(48,085)	(4,500)	(62)	162
Cash generated from operations		188,018	211,218	3,021	2,248

Statements of Cash Flows
For the Financial Year Ended 30 June 2019
(Cont'd)

	Note	**Group 2019 RM'000**	**Group 2018 RM'000**	**Company 2019 RM'000**	**Company 2018 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Tax paid		(60,886)	(60,296)	(1,245)	(958)
Tax refunded		9	67	–	–
Net cash from operating activities		127,141	150,989	1,776	1,290
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of interest in subsidiaries		–	–	(178)	(22)
Dividends received from:					
- subsidiaries		–	–	70,670	87,300
- unit trust funds		–	894	–	536
Interest received		10,455	9,582	1,344	649
Placements of unit trust funds		–	(50,000)	–	–
Proceeds from disposals of:					
- property, plant and equipment		477	143	5	–
- unit trust funds		–	100,272	–	29,976
Purchase of:					
- intangible assets	6	(1,068)	(1,154)	–	–
- property, plant and equipment	5(c)	(26,883)	(50,832)	(3,061)	(95)
Repayments from/(Payments made on behalf of) subsidiaries		–	–	7,956	(17,074)
Net cash (used in)/from investing activities		(17,019)	8,905	76,736	101,270
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	32	(75,660)	(75,660)	(75,660)	(75,660)
Drawdowns of short term bank borrowings		137,200	119,001	–	–
Interest paid		(1,102)	(1,987)	(226)	(299)
Repayments of:					
- hire purchase and finance lease obligations		(404)	(334)	–	–
- short term bank borrowings		(148,351)	(161,195)	–	–
- term loans		(2,644)	(2,898)	(1,667)	(1,593)
Net cash used in financing activities		(90,961)	(123,073)	(77,553)	(77,552)

Statements of Cash Flows
For the Financial Year Ended 30 June 2019 (Cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net increase in cash and cash equivalents		19,161	36,821	959	25,008
Effects of exchange rate fluctuations on cash and cash equivalents		1,481	(2,323)	–	–
Cash and cash equivalents at beginning of financial year		451,389	416,891	34,754	9,746
Cash and cash equivalents at end of financial year	14	472,031	451,389	35,713	34,754

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Hire purchase and lease creditors (Note 19) RM'000	Term loans (Note 18) RM'000	Bankers' acceptances (Note 18) RM'000	Revolving credits (Note 18) RM'000
At 1 July 2018	445	6,026	29,800	751
Cash flows	(404)	(2,644)	(10,400)	(751)
Non-cash flows:				
- Purchase of property, plant and equipment	1,080	–	–	–
At 30 June 2019	1,121	3,382	19,400	–

Company	Term loans (Note 18) RM'000
At 1 July 2018	5,049
Cash flows	(1,667)
At 30 June 2019	3,382

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

1. CORPORATE INFORMATION

Padini Holdings Berhad (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 3rd Floor, No. 17, Jalan Ipoh Kecil, 50350 Kuala Lumpur.

The principal place of business of the Company is located at No. 19, Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 30 June 2019 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. All the financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 24 September 2019.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 36 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the modified retrospective approach as at 1 July 2018. Consequently, the comparative information was not restated and is not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

4. OPERATING SEGMENTS

The Company and its subsidiaries are principally engaged in the retailing of garments industry.

The Group has arrived at three (3) reportable segments, as described below, which are the strategic business units of the Group. For management purposes, the Group is organised into business units based on their products and services. For each of the strategic business units, the Managing Director and Executive Directors of the Group collectively (the "Chief Operating Decision Maker" or "CODM") of the Group review internal management reports at least on a quarterly basis.

i) Investment holding

Holding of investment in shares of the subsidiaries.

ii) Apparels and footwear

Promoting and marketing fashionable apparels, footware and accessories.

iii) Management service

Provision of management services.

Other non-reportable segments comprise operations related to café and investment property holding.

The performance of the reportable segments are measured based on segment profit before tax.

The accounting policies of operating segments are the same as those described in the financial statements.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

4. OPERATING SEGMENTS (continued)

2019	Investment holding RM'000	Apparels and footwear RM'000	Management service RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
Total revenue	91,305	1,790,918	178,794	481	–	2,061,498
Inter-segment revenue	(91,305)	(8,334)	(178,794)	(43)	–	(278,476)
Revenue from external customers	–	1,782,584	–	438	–	1,783,022
Interest income	1,344	6,775	2,320	16	–	10,455
Finance costs	(226)	(1,581)	(29)	–	–	(1,836)
Net finance income	1,118	5,194	2,291	16	–	8,619
Depreciation of property, plant and equipment	(1,170)	(37,079)	(3,072)	(318)	237	(41,402)
Amortisation of intangible assets	–	(277)	(1,366)	–	–	(1,643)
Segment profit/(loss) before tax	96,044	205,092	13,113	(2,780)	(92,204)	219,265
Income tax expense	(1,095)	(54,976)	(3,013)	(19)	4	59,099
Other material non-cash items:						
- Inventory losses	–	(4,692)	–	–	–	(4,692)
- Inventories written down	–	(1,977)	–	–	–	(1,977)
- Inventories written off	–	(1,999)	–	–	–	(1,999)
Additions to non-current assets other than financial instruments and deferred tax assets	3,061	22,926	4,568	24	(30)	30,549
Segment assets	447,901	821,799	101,870	35,046	(451,035)	955,581
Segment liabilities	4,131	289,059	69,224	17,272	(164,449)	215,237

Notes to the Financial Statements (Cont'd)

4. OPERATING SEGMENTS (continued)

2018	Investment holding RM'000	Apparels and footwear RM'000	Management service RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
Total revenue	158,506	1,682,120	168,089	398	–	2,009,113
Inter-segment revenue	(158,506)	(3,694)	(168,089)	(34)	–	(330,323)
Revenue from external customers	–	1,678,426	–	364	–	1,678,790
Interest income	649	6,523	2,405	5	–	9,582
Finance costs	(299)	(2,347)	(24)	–	–	(2,670)
Net finance income	350	4,176	2,381	5	–	6,912
Depreciation of property, plant and equipment	(881)	(35,501)	(2,990)	(313)	237	(39,448)
Amortisation of intangible assets	–	(256)	(1,289)	–	–	(1,545)
Segment profit/(loss) before tax	161,162	227,215	10,946	(1,893)	(157,734)	239,696
Income tax expense	(1,079)	(57,828)	(2,478)	(141)	4	(61,522)
Other material non-cash items:						
- Inventory losses	–	(4,805)	–	–	–	(4,805)
- Inventories written down	–	(1,466)	–	–	–	(1,466)
- Inventories written off	–	(2,967)	–	–	–	(2,967)
Additions to non-current assets other than financial instruments and deferred tax assets	95	47,330	3,708	33	(184)	50,982
Segment assets	430,491	785,742	132,054	19,854	(444,141)	924,000
Segment liabilities	6,010	332,543	107,618	90	(175,461)	270,800

Notes to the Financial Statements (Cont'd)

4. OPERATING SEGMENTS (continued)

Geographical segments

In presenting on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated and segment assets are based on the geographical location of the assets of the Group.

	Revenue		Non-current assets	
	2019 **RM'000**	**2018** **RM'000**	**2019** **RM'000**	**2018** **RM'000**
Malaysia	1,702,735	1,619,555	126,738	139,600
Asia	80,287	59,235	19,610	18,987
	1,783,022	1,678,790	146,348	158,587

Major customers

There are no major customers with revenue equal or more than ten percent (10%) of the Group revenue. As such, information on major customers is not presented.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Office equipment and tools RM'000	Capital work in progress RM'000	Total RM'000
At cost								
Balance as at 1 July 2018	12,240	37,243	7,654	4,829	182,594	101,266	5,615	351,441
Additions	–	–	–	1,222	15,730	12,468	61	29,481
Disposals	–	(58)	–	(2,057)	(62)	(256)	–	(2,433)
Written off	–	–	–	–	(10,020)	(5,185)	–	(15,205)
Reclassification	–	5,676	–	–	–	–	(5,676)	–
Translation adjustments	–	–	263	–	74	127	–	464
Balance as at 30 June 2019	12,240	42,861	7,917	3,994	188,316	108,420	–	363,748
Accumulated depreciation								
Balance as at 1 July 2018	–	8,259	1,781	4,121	128,250	64,848	–	207,259
Charge for the financial year	–	772	278	446	26,483	13,423	–	41,402
Disposals	–	(9)	–	(1,999)	(62)	(227)	–	(2,297)
Written off	–	–	–	–	(9,748)	(5,005)	–	(14,753)
Translation adjustments	–	–	72	–	(1)	37	–	108
Balance as at 30 June 2019	–	9,022	2,131	2,568	144,922	73,076	–	231,719
Accumulated impairment losses								
Balance as at 1 July 2018	–	–	497	–	–	–	–	497
Reversal	–	–	(507)	–	–	–	–	(507)
Translation adjustments	–	–	10	–	–	–	–	10
Balance as at 30 June 2019	–	–	–	–	–	–	–	–
Carrying amount								
Balance as at 30 June 2019	12,240	33,839	5,786	1,426	43,394	35,344	–	132,029

