# PADINI HOLDINGS BERHAD

Registration No: 197901005918 (50202-A)
(Incorporated in Malaysia)

Annual Report & Sustainability Report
2 0 2 0

# 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 Ninth Annual General Meeting of the Company will be held on a fully virtual basis at the broadcast venue at Room 4.2, No. 19 Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam on Tuesday, 24 November 2020 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 2020 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 2020. *(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 2020 until the next Annual General Meeting to be held in 2021. *(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) Mr Yong Pang Chaun *(Ordinary Resolution 3)*

   ii) Mr Foo Kee Fatt *(Ordinary Resolution 4)*

   iii) Ms Chew Voon Chyn *(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 as an Independent Non-Executive Director for a cumulative term of more than nine years be retained as an 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 Ninth 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 13 November 2020. Only a depositor whose name appears on the Record of Depositors as at 13 November 2020 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 (SSM PC NO.: 201908003292) (MAICSA 0877877)**
**CHO MEI THO (SSM PC NO.: 201908003284) (MAICSA 7036543)**
Company Secretaries

Selangor
23 October 2020

***Notes:***

*(i) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.*

*(ii) Shareholders/proxies from the public WILL NOT BE ALLOWED to attend the 39th AGM in person at the Broadcast Venue on the day of the meeting. Please refer to the Administrative Guide if you wish to join the meeting remotely.*

*(iii) Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 39th AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at https://tiih.online. Please follow the procedures for RPV in the Administrative Guide on 39th AGM.*

*(iv) A member of the Company entitled to attend and vote at the above meeting, is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.*

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

*(vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised 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 authorised.*

*(vii) 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). Individual shareholders can also have the option to submit the proxy appointment electronically via TIIH online at website https://tiih.online before the proxy form submission cut-off time as mentioned in the above. For further information on the electronic submission of proxy form, kindly refer to the Administrative Guide.*

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 2020 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 proposed Ordinary Resolution 7, if passed, will enable Mr Foo Kee Fatt who was appointed on 2 January 2009 and has served the Board as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to be retained as an Independent Non-Executive Director of the Company.

The Board of Directors has vide the Nominating and Remuneration Committee conducted an assessment of independence on Mr Foo and recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:-

<u>*Justifications*</u>

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;

## EXPLANATORY NOTE ON SPECIAL BUSINESS (CONT'D)

### 1. Retention of Independent Director (Cont'd)

*Justifications (Cont'd)*

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.

## STATEMENT ACCOMPANYING THE NOTICE OF THE 39TH 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 39th Annual General Meeting are set out in the Directors' Profile of the Company's 2020 Annual Report. No individual other than the retiring Directors are seeking election as Directors at the 39th 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 39th 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
(SSM PC NO.: 201908003292)
(MAICSA 0877877)

Cho Mei Tho
(SSM PC NO.: 201908003284)
(MAICSA 7036543)

## AUDITORS

BDO PLT
Chartered Accountants

## PRINCIPAL BANKER

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

**PADINI HOLDINGS BERHAD**
(197901005918) (50202-A)

100%
**MIKIHOUSE CHILDREN'S WEAR SDN. BHD.** (198701005814) (164485-U)

100%
**PADINI CORPORATION SDN. BHD.** (197501000569) (22159-H)

100%
**SEED CORPORATION SDN. BHD.** (199001002825) (194391-K)

100%
**YEE FONG HUNG (MALAYSIA) SDN. BHD.** (197301001498) (15011-U)

100%
**PADINI DOT COM SDN. BHD.** (200001007952) (510558-H)

100%
**VINCCI LADIES' SPECIALTIES CENTRE SDN. BHD.** (198101007288) (73404-H)

100%
**VINCCI HOLDINGS SDN. BHD.** (198301002408) (97644-K)

100%
**THE NEW WORLD GARMENT MANUFACTURERS SDN. BHD.** (198201000746) (80490-U)

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

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

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

# GROUP FINANCIAL HIGHLIGHTS

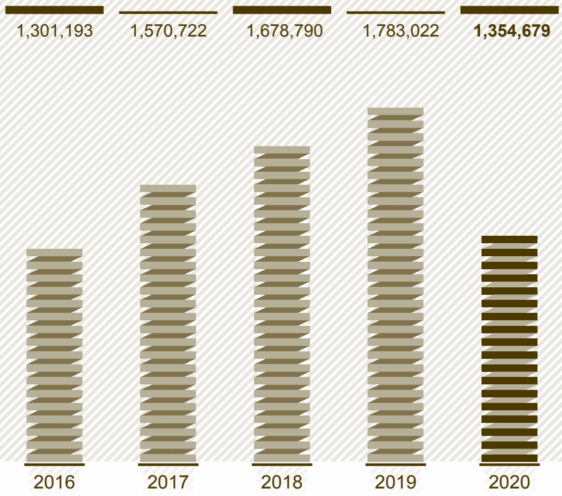
| | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 |
|---|---|---|---|---|---|
| Revenue | 1,301,193 | 1,570,722 | 1,678,790 | 1,783,022 | 1,354,679 |
| Profit before tax | 186,665 | 213,189 | 239,696 | 219,265 | 107,321 |
| Profit attributable to equity holders of the Company | 137,385 | 157,388 | 178,174 | 160,166 | 75,174 |
| Basic earnings per share (sen) based on profit attributable to equity shareholders | 20.88 | 23.92 | 27.08 | 24.34 | 11.43 |
| Net assets | 468,956 | 552,102 | 653,200 | 740,344 | 765,780 |
| Net assets per share (sen) | 71.3 | 83.9 | 99.3 | 112.5 | 116.4 |
| Dividend per share (sen) | 11.5 | 11.5 | 11.5 | 11.5 | 7.5 |
| (Decrease)/Increase in revenue | 323,289<br>33.1% | 269,529<br>20.7% | 108,068<br>6.9% | 104,232<br>6.2% | -428,343<br>-24.0% |
| (Decrease)/Increase in profit before tax | 74,830<br>66.9% | 26,524<br>14.2% | 26,507<br>12.4% | -20,431<br>-8.5% | -111,944<br>-51.1% |
| (Decrease)/Increase in profit attributable to equity holders | 57,162<br>71.3% | 20,003<br>14.6% | 20,786<br>13.2% | -18,008<br>-10.1% | -84,992<br>-53.1% |
| Changes in basic earnings per share (sen) | 8.7<br>71.3% | 3.0<br>14.6% | 3.2<br>13.2% | -2.7<br>-10.1% | -12.9<br>-53.1% |
| Changes in net assets | 63,322<br>15.6% | 83,146<br>17.7% | 101,098<br>18.3% | 87,144<br>13.3% | 25,436<br>3.4% |
| Changes in net assets per share (sen) | 9.6<br>15.6% | 12.6<br>17.7% | 15.4<br>18.3% | 13.2<br>13.3% | 3.9<br>3.4% |
| Changes in dividend per share (sen) | 1.5<br>15.0% | –<br>– | –<br>– | –<br>– | -4.0<br>-34.8% |

# Group Financial Highlights

(Cont'd)

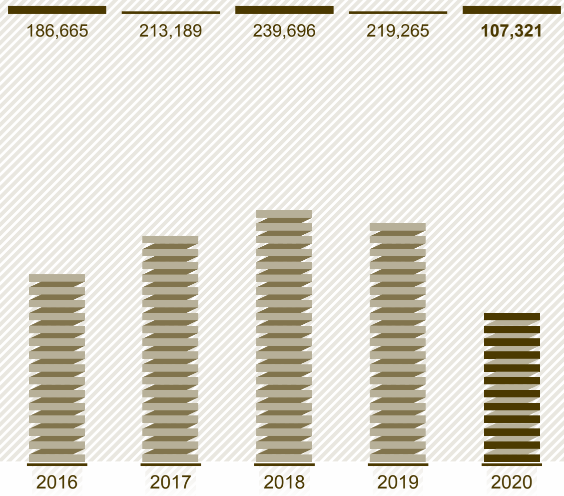
## REVENUE

(RM Thousand)