Notes to the Financial Statements (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Office equipment and tools RM'000	Capital work in progress RM'000	Total RM'000
At cost								
Balance as at 1 July 2017	12,240	37,243	8,169	4,806	163,419	85,287	5,520	316,684
Additions	–	–	–	164	30,760	18,809	95	49,828
Disposals	–	–	–	(141)	(432)	(116)	–	(689)
Written off	–	–	–	–	(11,137)	(2,703)	–	(13,840)
Translation adjustments	–	–	(515)	–	(16)	(11)	–	(542)
Balance as at 30 June 2018	12,240	37,243	7,654	4,829	182,594	101,266	5,615	351,441
Accumulated depreciation								
Balance as at 1 July 2017	–	7,515	1,624	3,810	111,293	55,237	–	179,479
Charge for the financial year	–	744	261	452	25,929	12,062	–	39,448
Disposals	–	–	–	(141)	(415)	(36)	–	(592)
Written off	–	–	–	–	(8,546)	(2,403)	–	(10,949)
Translation adjustments	–	–	(104)	–	(11)	(12)	–	(127)
Balance as at 30 June 2018	–	8,259	1,781	4,121	128,250	64,848	–	207,259
Accumulated impairment losses								
Balance as at 1 July 2017	–	–	530	–	–	–	–	530
Translation adjustments	–	–	(33)	–	–	–	–	(33)
Balance as at 30 June 2018	–	–	497	–	–	–	–	497
Carrying amount								
Balance as at 30 June 2018	12,240	28,984	5,376	708	54,344	36,418	5,615	143,685

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM'000	Freehold buildings RM'000	Furniture and fixtures RM'000	Office equipment and tools RM'000	Capital work in progress RM'000	Total RM'000
At cost						
Balance as at 1 July 2018	12,240	36,078	3,457	1,840	5,615	59,230
Additions	–	–	–	3,000	61	3,061
Disposals	–	(58)	–	(141)	–	(199)
Reclassification	–	5,676	–	–	(5,676)	–
Balance as at 30 June 2019	12,240	41,696	3,457	4,699	–	62,092
Accumulated depreciation						
Balance as at 1 July 2018	–	7,677	3,387	1,700	–	12,764
Charge for the financial year	–	749	44	377	–	1,170
Disposals	–	(9)	–	(141)	–	(150)
Balance as at 30 June 2019	–	8,417	3,431	1,936	–	13,784
Carrying amount						
Balance as at 30 June 2019	12,240	33,279	26	2,763	–	48,308

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM'000	Freehold buildings RM'000	Furniture and fixtures RM'000	Office equipment and tools RM'000	Capital work in progress RM'000	Total RM'000
At cost						
Balance as at 1 July 2017	12,240	36,078	3,457	1,840	5,520	59,135
Additions	–	–	–	–	95	95
Balance as at 30 June 2018	12,240	36,078	3,457	1,840	5,615	59,230
Accumulated depreciation						
Balance as at 1 July 2017	–	6,955	3,305	1,623	–	11,883
Charge for the financial year	–	722	82	77	–	881
Balance as at 30 June 2018	–	7,677	3,387	1,700	–	12,764
Carrying amount						
Balance as at 30 June 2018	12,240	28,401	70	140	5,615	46,466

Notes to the Financial Statements (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land and capital work in progress are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal depreciation periods are as follows:

Freehold buildings	50 years
Leasehold buildings	25 years
Motor vehicles	5 years
Furniture and fixtures	3 - 5 years
Office equipment and tools	4 - 5 years

Freehold land has unlimited useful life and is not depreciated. Capital work in progress is stated at cost and is not depreciated until such time when the asset is available for use.

(b) During the financial year, the Group has reversed a net impairment loss of RM497,000 on a leasehold building to its recoverable amount based on a valuation performed by an external and independent property valuer.

(c) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Additions of property, plant and equipment	29,481	49,828	3,061	95
Financed by hire purchase and lease arrangements	(1,080)	(150)	–	–
IFRIC 1 adjustments	(546)	3,888	–	–
Provision for restoration costs capitalised	(972)	(2,734)	–	–
Cash payments on purchase of property, plant and equipment	26,883	50,832	3,061	95

(d) The net carrying amounts of the property, plant and equipment of the Group held under hire purchase and lease creditors at the end of the reporting period are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Motor vehicles	1,278	490

Details of terms and conditions of the finance lease arrangements are disclosed in Note 19 to the financial statements.

Notes to the Financial Statements (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) Certain freehold land and buildings have been pledged as securities to banks for financing facilities granted to the Group and the Company with carrying amounts as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Freehold land	4,892	4,892	4,892	4,892
Freehold buildings	16,805	17,271	16,247	16,689
	21,697	22,163	21,139	21,581

6. INTANGIBLE ASSETS

Group	**System, applications and products RM'000**	**Computer software RM'000**	**Total RM'000**
At cost			
Balance as at 1 July 2018	7,030	7,798	14,828
Additions	–	1,068	1,068
Written off	–	(97)	(97)
Translation adjustments	–	4	4
Balance as at 30 June 2019	7,030	8,773	15,803
Accumulated amortisation			
Balance as at 1 July 2018	3,789	4,759	8,548
Charge for the financial year	469	1,174	1,643
Written off	–	(50)	(50)
Translation adjustments	–	3	3
Balance as at 30 June 2019	4,258	5,886	10,144
Carrying amount			
Balance as at 30 June 2019	2,772	2,887	5,659
At cost			
Balance as at 1 July 2017	7,030	6,692	13,722
Additions	–	1,154	1,154
Written off	–	(44)	(44)
Translation adjustments	–	(4)	(4)
Balance as at 30 June 2018	7,030	7,798	14,828

Notes to the Financial Statements (Cont'd)

6. INTANGIBLE ASSETS (continued)

Group	System, applications and products RM'000	Computer software RM'000	Total RM'000
Accumulated amortisation			
Balance as at 1 July 2017	3,320	3,707	7,027
Charge for the financial year	469	1,076	1,545
Written off	–	(20)	(20)
Translation adjustments	–	(4)	(4)
Balance as at 30 June 2018	3,789	4,759	8,548
Carrying amount			
Balance as at 30 June 2018	3,241	3,039	6,280

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

System, applications and products ("SAP") and computer software that do not form an integral part of the related hardware are treated as intangible assets with finite life and are amortised over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal amortisation periods are as follows:

SAP	15 years
Computer software	5 years

7. INVESTMENT PROPERTY

	Group	
Workshop, at valuation	**2019 RM'000**	**2018 RM'000**
Balance as at 1 July 2018/2017	5,031	4,918
Fair value adjustments	85	427
Translation adjustments	154	(314)
Balance as at 30 June 2019/2018	5,270	5,031

(a) Investment property is initially measured at cost, which includes transaction costs. After initial recognition, investment property is measured at fair value, which reflects market conditions at the end of the reporting period and changes in fair value are included in profit or loss.

Notes to the Financial Statements
(Cont'd)

7. INVESTMENT PROPERTY (continued)

(b) Direct operating expenses arising from the investment property generating rental income during the financial year are as follows:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Repairs and maintenance	25	23
Quit rent and assessment	6	8

(c) The fair value of investment property of the Group is categorised as follows:

	Level 1 **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
2019				
Workshop	–	5,270	–	5,270
2018				
Workshop	–	5,031	–	5,031

(i) There is no transfer between levels in the hierarchy during the financial year.

(ii) Investment property at Level 2 fair value was determined by an external and independent property valuer, who is a member of The Hong Kong Institute of Surveyors. The professional valuer has adopted the comparison approach and made reference to relevant comparable transactions in the market. The valuation had resulted in a fair value gain of RM85,000 (2018: RM427,000) to the Group to reflect its fair value of RM5,270,000 or equivalent to HKD9,920,000 (2018: RM5,031,000 or equivalent to HKD9,760,000).

(iii) The fair value measurement of the investment property is based on the highest and best use, which does not differ from their actual use.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 **RM'000**	**2018** **RM'000**
At cost:		
- Unquoted shares	259,569	259,391
Less: Impairment losses	(955)	(955)
	258,614	258,436

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

(b) The details of the subsidiaries are as follows:

Name of company	Country of incorporation /Principal place of business	Effective equity interest 2019	Effective equity interest 2018	Principal activities
		%	%	
Vincci Ladies' Specialties Centre Sdn. Bhd. ("Vincci")	Malaysia	100	100	Dealers of ladies' shoes and accessories
Padini Corporation Sdn. Bhd. ("Padini Corporation")	Malaysia	100	100	Dealers of garments and ancillary products
Seed Corporation Sdn. Bhd. ("Seed")	Malaysia	100	100	Dealers of garments and ancillary products
Yee Fong Hung (Malaysia) Sendirian Berhad ("Yee Fong Hung")	Malaysia	100	100	Dealers of garments and ancillary products
Mikihouse Children's Wear Sdn. Bhd. ("Mikihouse")	Malaysia	100	100	Dealers of children's garments and accessories
Padini Dot Com Sdn. Bhd. ("Padini Dot Com")	Malaysia	100	100	Provision of management services and electronic commerce
Padini International Limited ("PIL") #	Hong Kong	100	100	Dealers of ladies' shoes and ancillary products
Vincci Holdings Sdn. Bhd. ("Vincci Holdings")	Malaysia	100	100	Dormant
The New World Garment Manufacturers Sdn. Bhd. ("The New World Garment")	Malaysia	100	100	Dormant
Padini (Cambodia) Co., Ltd. ("Padini Cambodia") *	Cambodia	100	100	Dealers of ladies' shoes, garments and ancillary products
Padini (Thailand) Co., Ltd. ("Padini Thailand") #	Thailand	100	95	Dealers of ladies' shoes, garments and ancillary products

Notes to the Financial Statements
(Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (continued)

(b) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation /Principal place of business	Effective equity interest 2019	Effective equity interest 2018	Principal activities
		%	%	
Subsidiary of PIL				
Padini (Thailand) Co., Ltd. ("Padini Thailand") # ^	Thailand	94	94	Dealers of ladies' shoes, garments and ancillary products

** Subsidiary audited by BDO PLT Member Firm*
 # Subsidiaries audited by other firm of auditors
^ The remaining 1% and 5% shareholdings are held by the Company and Padini Dot Com respectively.

(c) Additional investments in a subsidiary

During the financial year, Padini Thailand allotted 139,900 new shares to the existing shareholders in proportion to their shareholdings. The Company subscribed for an additional 1,399 new shares of Padini Thailand at a consideration of RM178,636 (equivalent to THB1,399,750).

On 17 April 2019, Padini Dot Com, its wholly-owned subsidiary acquired 7,000 shares of Padini Thailand at THB1,000 each from a non-controlling interest at a total consideration of RM933,170 (equivalent to THB7,000,000). As a result, Padini Thailand has become wholly-owned subsidiary of Padini Holdings Berhad.

9. OTHER INVESTMENTS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current				
Equity security				
- Unquoted shares in Malaysia	–	560	–	560
Club memberships	145	145	–	–
Total non-current other investments	145	705	–	560

Notes to the Financial Statements (Cont'd)

9. OTHER INVESTMENTS (continued)

(a) On 1 July 2018, the club memberships were classified as financial assets through profit or loss and equity security was classified as financial assets through other comprehensive income pursuant to MFRS 9 *Financial Instruments*. Prior to 1 July 2018, the club memberships and equity security were classified as available-for sale financial assets pursuant to MFRS 139 *Financial Instruments: Recognition and Measurement.*

(b) In the previous financial year, the fair value of unquoted shares in Malaysia was estimated based on the price to book valuation model. Management obtained the industry price to book ratio from observable market data, discounted the price to book ratio for illiquidity, and multiplied the discounted price to book ratio with the book value per share of the investee to derive the estimated fair value. Management believes that the estimated fair value resulting from this valuation model is reasonable and the most appropriate at the end of each reporting period.

The fair values for club memberships are estimated based on references to current available counter party quotations of the same investments.

(c) The fair value of other investments of the Group and of the Company are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2019				
Other investments				
- Club memberships	–	–	145	145
2018				
Other investments				
- Unquoted shares in Malaysia	–	–	560	560
- Club memberships	–	–	145	145
Company				
2019				
Other investments				
- Unquoted shares in Malaysia	–	–	–	–
2018				
Other investments				
- Unquoted shares in Malaysia	–	–	560	560

Notes to the Financial Statements (Cont'd)

9. OTHER INVESTMENTS (continued)

(d) The significant unobservable inputs used in determining the fair value measurements of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, were detailed in the table below:

Financial instrument	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair values**
Other investments		
Unquoted shares in Malaysia	Discounted industry price to book ratio (2019: Nil; 2018: 0.57)	The higher the price to book ratio, the higher the fair value of the unquoted shares would be.
Club memberships	Counter party quotation	The higher the counter party quotation, the higher the fair values of the club memberships would be.

(e) The following table shows the sensitivity analysis for the level 3 fair value measurements:

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit after tax				
Price to book ratio				
- increase by 0.1	–	84	–	84
- decrease by 0.1	–	(84)	–	(84)

(f) The Group held a forty percent (40%) interest in Cassardi Corporation Sdn. Bhd. ("Casardi") for which the Group has determined that it does not hold significant influence over Cassardi as:

(i) The Group does not have any representative on the board of directors of Cassardi, and is therefore unable to participate in policy-making process of Cassardi;
(ii) There are no material transactions between the Group and Cassardi; and
(iii) There is no interchange of managerial personnel and provision of essential technical information between the Group and Cassardi.

Based on this, the Group considers that it does not have the power to exercise significant influence and has treated its interest in Cassardi as a simple investment in unquoted shares in Malaysia.

During the financial year, the Group classified it as non-current asset held for sale as disclosed in Note 15 to the financial statements.

Notes to the Financial Statements (Cont'd)

10. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	Group 2019 RM'000	Group 2018 RM'000
Balance as at 1 July 2018/2017	1,770	5,701
Recognised in profit or loss (Note 31)	354	(3,931)
Balance as at 30 June 2019/2018	2,124	1,770
Presented after appropriate offsetting:		
Deferred tax assets, net	3,245	2,886
Deferred tax liabilities, net	(1,121)	(1,116)
	2,124	1,770

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

<u>Deferred tax assets of the Group</u>

	Deferred revenue RM'000	Other deductible temporary differences RM'000	Total RM'000
Balance as at 1 July 2018	1,191	590	1,781
Recognised in profit or loss	116	208	324
Balance as at 30 June 2019, prior to offsetting	1,307	798	2,105
Set-off of tax			1,140
Balance as at 30 June 2019			3,245
Balance as at 1 July 2017	947	6,446	7,393
Recognised in profit or loss	244	(5,856)	(5,612)
Balance as at 30 June 2018, prior to offsetting	1,191	590	1,781
Set-off of tax			1,105
Balance as at 30 June 2018			2,886

Notes to the Financial Statements (Cont'd)

10. DEFERRED TAX (continued)

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Other taxable temporary differences RM'000	Total RM'000
Balance as at 1 July 2018	(399)	388	(11)
Recognised in profit or loss	693	(663)	30
Balance as at 30 June 2019, prior to offsetting	294	(275)	19
Set-off of tax			(1,140)
Balance as at 30 June 2019			(1,121)
Balance as at 1 July 2017	(1,375)	(317)	(1,692)
Recognised in profit or loss	976	705	1,681
Balance as at 30 June 2018, prior to offsetting	(399)	388	(11)
Set-off of tax			(1,105)
Balance as at 30 June 2018			(1,116)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unabsorbed tax losses	13,962	10,127	–	–
Unabsorbed capital allowances	1,000	1,575	268	847
	14,962	11,702	268	847

Notes to the Financial Statements
(Cont'd)

10. DEFERRED TAX (continued)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows (continued):

Deferred tax asset of the Company has not been recognised in respect of the above item as the item was derived from different business sources and it is not probable that future taxable profits of the Company from the same business source would be available against which the deductible temporary differences could be utilised.

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

For the Malaysian entities, the unabsorbed tax losses up to the year of assessment 2019 shall be deductible until year of assessment 2026 (within a period of seven (7) consecutive years of assessment). The unabsorbed tax losses for the year of assessment 2019 onwards will expire after seven (7) consecutive years of assessment. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

The unabsorbed capital allowances do not expire under current tax legislation.

11. INVENTORIES

	Group	
	2019 RM'000	**2018 RM'000**
At cost		
Completed garments, shoes and accessories	270,829	252,028
Raw materials and manufacturing accessories	2	17
	270,831	252,045
At net realisable value		
Completed garments, shoes and accessories	6,405	4,977
	277,236	257,022

(a) Cost of inventories of the Group is determined on a weighted average basis.

(b) In the previous financial year, the Group reversed an amount of RM23,247,000 in respect of inventories written off and inventories written down in the previous financial years.