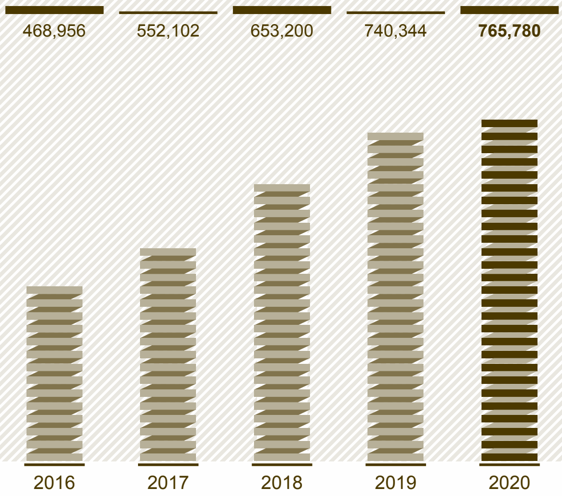

## PROFIT BEFORE TAX

(RM Thousand)



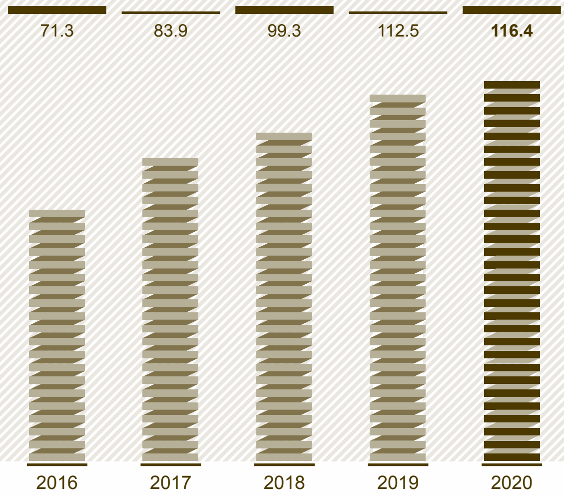

## NET ASSETS

(RM Thousand)




## NET ASSETS PER SHARE

(sen)



# CHAIRMAN'S STATEMENT

## Group Performance Overview

The Group remained profitable in the financial year 2020 despite the challenging business climate arising from the Covid-19 pandemic that is not only affecting Malaysia but globally, with lockdowns of varying degrees imposed by all affected countries. In Malaysia, all our outlets were closed from mid-March 2020 until mid-May 2020 due to the Movement Control Order (MCO), a preventive measure imposed by the government of Malaysia in response to the pandemic. Subsequent re-opening of the outlets during the Recovery phase of the MCO saw reduced crowds and controlled customer trolls in shopping malls. The retail industry experienced significant downturn and our business was similarly affected. Meanwhile, the government introduced several economic stimulus packages which provided wage subsidies, financial support for businesses and tax incentives to alleviate the adverse impact, strengthening the economy and supporting consumer spending with attendant positive impact for the retail industry.

For the financial year under review, the Group recorded consolidated revenue of RM1.35 billion, which represented a decrease of 24% over the previous year's revenue of RM1.78 billion due to the drop in sales resulting from the implementation of the MCO. In tandem with the lower revenue, profit before tax fell 51.1% to RM107 million from RM219 million in the previous year.

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

## Future outlook

The uncertainty in the global economies, trade war, currency volatility and the intensifying regional business competition have made the operating environment very challenging for most businesses even before the Covid-19 pandemic outbreak. The still unresolved pandemic has put a pall to the global economic recovery outlook. Despite early successes of various countries in containing the pandemic, second wave infections have disrupted business re-openings and caused the re-imposition of partial lockdowns. Governments worldwide are anticipated to continue with various additional stimulus measures to mitigate the negative impact pending the successful development of Covid-19 vaccines. Global economic growth will depend on how these challenges are addressed.

**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 2020.**

Chairman's Statement

(Cont'd)

The Group's domestic operations continue to be the main driver of revenue and profits. Notwithstanding that the government is anticipated to continue to implement the necessary measures to support the domestic economy towards full recovery, given the uncertainties from the health crisis, the Group expects the outlook for the economy for the remainder of 2020 and 2021 to be challenging. The Group continues to implement measures to control cost, optimising working capital, preserving cash and streamlining its operations to minimise the adverse impact. In addition, adapting to the new normal post pandemic leads to changes in consumer behavior, including in-store shopping and digital retailing. Good understanding of consumer needs, ability to deliver value and speed-to-market will continue to be critical success factors. These components have been ingrained into all areas of the marketing, merchandising and supply chain of the Group. We have also placed increased focus on further developing digital retailing to reach out to and extend the purchasing channels for the convenience of our customers and for future growth.

Compared to domestic operations, our overseas operations are relatively small. The Group will continue to monitor the overseas markets for opportunities to increase our market presence in Asia, especially ASEAN countries.

Every crisis comes with profound challenges but there are also opportunities to set sights on greener pastures. 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 successfully navigating through the current crisis and deliver long term value to shareholders.

## 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 2020.

## 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' expectation 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. Growing new customers is a good way to grow and getting existing customer to return is the lifeblood of any business. 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 and e-Commerce. 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.

In the aftermath of the pandemic, footfall in the shopping malls is impacted negatively and hence lesser shoppers in our outlets. While we are confident on the longer term outlook, the immediate focus is on adapting to the change of shopping behavior and meeting the customers' needs; 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.

Economies and societies are rapidly evolving. Moving to digital and finding the right online channel or distribution in the retail industry is a key success factor in digital retailing. The rise in mobile internet usage has spurred in the cashless revolution and digital retailing. A different shopping experience is evolving in Malaysia which had earlier started in other countries. Cognisant of these developments, 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.

We anticipate Padini will be even stronger once the pandemic is controlled, supplemented by increasing contribution from the e-Commerce channel in the years ahead.

## FINANCIAL RESULTS AND BUSINESS REVIEW

For the financial year under review, considering the challenging business environment which was affected by the health crisis and slowing down of the global economy, the Group remained profitable, recording consolidated revenue of RM1.35 billion, representing a decrease of 24% over the previous year's amount of RM1.78 billion. Gross profit decreased by 23% in the current year under review. In line with the decline in revenue and gross profit, profit before tax decreased by approximately RM111.9 million or 51.1% from the previous year's RM219 million as a result of the Covid-19 pandemic and the movement control order. Total comprehensive income for the financial year attributable to the owners of the Company fell approximately 54.1% or RM88 million when compared to the amount of RM162.8 million achieved in the previous financial year.

Gross profit margin for the financial year has been maintained within the acceptable range of the Group. Generally, margin for our group 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.

## FINANCIAL RESULTS AND BUSINESS REVIEW (CONT'D)

In addition, with the adoption of MFRS 16 *Leases* which took effect on 1 July 2019, higher depreciation on right-of-use assets and recognition of interest expense on lease liabilities had reduced the profit before tax by RM17.0 million. Interest expense on lease liabilities arising from the adoption of MFRS 16 *Leases* amounted to RM25.0 million. The profit before tax would have been RM124.3 million without the adoption of MFRS 16.

**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 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 30.6.2020 (RM'million) | FYE 30.6.2019 (RM'million) | FYE 30.6.2018 (RM'million) |
|---|---|---|---|
| **Vincci Ladies' Specialties Centre SB** | | | |
| Revenue | 169.7 | 272.0 | 272.4 |
| Profit before Tax | 16.1 | 41.2 | 42.4 |
| **Padini Corporation SB** | | | |
| Revenue | 440.1 | 575.5 | 549.5 |
| Profit before Tax | 41.4 | 74.3 | 84.1 |
| **Seed Corporation SB** | | | |
| Revenue | 119.0 | 145.8 | 154.3 |
| Profit before Tax | 5.9 | 13.1 | 19.4 |
| **Yee Fong Hung (M) SB** | | | |
| Revenue | 558.1 | 707.5 | 644.0 |
| Profit before Tax | 32.0 | 70.0 | 72.8 |
| **Mikihouse Children's Wear SB** | | | |
| Revenue | 30.2 | 43.9 | 48.1 |
| Profit before Tax | 5.0 | 7.1 | 8.7 |

The drop in the performance of the trading subsidiaries are mainly the repercussion of the Covid-19 pandemic.