Notes to the Financial Statements (Cont'd)

11. INVENTORIES (continued)

(c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM1,051,293,000 (2018: RM958,140,000). The amounts of write down and write off of inventories and inventory losses recognised as cost of sales during the financial year are as follows:

	Group	
	2019 RM'000	2018 RM'000
Inventory losses	4,692	4,805
Inventories written down to net realisable values	1,977	1,466
Inventories written off	1,999	2,967
	8,668	9,238

(d) The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling prices. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses future demand when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amounts of inventories.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
Third parties	17,407	14,420	–	–
Other receivables and deposits				
Other receivables	3,140	643	874	55
Deposits	29,930	30,164	71	71
	33,070	30,807	945	126
Total receivables	50,477	45,227	945	126
Prepayments				
Prepayments	7,333	10,503	80	960
	57,810	55,730	1,025	1,086

(a) Trade and other receivables are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 2 to 60 days (2018: 2 to 60 days) from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

12. TRADE AND OTHER RECEIVABLES (continued)

(c) Impairment for trade receivables that do not contain significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 36.1(a)(ii) to the financial statements.

No expected credit loss is recognised arising from trade receivables as it is negligible.

(d) Impairment for other receivables are recognised based on general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 36.1(a)(ii) to the financial statements.

No expected credit loss is recognised arising from other receivables as it is negligible.

(e) The ageing analysis of trade receivables of the Group is as follows:

Group	Gross carrying amount RM'000	Total allowance RM'000	Net balance RM'000
2019			
Current	13,295	–	13,295
Past due			
1 to 30 days	5	–	5
31 to 60 days	2,009	–	2,009
61 to 90 days	1,551	–	1,551
More than 90 days	547	–	547
	4,112	–	4,112
	17,407	–	17,407
2018 *			
Current	13,289	–	13,289
Past due			
1 to 30 days	803	–	803
31 to 60 days	221	–	221
61 to 90 days	106	–	106
More than 90 days	1	–	1
	1,131	–	1,131
	14,420	–	14,420

* Comparative information as required under MFRS 139 *Financial Instruments: Recognition and Measurement.*

Notes to the Financial Statements (Cont'd)

12. TRADE AND OTHER RECEIVABLES (continued)

(f) The currency exposure profiles of trade and other receivables (excluding prepayments) are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	42,871	42,910	945	126
United States Dollar	5,313	2,259	–	–
Chinese Renminbi	39	38	–	–
Hong Kong Dollar	20	20	–	–
Thailand Baht	2,234	–	–	–
	50,477	45,227	945	126

(g) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Effects of 5% changes to RM against foreign currencies				
Profit after tax				
- United States Dollar	202	86	–	–
- Thailand Baht	85	–	–	–

The exposure of other currencies are not significant, hence the effects of the changes in the exchange rates are not presented.

(h) At the end of each reporting period, approximately eighty-seven percent (87%) (2018: eighty-two percent (82%)) of the trade receivables of the Group were owed by five (5) major customers (2018: five (5) customers).

13. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Current		
Amounts due from subsidiaries	103,681	89,189

(a) Amounts due from subsidiaries are classified as financial assets measured at amortised cost.

(b) Amounts due from subsidiaries mainly represent payments made on behalf and advances, which are unsecured, interest free and repayable within the next twelve (12) months. Also included in amounts due from subsidiaries are dividends and rental receivable from subsidiaries amounting to RM91,305,000 (2018: RM70,670,000) and RM412,000 (2018: RM343,000) respectively.

13. AMOUNTS DUE FROM SUBSIDIARIES (continued)

(c) Foreign currencies exposure of amounts due from subsidiaries of the Company are as follows:

	Company	
	2019 RM'000	**2018 RM'000**
Ringgit Malaysia	67,023	71,097
United States Dollar	19,069	18,092
Thailand Baht	17,589	–
	103,681	89,189

(d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Company	
	2019 RM'000	**2018 RM'000**
Effects of 5% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	725	687
- Thailand Baht	668	–

(e) Impairment for amounts due from subsidiaries are recognised based on general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 36.1(a)(ii) to the financial statements.

No expected credit loss is recognised arising from amounts due from subsidiaries as it is negligible.

14. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash and bank balances	472,031	451,389	35,713	34,754

(a) The weighted average effective interest rate of cash and bank balances as at the end of each reporting period is as follows:

	Group and Company	
	2019 %	**2018 %**
Weighted average effective interest rate		
- Floating rate	2.84	2.78

Notes to the Financial Statements (Cont'd)

14. CASH AND BANK BALANCES (continued)

(b) Sensitivity analysis of interest rates for floating rate instruments at the end of the reporting period, assuming all other variable remain constant is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Effects of 50bp changes to profit after tax				
Floating rate instruments	1,794	1,715	136	132

(c) The currencies exposure profiles of cash and bank balances are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	412,949	406,292	35,713	34,754
United States Dollar	42,509	44,578	–	–
Hong Kong Dollar	516	382	–	–
Chinese Renminbi	143	132	–	–
Cambodia Riel	5	5	–	–
Thailand Baht	15,909	–	–	–
	472,031	451,389	35,713	34,754

(d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Effects of 5% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	1,615	1,694
- Thailand Baht	605	–

The exposure of other currencies are not significant, hence the effects of the changes in the exchange rates are not presented.

(e) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

15. NON-CURRENT ASSET HELD FOR SALE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other investment	560	–	560	–

A share sale and purchase agreement was signed by the Company and a third party. The total disposal consideration for the shares held by the Group and the Company of RM560,000 is to be entirely satisfied in cash. Accordingly, the Group and the Company had classified the other investment as held for sale in accordance with the requirements of MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

16. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid up ordinary shares				
At beginning of the financial year/ At end of the financial year	657,910	69,563	657,910	69,563

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

17. RESERVES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-distributable				
Available-for-sale reserve	–	29	–	–
Exchange translation differences	6,750	4,112	–	–
	6,750	4,141	–	–
Distributable				
Retained earnings	664,031	579,496	374,207	354,918
	670,781	583,637	374,207	354,918

Notes to the Financial Statements (Cont'd)

17. RESERVES (continued)

(a) Available-for-sale reserve

The reserve arose from gains or losses of financial assets classified as available-for-sale. The unrealised gains or losses are transferred to profit or loss upon reclassification of the financial instruments.

(b) Exchange translation differences

The exchange translation differences are used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items, which form part of the net investment of the Group in the foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

18. BORROWINGS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current liabilities				
Secured				
Hire purchase and lease creditors (Note 19)	279	258	–	–
Term loans	1,765	2,652	1,765	1,675
	2,044	2,910	1,765	1,675
Unsecured				
Bankers' acceptances	19,400	29,800	–	–
Revolving credits	–	751	–	–
	19,400	30,551	–	–
	21,444	33,461	1,765	1,675
Non-current liabilities				
Secured				
Hire purchase and lease creditors (Note 19)	842	187	–	–
Term loans	1,617	3,374	1,617	3,374
	2,459	3,561	1,617	3,374
Total borrowings				
Hire purchase and lease creditors (Note 19)	1,121	445	–	–
Term loans	3,382	6,026	3,382	5,049
Bankers' acceptances	19,400	29,800	–	–
Revolving credits	–	751	–	–
	23,903	37,022	3,382	5,049

Notes to the Financial Statements (Cont'd)

18. BORROWINGS (continued)

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) All borrowings are denominated in RM.

(c) Bankers' acceptances amounting to RM19,400,000 (2018: RM24,800,000) of the Group are guaranteed by the Company. In the previous financial year, the remaining bankers' acceptances of the Group amounted to RM5,000,000 and revolving credits were guaranteed by certain subsidiaries.

(d) Term loans of the Group and of the Company are secured by way of legal charges over certain property, plant and equipment of the Group and of the Company as disclosed in Note 5(e) to the financial statements.

(e) The borrowings are repayable over the following periods:

Group	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Total RM'000
As at 30 June 2019				
Hire purchase and lease creditors	279	255	587	1,121
Term loan	1,765	1,617	–	3,382
Bankers' acceptances	19,400	–	–	19,400
	21,444	1,872	587	23,903
As at 30 June 2018				
Hire purchase and lease creditors	258	103	84	445
Term loans	2,652	1,765	1,609	6,026
Bankers' acceptances	29,800	–	–	29,800
Revolving credits	751	–	–	751
	33,461	1,868	1,693	37,022
Company				
As at 30 June 2019				
Term loan	1,765	1,617	–	3,382
As at 30 June 2018				
Term loan	1,675	1,765	1,609	5,049

(f) The interest rate profiles of the borrowings as at end of each reporting period are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
- Fixed rate	1,121	445	–	–
- Floating rate	22,782	36,577	3,382	5,049

Notes to the Financial Statements (Cont'd)

18. BORROWINGS (continued)

(g) The weighted average effective interest rates of the borrowings as at the end of each reporting period are as follows:

	Group		Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Hire purchase and lease creditors	4.53	4.67	–	–
Bankers' acceptances	4.08	3.93	–	–
Revolving credits	-	4.01	–	–
Term loans	5.26	5.19	5.26	5.10

(h) Sensitivity analysis for fixed rate borrowings as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates. Sensitivity analysis of interest rates for the floating rate instruments at the end of the reporting period, assuming all other variables remain constant is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Effects of 50bp changes to profit after tax				
Floating rate instruments	87	139	13	19

(i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values, are as follows:

	2019		2018	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Hire purchase and lease liabilities	1,121	1,094	445	422

The fair values of hire purchase and lease creditors are estimated by discounting expected future cash flows at market incremental lending rate for similar type of lending, borrowings or leasing arrangements at the end of each reporting period.

The fair values of hire purchase and lease creditors are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

18. BORROWINGS (continued)

(j) The table below summarises the maturity profile of the borrowings at the end of each reporting period based on contractual undiscounted repayment obligations:

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 30 June 2019				
Hire purchase and lease creditors	323	902	–	1,225
Term loan	1,892	1,651	–	3,543
Bankers' acceptances	19,400	–	–	19,400
	21,615	2,553	–	24,168
As at 30 June 2018				
Hire purchase and lease creditors	271	197	–	468
Term loans	2,886	3,535	–	6,421
Bankers' acceptances	29,800	–	–	29,800
Revolving credits	751	–	–	751
	33,708	3,732	–	37,440
Company				
As at 30 June 2019				
Term loan	1,892	1,651	–	3,543
As at 30 June 2018				
Term loan	1,892	3,535	–	5,427

Notes to the Financial Statements
(Cont'd)

19. HIRE PURCHASE AND LEASE CREDITORS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Minimum hire purchase and lease payments		
- not later than one (1) year	323	271
- later than one (1) year but not later than five (5) years	902	197
Total minimum hire purchase and lease payments	1,225	468
Less: Future interest charges	(104)	(23)
Present value of hire purchase and lease payments	1,121	445
Repayable as follows:		
Current liabilities		
- not later than one (1) year	279	258
Non-current liabilities		
- later than one (1) year but not later than five (5) years	842	187
	1,121	445

20. PROVISION FOR RESTORATION COSTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Non-current		
Provision for restoration costs	5,313	4,693
Current		
Provision for restoration costs	1,186	601

(a) Provision for restoration costs comprise estimates of reinstatement costs for lease outlets upon the expiry of tenancy agreements.

(b) A reconciliation of the provision for restoration costs is as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Balance as at 1 July 2018/2017	5,294	12,352
Recognised in property, plant and equipment	1,518	(1,154)
Recognised in profit or loss (Note 28)	549	527
Reversal of provision for restoration costs	(648)	(5,961)
Utilised during the financial year	(217)	(470)
Translation adjustments	3	–
Balance as at 30 June 2019/2018	6,499	5,294

Notes to the Financial Statements (Cont'd)

21. PROVISION FOR EMPLOYEE BENEFITS

The Group operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees of its wholly-owned subsidiary, Padini (Thailand) Co., Ltd.. Under the Scheme, eligible employees are entitled to retirement benefits varying between 30 days and 400 days per year of final salary upon attainment of the retirement age of 60.

The amounts recognised in the statements of financial position are determined as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Provision for employee benefits representing net liability	69	–
Analysed as:		
Later than 5 years	69	–
Analysed as:		
Non-current liabilities	69	–

The movements during the financial year in the amounts recognised in the statements of financial position in respect of the retirement benefit obligations are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
At 1 July	–	–
Current service cost recognised in profit or loss (Note 30)	64	–
Translation adjustment	5	–
At 30 June	69	–

Certain assumptions are used in the computation of provision for employee benefits and due to the long term nature of this Scheme, such estimates are subject to uncertainty.

The principal assumptions used are as follows:

	Group	
	2019 %	**2018 %**
Discount rate	2.88	–
Price inflation	0.92	–
Expected rate of salary increases	5.00	–

The discount rate is determined based on the values of Government Bond of Thailand yields with more than 10 years of maturity.

Notes to the Financial Statements (Cont'd)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade payables				
Third parties	102,422	134,282	–	–
Other payables				
Other payables	51,699	60,963	239	307
Accruals	14,874	16,865	340	334
Deferred revenue from customer loyalty points	–	4,964	–	–
	168,995	217,074	579	641

(a) Trade and other payables (excluding deferred revenue from customer loyalty points) are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2018: 30 to 90 days) from date of invoices.

(c) Included in other payables of the Group are advance payments received from customers against confirmed purchase orders amounting to RM705,000 (2018: RM425,000).

(d) Included in other payables is an amount of RM32,118,000 (2018: RM41,485,000) owing to a bank, which the bank acts as a settlement and paying agent on behalf of the Group before the expiry of the credit terms granted by the trade payables under a trade-related financial services agreement entered into between the bank and the Group. The Group is required to repay the bank no later than the expiry of the credit terms that are originally granted by the trade payables.

(e) A reconciliation of the deferred revenue from customer loyalty points is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Balance as at 1 July 2018/2017	4,964	3,948
Additions during the financial year	–	5,004
Redemptions	–	(2,984)
Lapsed rebate vouchers	–	(1,004)
Adjustment on initial application of MFRS 15 (Note 23)	(4,964)	–
Balance as at 30 June 2019/2018	–	4,964

22. TRADE AND OTHER PAYABLES (continued)

(f) The currency exposure profiles of trade and other payables (excluding deferred revenue from customer loyalty points) are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	165,372	206,830	579	641
Singapore Dollar	12	231	–	–
Hong Kong Dollar	40	50	–	–
United States Dollar	2,390	4,982	–	–
Chinese Renminbi	–	13	–	–
Thailand Baht	1,181	4	–	–
	168,995	212,110	579	641

(g) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Effects of 5% changes to RM against foreign currency		
Profit after tax		
- United States Dollar	91	189

The exposure of other currencies are not significant, hence the effects of the changes in the exchange rates are not presented.

(h) The maturity profile of the trade and other payables of the Group and of the Company as at the end of the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

23. CONTRACT LIABILITIES

	Group	
	2019 RM'000	**2018 RM'000**
Deferred revenue from customer loyalty points	5,449	–

(a) The Group has adopted MFRS 15 *Revenue from Contracts with Customers* using the modified retrospective approach, with an initial application date of 1 July 2018. The Group has not restated the comparative information.

Notes to the Financial Statements
(Cont'd)

23. CONTRACT LIABILITIES (continued)

(b) The contract liabilities primarily related to the deferred revenue from customer loyalty points outstanding as at the end of each reporting period, which revenue is recognised at a point in time upon redemption or lapsed customer loyalty points.

(c) A reconciliation of the deferred revenue from customer loyalty points is as follows:

	Group	
	2019 RM'000	2018 RM'000
Balance as at 1 July, as previously reported	–	–
Adjustment on initial application of MFRS 15 (Note 22)	4,964	–
Balance as at 1 July, as restated	4,964	–
Additions during the financial year	5,195	–
Redemptions	(3,341)	–
Lapsed rebate vouchers	(1,369)	–
Balance as at 30 June 2019/2018	5,449	–

24. COMMITMENTS

(a) Rental commitments

The Group had entered into several tenancy agreements for the rental of retail space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

The Group has aggregate future commitments as at the end of each reporting period as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than one (1) year	96,823	92,954
Later than one (1) year but not later than five (5) years	87,233	83,637
Later than five (5) years	1,163	1,109
	185,219	177,700

Certain lease rentals are subject to contingent rental, which are determined based on a percentage of sales generated from outlets. During the financial year, the Group has incurred contingent rentals amounted to RM34,561,000 (2018: RM36,149,000), which have been included in rental of premises.

24. COMMITMENTS (continued)

(b) Capital commitments

	Company	
	2019 **RM'000**	**2018** **RM'000**
Approved but not contracted for:		
Capital expenditure in respect of investment in a subsidiary	–	20,000
Contracted but not provided for:		
Capital expenditure in respect of property, plant and equipment	–	2,100

25. CONTINGENT LIABILITIES

	Company	
	2019 **RM'000**	**2018** **RM'000**
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries		
- secured	10,800	10,800
- unsecured	102,142	76,273
Corporate guarantees given to landlords for the non-cancellable leases of business premises of certain subsidiaries		
- unsecured	15,691	18,981
	128,633	106,054

(a) The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts.* The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

Notes to the Financial Statements (Cont'd)

25. CONTINGENT LIABILITIES (continued)

(b) The currency exposure profiles of corporate guarantees are as follows:

	Company	
	2019 RM'000	**2018 RM'000**
Ringgit Malaysia	78,491	81,781
United States Dollar	50,142	24,273
	128,633	106,054

(c) The Directors are of the view that the chances of the financial institutions and landlords to call upon the corporate guarantees are remote. Accordingly, the fair values of the above corporate guarantees given to subsidiaries for banking facilities and to landlords for non-cancellable leases of business premises are negligible.