## FINANCIAL RESULTS AND BUSINESS REVIEW (CONT'D)

### Retailing – Domestic and Abroad (Cont'd)

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

| Brands – Domestic Market | As at 30.6.2020 | As at 30.6.2019 | As at 30.6.2018 |
|---|---|---|---|
| **Vincci, Vincci Accessories, Vincci Mini** | | | |
| Free-standing stores | 15 | 15 | 18 |
| Consignment counters | 1 | 1 | 1 |
| **Seed** | | | |
| Free-standing stores | 1 | 1 | 1 |
| Consignment counters | 3 | 3 | 3 |
| **Padini Authentics** | | | |
| Free-standing stores | 2 | 2 | 2 |
| Consignment counters | 3 | 3 | 3 |
| **PDI** | | | |
| Free-standing stores | 9 | 9 | 9 |
| **Padini** | | | |
| Free-standing stores | 1 | 1 | 1 |
| Consignment counters | 2 | 2 | 2 |
| **Miki Kids** | | | |
| Consignment counters | 1 | 1 | 1 |
| **Brands Outlet** | | | |
| Free-standing stores | 55 | 55 | 54 |
| **Padini Concept Stores (Multi-brands)** | | | |
| Free-standing stores | 48 | 48 | 48 |
| **Total** | **141** | **141** | **143** |

In the domestic sector, the Group had as at 30 June 2020, 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. There was no new store opening and closure during the financial year. There were three stores temporarily closed for renovation purpose as at the financial year end.

As at 30 June 2020, the total gross floor area operated by the Group in Malaysia 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.

For the overseas market, we either managed through licensees or managed by our own management.

## FINANCIAL RESULTS AND BUSINESS REVIEW (CONT'D)

### Retailing – Domestic and Abroad (Cont'd)

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 30.6.2020 | As at 30.6.2019 | As at 30.6.2018 |
|---|---|---|---|---|
| **Vincci/VNC** | | | | |
| Franchise Stores | ASEAN # | 12 | 18 | 22 |
| | UAE | 15 | 16 | 17 |
| | Oman | 3 | 3 | 3 |
| | Qatar | 2 | 2 | 2 |
| | Bahrain | 1 | 1 | 1 |
| | Pakistan | – | – | 6 |
| Dealer Stores | Thailand | – | – | 9 |
| **Total** | | **33** | **40** | **60** |

# Further breakdown as follows:-

| | As at 30.6.2020 | As at 30.6.2019 | As at 30.6.2018 |
|---|---|---|---|
| Brunei | 1 | 1 | 1 |
| Myanmar | 3 | 3 | 3 |
| Cambodia | – | – | 3 |
| Indonesia | 8 | 14 | 15 |

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. Franchisee in Indonesia and Padini have mutually agreed to terminate the franchise agreement amicably by end of September 2020 prior to the expiry of the agreement.

The following are own-managed overseas stores:-

| | As at 30.6.2020 | As at 30.6.2019 | As at 30.6.2018 |
|---|---|---|---|
| **Cambodia** | | | |
| Brands Outlet | 2 | 1 | 1 |
| Padini Concept Stores | 2 | 2 | 2 |
| **Total** | **4** | **3** | **3** |
| | | | |
| **Thailand** | | | |
| VNC | 7 | 7 | – |

Own-managed overseas stores are still at the early stage of business growth and do not have significant financial impact to the Group in the financial year 2020.

Domestic operations accounted for about 95.6% of the Group's consolidated revenue in the financial year 2020, compared to 95.5% in the financial year 2019. Group revenue had decreased by 24% or approximately RM428 million. In absolute value terms, sales generated from overseas markets had decreased by approximately RM20 million from that recorded in the financial year 2019, mainly resulted from the drop in sales of franchisees.