26. REVENUE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue from contracts with customers				
Sales of goods	1,782,921	1,678,586	–	–
Commission income	586	1,219	–	–
Deferred revenue from customer loyalty points	(485)	(1,015)	–	–
Other revenue				
Dividend income from:				
- subsidiaries	–	–	91,305	157,970
- unit trust funds	–	–	–	536
	1,783,022	1,678,790	91,305	158,506
Timing of revenue recognition:				
Transferred at a point in time	1,783,022	1,678,790	91,305	158,506

26. REVENUE (continued)

(a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods have been transferred to the customers and coincides with the delivery of products and acceptance by customer.

The contracts for the sale of goods provide customers with a right of return the goods within a specified period. No refund liability is recognised arising from the right of return as it is negligible.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve (12) months.

(b) Commission income

Commission income is recognised at a point in time at the fair value of the consideration receivable upon the sales of goods.

(c) Revenue from customer loyalty points

The Group's loyalty points programme allows customers to accumulate points that can be redeemed for products.

The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised at a point in time upon redemption or expiry of the customer loyalty points by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a regular basis and any adjustments to the contract liability balance are charged against revenue.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Other income

(i) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(ii) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(iii) Royalty income and master license fee

Royalty income and master license fee are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(iv) Membership fee

Membership fee is recognised on a cash receipt basis.

Notes to the Financial Statements (Cont'd)

27. COST OF SALES

	Group 2019 RM'000	Group 2018 RM'000
Inventories sold	1,051,293	958,140
Carriage, freight and handling charges	25,221	23,910
Others	8,668	9,238
	1,085,182	991,288

Others represent inventory losses, inventories written down and inventories written off.

28. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
- Term loans	231	361	226	299
- Bankers' acceptances	823	1,487	–	–
- Revolving credits	6	113	–	–
- Hire purchase and lease creditors	42	26	–	–
- Unwinding of discount on provision for restoration costs (Note 20)	549	527	–	–
Others	185	156	–	–
	1,836	2,670	226	299

29. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, profit before tax is arrived at:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
After charging:				
Auditors' remuneration				
BDO PLT Malaysia				
- Statutory audits				
- current year	214	209	48	46
- over provision in prior years	–	–	–	(4)
- Non-statutory audit	7	6	7	6
Other auditors				
- Statutory audit				
- current year	54	38	–	–
- under provision in prior years	–	1	–	–
Directors' remuneration:				
- fees payable by the Company	300	300	300	300
- other emoluments paid by the Company	18	18	18	18
- other emoluments paid by the subsidiaries	6,087	4,872	–	–
Loss on disposal of unit trust funds	–	58	–	35
Loss on disposal of property, plant and equipment	57	–	44	–
Loss on foreign exchange:				
- realised	300	500	177	13
- unrealised	1	1,633	–	–
Rental of equipment	436	826	–	–
Rental of premises	154,535	142,566	–	–
And crediting:				
Dividend income from:				
- subsidiaries	–	–	91,305	157,970
- unit trust funds	–	1,205	–	536
Gain on disposal of property, plant and equipment	398	46	–	–
Gain on foreign exchange:				
- realised	26	13	–	–
- unrealised	875	233	1,813	206
Interest income	10,455	9,582	1,344	649
Rebate of management fees in the form of unit trust units in other investments	–	9	–	5
Rental income from:				
- investment property	174	161	–	–
- premises	–	–	4,321	4,115
Royalty income	1,083	1,284	–	–

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM104,000 (2018: RM96,000).

Notes to the Financial Statements (Cont'd)

30. EMPLOYEE BENEFITS

	Group	
	2019 RM'000	**2018 RM'000**
Salaries, wages, allowances and bonuses	186,237	177,514
Contributions to defined contribution plans	19,120	18,888
Unutilised leaves	(1,068)	(320)
Increase in provision for employee benefits (Note 21)	64	–
Other employee benefits	5,723	5,437
	210,076	201,519

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM6,087,000 (2018: RM4,872,000).

31. TAX EXPENSE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current year tax expense based on profit for the financial year:				
- Malaysian income tax	58,802	57,956	1,147	1,051
- Foreign income tax	937	140	–	–
	59,739	58,096	1,147	1,051
(Over)/Under provision in prior years:				
- Malaysian income tax	(286)	(505)	(52)	28
	59,453	57,591	1,095	1,079
Deferred tax (Note 10):				
- Relating to origination and reversal of temporary differences	(520)	4,161	–	–
- Under/(Over) provision in prior years	166	(230)	–	–
	(354)	3,931	–	–
Total tax expense	59,099	61,522	1,095	1,079

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

Notes to the Financial Statements
(Cont'd)

31. TAX EXPENSE (continued)

(c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax	219,265	239,696	96,044	161,162
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	52,624	57,527	23,051	38,679
Tax effects in respect of:				
Different tax rates in foreign jurisdiction	(97)	(34)	–	–
Non-allowable expenses	6,880	5,460	584	453
Non-taxable income	(970)	(1,181)	(22,349)	(38,092)
Deferred tax assets not recognised	921	485	–	11
Utilisation of previously unrecognised deferred tax assets	(139)	–	(139)	–
	59,219	62,257	1,147	1,051
(Over)/Under provision of tax expense in prior years	(286)	(505)	(52)	28
Under/(Over) provision of deferred tax in prior years	166	(230)	–	–
	59,099	61,522	1,095	1,079

Notes to the Financial Statements (Cont'd)

31. TAX EXPENSE (continued)

(d) Tax on each component of other comprehensive income is as follows:

	Group					
	2019			2018		
	Before tax RM'000	Tax effect RM'000	After tax RM'000	Before tax RM'000	Tax effect RM'000	After tax RM'000
Items that may be reclassified subsequently to profit or loss						
Foreign currency translations	2,638	–	2,638	(1,416)	–	(1,416)

Notes to the Financial Statements (Cont'd)

32. DIVIDENDS

	Group and Company			
	2019 Dividend per ordinary share sen	**2019 Amount of dividend RM'000**	**2018 Dividend per ordinary share sen**	**2018 Amount of dividend RM'000**
First interim dividend	2.5	16,448	2.5	16,448
Second interim dividend	2.5	16,448	2.5	16,448
Third interim dividend	2.5	16,448	2.5	16,448
Fourth interim dividend	2.5	16,448	2.5	16,448
Special dividend	1.5	9,868	1.5	9,868
	11.5	75,660	11.5	75,660

The Directors do not recommend the payment of final dividend in respect of the current financial year. On 27 August 2019, the Directors declared a first interim single tier dividend of 2.5 sen per ordinary share amounting to RM16,448,000 in respect of the financial year ending 30 June 2020, which will be payable on 30 September 2019.

33. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019 RM'000	**2018 RM'000**
Profit attributable to equity holders of the parent	160,166	178,174
Weighted average number of ordinary shares in issue ('000)	657,910	657,910
Basic earnings per ordinary share (sen)	24.34	27.08

(b) Diluted

The diluted earnings per ordinary share equals basic earnings per ordinary share because there were no potential dilutive ordinary shares as at the end of the reporting period.

Notes to the Financial Statements
(Cont'd)

34. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has controlling related party relationships with its direct and indirect subsidiaries.

The Group also has related party relationship with the following party:

Identity of the related party	**Relationship**
Yong Pang Chaun Holdings Sdn. Bhd. ("YPCH")	Corporate shareholder of the Company with equity interest of 43.74% (2018: 43.74%) and where the Directors of the Company, namely Yong Pang Chaun and Chong Chin Lin have substantial financial interests. Yong Pang Chaun and Chong Chin Lin are also the directors of YPCH.

(b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Company	
	2019 RM'000	**2018 RM'000**
Transactions with subsidiaries:		
Dividend income received and receivable from:		
- Vincci	24,150	38,640
- Padini Corporation	31,655	43,830
- Seed	8,500	17,000
- Yee Fong Hung	27,000	51,000
- Padini Dot Com	–	7,500
Rental income received and receivable from:		
- Vincci	355	364
- Padini Corporation	358	351
- Seed	230	288
- Yee Fong Hung	2,513	2,279
- Mikihouse	34	115
- Padini Dot Com	831	718

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2019 is disclosed in Note 13 to the financial statements.

34. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remunerations of Directors during the financial year was as follows:

	Group		Company	
	2019 **RM'000**	**2018** **RM'000**	**2019** **RM'000**	**2018** **RM'000**
Fees	300	300	300	300
Short term employee benefits	5,651	4,372	18	18
Contributions to defined contribution plans	454	518	–	–
	6,405	5,190	318	318

35. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that it maintains a strong capital base in order to support its business operations and to provide fair returns for shareholders and benefits for other stakeholders.

For capital management purposes, the Group considers equity attributable to owners of the parent as the capital structure of the Group. The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may, from time to time, adjust the dividend payout to shareholders or issue new share, where necessary. No changes were made in the objectives, policies or processes during the financial year ended 30 June 2019 and financial year ended 30 June 2018.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 30 June 2019.

The Group is not subject to any other externally imposed capital requirements.

35. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from credit risk, liquidity and cash flow risk, interest rate risk, foreign currency risk and market risk.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk, foreign currency risk and market risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for certain export franchisees, where deposits in advance are normally required. The credit period is generally for a period of two (2) days, extending up to two (2) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The credit risk profile has been disclosed in Note 12 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 18 and 22 to the financial statements respectively.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group and of the Company relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate borrowings of the Group are not exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate deposits and borrowings of the Group and of the Company are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not use derivative financial instruments to hedge its risk.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 14 and 18 to the financial statements respectively.

35. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of each reporting period, such foreign currencies balances amounted to RM59,082,000 (2018: RM45,097,000) for the Group.

The currency exposure profile and sensitivity analysis of foreign currency risk have been disclosed in Notes 12, 13, 14, 22 and 25 to the financial statements respectively.

(v) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The sensitivity analysis of market risk has been disclosed in Note 9 to the financial statements.

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

36.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to *MFRS 4 Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

Notes to the Financial Statements
(Cont'd)

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

36.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted MFRS 9 with an initial application date of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale ("AFS"), Held-To-Maturity ("HTM") and Loans and Receivables ("L&R") financial asset categories were removed.
- A new financial asset category measured at Amortised Cost ("AC") was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

36.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivables would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Impairment for other receivables and amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. As at the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by the other receivables and subsidiaries are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amounts due from subsidiaries.

Notes to the Financial Statements
(Cont'd)

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

36.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification

The following tables summarises the reclassifications of the financial assets and financial liabilities of the Group and of the Company as at 1 July 2018:

	Classification		Carrying amount	
Group	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM'000**	**New under MFRS 9 RM'000**
Financial assets				
Non-current asset				
Other investments				
- Equity security	AFS	FVTOCI	560	560
- Club memberships	AFS	FVTPL	145	145
Current assets				
Trade and other receivables	L&R	AC	55,730	55,730
Cash and bank balances	L&R	AC	451,389	451,389
Financial liabilities				
Borrowings	OFL *	AC	37,022	37,022
Trade and other payables	OFL *	AC	217,074	217,074
Company				
Financial assets				
Non-current asset				
Other investments				
- Equity security	AFS	FVTOCI	560	560
Current assets				
Trade and other receivables	L&R	AC	90,275	90,275
Cash and bank balances	L&R	AC	34,754	34,754
Financial liabilities				
Borrowings	OFL *	AC	5,049	5,049
Trade and other payables	OFL *	AC	641	641

* Other financial liabilities measured at amortised cost.

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

36.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification (continued)

The following table is reconciliations of the carrying amount of the statements of financial position of the Group from MFRS 139 to MFRS 9 as at 1 July 2018:

	Existing under MFRS 139		New under MFRS 9
Group	**Carrying amount as at 30 June 2018 RM'000**	**Reclassifications RM'000**	**Carrying amount as at 1 July 2018 RM'000**
Available for sale reserve:			
Opening balance	29	–	29
Adjustment on initial application of MFRS 9	–	(29)	(29)
Total available for sale reserve	29	(29)	–
Retained earnings:			
Opening balance	579,496	–	579,496
Adjustment on initial application of MFRS 9	–	29	29
Total retained earnings	579,496	29	579,525

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 July 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The adoption of MFRS 15 did not have a material impact on profit or loss and other comprehensive income or the Group's operating, investing and financing cash flows.

Notes to the Financial Statements (Cont'd)

36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

36.1 New MFRSs adopted during the financial year (continued)

(b) MFRS 15 *Revenue from Contracts with Customers* (continued)

The following table summarises the reclassifications of the financial liabilities of the Group as at 1 July 2018:

	Under MFRS 15 RM'000	Under previous MFRS RM'000
Trade and other payables	212,110	217,074
Contract liabilities	4,964	–

36.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 *and* MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *and* MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

DIRECTORS' SHAREHOLDINGS AND INTERESTS

DIRECTORS' SHAREHOLDINGS AS AT 13 SEPTEMBER 2019

Shareholdings in the Company

Director	No. of Shares Held			
	Indirect	%	Direct	%
YONG PANG CHAUN	290,983,490 *	44.228	4,691,960	0.713
CHONG CHIN LIN	292,455,460**	44.452	3,219,990	0.489
CHIA SWEE YUEN	NIL	NIL	NIL	NIL
FOO KEE FATT	NIL	NIL	NIL	NIL
LEE PENG KHOON	NIL	NIL	NIL	NIL
ANDREW YONG TZE HOW	NIL	NIL	NIL	NIL
BENJAMIN YONG TZE JET	NIL	NIL	NIL	NIL
CHEW VOON CHYN	5,000 ^^	0.001	NIL	NIL
SUNG FONG FUI	10,000##	0.002	NIL	NIL

In addition to the direct/indirect interests disclosed above, Yong Pang Chaun and Chong Chin Lin are deemed to be interested in shares of the subsidiary companies to the extent the Company has an interest by virtue of their interests in the shares of the Company.

* Deemed interest by virtue of his substantial shareholdings in Yong Pang Chaun Holdings Sdn. Bhd. and via his spouse, Mdm. Chong Chin Lin's direct interest.

** Deemed interest by virtue of her husband, Yong Pang Chaun's substantial shareholdings in Yong Pang Chaun Holdings Sdn. Bhd. and his direct interest in the Company.

^^ Deemed interest by virtue of her husband, Kumarason A/L Chandran's direct interest in the Company.

Deemed interest by virtue of her husband, Ng Yun Vui's direct interest in the Company.

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 13 September 2019

Total number of shares issued	:	657,909,500 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per Ordinary share
No. of shareholders	:	6,165

DISTRIBUTION SCHEDULE - ORDINARY SHAREHOLDERS AS AT 13 SEPTEMBER 2019

No. of Holders	Holdings	Total Holdings	%
111	less than 100	2,618	0.000
2,550	100 - 1,000	1,527,160	0.232
2,668	1,001 - 10,000	9,983,603	1.518
604	10,001 - 100,000	17,735,408	2.696
229	100,001 - 32,895,474	252,316,811	38.351
3	32,895,475 and above	376,343,900	57.203
6,165	**TOTAL**	**657,909,500**	**100.000**

Analysis of Shareholdings (Cont'd)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 13 SEPTEMBER 2019

No.	Name	Nationality	Registered Holder	No. of Shares held or beneficially interested in		Percentage of Shareholding	
				Direct	Indirect	Direct	Indirect
1	Yong Pang Chaun Holdings Sdn. Bhd.	Incorporated in Malaysia	-Yong Pang Chaun Holdings Sdn. Bhd.	287,763,500	–	43.739	–
2	Yong Pang Chaun **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Chong Chin Lin # -Yong Pang Chaun	– – 4,691,960	287,763,500 3,219,990 –	– – 0.713	43.739 0.489 –
3	Chong Chin Lin **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Yong Pang Chaun * -Chong Chin Lin	– – 3,219,990	287,763,500 4,691,960 –	– – 0.489	43.739 0.713 –
4	Yong Lai Wah **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Yong Lai Wah	– –	287,763,500 –	– –	43.739 –
5	Yong Lee Peng **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Yong Lee Peng	– 1,500,000	287,763,500 –	– 0.227	43.739 –
6	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	Incorporated in Malaysia	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	45,554,426	–	6.924	–
			Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident FD BD (CIMB PRI)	3,455,500	–	0.525	–
			Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident FD BD (ARIM)	1,550,000	–	0.236	–
			Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident FD BD (TEMPLETON)	893,700	–	0.136	–

Analysis of Shareholdings (Cont'd)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 13 SEPTEMBER 2019 (continued)

No.	Name	Nationality	Registered Holder	No. of Shares held or beneficially interested in		Percentage of Shareholding	
				Direct	Indirect	Direct	Indirect
6	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (continued)	Incorporated in Malaysia	Citigroup Nominees (Tempatan) Sdn Bhd - Emplys Prvnt FD BD (F.TEMISLAMIC) IC	459,700	–	0.070	–
			Citigroup Nominees (Tempatan) Sdn Bhd - Emplys Prvnt FD BD (BNP NAJMAH EQ) IC	1,251,600	–	0.190	–
			Citigroup Nominees (Tempatan) Sdn Bhd - Emplys Prvnt FD BD (AFFIN HWANG-SBL)	1,494,774	–	0.227	–
7	Kumpulan Wang Persaraan (Diperbadankan)	Incorporated in Malaysia	Kumpulan Wang Persaraan (Diperbadankan)	41,531,200	–	6.313	–
			Kumpulan Wang Persaraan (Diperbadankan) - Fund Managers	–	5,769,267	–	0.877

Note : All names listed above as substantial shareholders are the beneficial owners even though they may not be the registered holders.

** Those whose names are preceded by a double asterisk are deemed to have an interest in the shares by virtue of Section 8 of the Companies Act 2016.

Deemed Interest via his spouse, Madam Chong Chin Lin's direct interest.

* Deemed Interest via her spouse, Mr Yong Pang Chaun's direct interest.

Analysis of Shareholdings (Cont'd)

LIST OF TOP 30 SHAREHOLDERS AS AT 13 SEPTEMBER 2019
(As per the Record of Depositors)

No.	Name	No. of Shares	%
1	YONG PANG CHAUN HOLDINGS SDN. BHD.	287,763,500	43.739
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	47,049,200	7.151
3	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	41,531,200	6.312
4	THIAN MIN YANG	19,573,700	2.975
5	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. ICAPITAL.BIZ BERHAD	17,006,700	2.584
6	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR FIERA CAPITAL EMERGING MARKETS FUND	15,470,500	2.351
7	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. PAMB FOR PRULINK EQUITY FUND	8,603,600	1.307
8	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. DEUTSCHE BANK AG SINGAPORE FOR PANGOLIN ASIA FUND	8,373,500	1.272
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	7,301,800	1.109
10	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	5,507,500	0.837
11	YONG YEE CHING	5,280,000	0.802
12	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	5,035,437	0.765
13	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	5,000,000	0.759
14	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	4,892,345	0.743
15	YONG PANG CHAUN	4,691,960	0.713
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	4,134,200	0.628
17	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	3,744,500	0.569

Analysis of Shareholdings (Cont'd)

LIST OF TOP 30 SHAREHOLDERS AS AT 13 SEPTEMBER 2019 (continued)
(As per the Record of Depositors)

No.	Name	No. of Shares	%
18	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	3,563,900	0.541
19	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	3,455,500	0.525
20	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. PBTB FOR TAKAFULINK DANA EKUITI	3,452,600	0.524
21	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. NATIONAL TRUST FUND (IFM EASTSPRING) (410140)	3,238,400	0.492
22	CHONG CHIN LIN	3,219,990	0.489
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	2,888,000	0.438
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	2,856,400	0.434
25	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,799,200	0.425
26	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	2,622,148	0.398
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	2,487,000	0.378
28	HSBC NOMINEES (ASING) SDN. BHD. JPMBL SA FOR AVIVA INVESTORS	2,481,924	0.377
29	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. PAMB FOR PRULINK DANA UNGGUL	2,475,000	0.376
30	TAN YU YEH	2,458,400	0.373
	TOTAL	**528,958,104**	**80.399**

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2019

Location	Description / Existing Use	Land Area/ Built-up Area (sq. ft.)	Tenure	Approximate Age of Buildings	Net Carrying Amount @ 30.06.2019 (RM)
No. 21, Lot 116, Jalan U1/20 Glenmarie Industrial Park 40000 Shah Alam Date of Acquisition: 11 June 1998	2-storey Office cum warehouse: Corporate Headquarters & central warehouse	45,962 / 56,568	Freehold	23.5 years	11,417,540
No. 19, Lot 115, Jalan U1/20 Glenmarie Industrial Park 40150 Shah Alam Date of Acquisition: 08 August 2003	4-storey Office cum warehouse: Corporate Headquarters & central warehouse	45,962/ 116,337	Freehold	13 years	12,964,024
No. 15, Lot 112, Jalan U1/20 Glenmarie Industrial Park 40150 Shah Alam Date of Acquisition: 24 March 2006	4-storey Central Warehouse with 1 Basement Car parks	75,003/ 180,070	Freehold	9 years	21,138,542
Lots LG 028 & 044 Lower Ground Floor Sungei Wang Plaza Kuala Lumpur Date of last revaluation : 1982	Retail shoplots: utilised by a subsidiary as a free-standing retail outlet	1455 / 1455	Freehold	46 years	10,465,000
Workshop B15 10th Floor, Block B Hong Kong Industrial Centre 489-491 Castle Peak Road, Kowloon, Hong Kong Date of acquisition : 12 September 2007	Office Lot/ Workshop: Management Office for Padini International Limited, Hong Kong	1,500	Leasehold – 75 years expiring on 30.06.2047	37 years	1,343,474
Workshop B14 10th Floor, Block B Hong Kong Industrial Centre 489-491 Castle Peak Road, Kowloon, Hong Kong Date of acquisition : 12 September 2007	Office Lot/ Workshop: Rented out	1,424	Leasehold – 75 years expiring on 30.06.2047	37 years	5,269,504
Flat E, 5th Floor, Block 5, Liberte, No. 833, Lai Chi Kok Road, Kowloon. Date of acquisition: 29 August 2014	Residential Apartment: Staff Hostel	698	Leasehold – 50 years expiring on 16.08.2049	16 years	4,440,137

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PADINI HOLDINGS BERHAD
(Company No. 50202-A)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	No. of Shares held	Tel No

I/We, ____
(Full name in Block Letters and NRIC/Passport/Company No.)

of ____
(Address)

being a member(s) of **PADINI HOLDINGS BERHAD**, hereby appoint

Full Name (in Block Letters) and address	NRIC/Passport No.	% of Shareholding

or failing him/her

Full Name (in Block Letters) and address	NRIC/Passport No.	% of Shareholding

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang Subang, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 19 November 2019 at 10:00 a.m. or at any adjournment thereof.

		FOR	AGAINST
Ordinary Resolution 1	Directors' Fee		
Ordinary Resolution 2	Directors' Benefits		
Ordinary Resolution 3	Re-election of Mdm Chong Chin Lin		
Ordinary Resolution 4	Re-election of Mr Andrew Yong Tze How		
Ordinary Resolution 5	Re-election of Mr Chia Swee Yuen		
Ordinary Resolution 6	Re-appointment of Auditors		
Ordinary Resolution 7	Retention of Independent Director – Mr Foo Kee Fatt		

(With reference to the agenda set forth in the Notice of Meeting, please indicate with an "X" in the space provided above how you wish your votes to be cast on the resolutions specified. If no specific direction as to the voting is given, the Proxy will vote or abstain at his/her discretion.)

Dated this __________ day of ______________________ 2019

____
Signature of Member / Common Seal

Notes:

(i) *A member entitled to attend and vote at a meeting, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) persons as his proxy to vote instead of the member at the meeting. There shall be no restrictions as to the qualifications of the proxy.*

(ii) *Where a member appoints more than one proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

(iii) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.*

(iv) *The instrument appointing a proxy must be completed and deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll, not less than twenty four (24) hours before the time appointed for the taking of the poll). You can also have the option to lodge the proxy appointment electronically via TIIH online at website https://tiih.online before the proxy form lodgement cut-off time as mentioned in the above. For further information on the electronic lodgement of proxy form, kindly refer to the Annexure of the Proxy Form.*

(v) *For the purpose of determining a member who shall be entitled to attend this 38th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Clause 71 of the Company's Constitution and Section 34 (1)of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 8 November 2019. Only a depositor whose name appears on the Record of Depositors as at 8 November 2019 shall be entitled to attend the said meeting or appoint proxy/ proxies to attend and/or vote on his behalf.*

ANNEXURE TO PROXY FORM

Dear Security Holders

ELECTRONIC LODGEMENT OF PROXY FORM FOR GENERAL MEETING

We are pleased to inform that security holders can have the option to lodge their proxy forms by electronic means through our Share Registrar's application, TIIH Online ("**e-proxy form**").

TIIH Online is an application that provides an online platform for security holders (individuals only) to perform lodgement of document/form electronically which includes proxy form in paperless form ("e-lodgement"). Once you have successfully lodged your e-proxy form, you are no longer required to complete and lodge the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-lodgement of proxy form, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online

- Using your computer, access our website at https://tiih.online.
- Sign up as a user by completing the registration form. Registration is free.
- Upload a softcopy of your MyKad (front and back) or your passport.
- Administrator will approve your registration within one working day and notify you via email.
- Activate your account by re-setting your password.

Notes:
(i) If you are already a user of TIIH Online, you are not required to sign up again.
(ii) An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account.
(iii) At this juncture, only individual security holders are offered to register as user and participate in e-lodgement.

2. Proceed with e-lodgement of proxy form

- After the release of the Notice of AGM by the Company, login with your user name (i.e. e-mail address) and password.
- Select the corporate event: **"Padini-Lodgement of Proxy Form.**
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Insert the CDS account number and indicate the number of securities for your proxy(s) to vote on your behalf.
- Appoint your proxy(s) or chairman and insert the required details of your proxy(s).
- Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.
- Review & confirm your proxy(s) appointment.
- Print e-proxy form for your record.

Our Contact

Should you need further clarification on the e-lodgement of proxy form, you can contact our Share Registrar at the following. Thank you.

Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia	Telephone No: 03-27839299 Fax No: 03-27839222 E-mail: is.enquiry@my.tricorglobal.com

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
PADINI HOLDINGS BERHAD
(Company No. 50202-A)
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia

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PADINI HOLDINGS BERHAD
(50202-A)

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