## FINANCIAL RESULTS AND BUSINESS REVIEW (CONT'D)

### Digital platform

We embarked on the e-Commerce journey since the end of 2015 and building from zero base with the objective to have a marketing channel ready to meet our customers' needs at the appropriate time. The recent catastrophic pandemic impact brought by the Covid-19 has accelerated and transformed this business platform to a new era. Introducing the product features via Facebook live cast and Instagram are some of the important channels. Padini Group has started our own Facebook live to introduce our products and hence selling our products in our own Facebook in May 2020. We have also started selling our products in Lazada platform. We are also exploring to engage more online portals to sell our products. While the sales contribution is minimal as compared to the Group revenue, this is an essential progression for regional expansion and bringing Padini into another level.

### Café Operation

Arising from the desire to optimise operation costs efficiency and the decision to control the number of visitors to head quarter office to minimise the impact from Covid-19, the Group had closed café operations located at Glenmarie office since July 2020.

### Financial Position Review

Non-current assets of the Group increased by RM484.4 million, mainly due to the recognition of right-of-use ("ROU") assets as a result of the adoption of MFRS 16 *Leases* which took effect on 1 July 2019. In view of this, the Group's non-current liabilities has also increased by RM431.4 million with the classification of lease liabilities.

### Liquidity Indicators

| | As at 30.6.2020 | As at 30.6.2019 |
|---|---|---|
| Liquidity ratio | 4.01 | 3.92 |
| Acid test ratio | 2.58 | 2.58 |
| Interest bearing borrowings | RM2.5 million | RM24 million |
| Shareholders' funds | RM766 million | RM740 million |
| Gearing ratio | 0.33% | 3.23% |

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 3% to 0.3% 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 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 challenging in 2020 and 2021. The worldwide economy is impacted by the outbreak of Covid-19, and it is unpredictable as to when the situation could be stabilised and how long it needs to rebound to market condition pre outbreak of Covid-19. In addition, the impact on consumer spending will very much depend on the delicate balancing act of the Government in supporting the people via financial aids, aside 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 the important elements in spending level and spending pattern.

Trading condition is expected to remain uncertain and challenging for retailers for the second half of 2020 and 2021. Downside risks include aftermath of Covid-19, rising trade war tensions, tighter global financial conditions and uncertainty over the government's fiscal situation. There will be lingering concerns over unemployment, recession, rising cost of living and its impact on consumer sentiment as consumers remain cautious and selective in their spending.

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.

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.

**Competition**

Other than local economic and social developments, apparel players in Malaysia are also impacted by penetration of international players, which is the trend of borderless trading that promotes free trade among countries. International players may have greater resources and business models that provide a better shopping experience. 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. Incorporating technology into brand can be a powerful marketing tool in driving consumer habits. 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.

## RISKS AND UNCERTAINTIES (CONT'D)

### 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 and detrimental to the reputation 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.

## 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 2020 that was declared on 27 August 2019 and was paid on 30 September 2019.
- 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 2020 that was declared on 27 November 2019 and was paid on 31 December 2019.
- 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 2020 that was declared on 26 February 2020 and was paid on 30 March 2020.

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, business in Malaysia is expected to be challenging because of the uncertain economic impact arising from the Covid-19 pandemic. The Group remains optimistic on the long-term sustainability of the business and are focusing our effort to further rationalise the retail business by optimising the working capital and measures to control the operating costs while extending and exploring various sales channels.

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

## FORWARD- LOOKING STATEMENT (CONT'D)

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 channels 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 stores in Cambodia and Thailand in the financial year 2021, we envisage the Group will grow stronger and bigger along with the expansion in ASEAN region together with the online business in the long 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 2020.

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

The detailed application for each practice as set out in the MCCG 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.

### 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 in which the Board comprises a majority independent directors. A brief profile of each Board member is as set out in the Annual Report 2020 "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 recommending him to carry 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.

### 1.5 Nominating and Remuneration Committee Report

During the financial year, 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 2020 and the Proposed KPI for the financial year 2020/2021;
(4) Performance of the individual Directors and the Board, Audit Committee and its members including the Assessment of Independent Directors and the Board Skills Matrix;
(5) Proposed re-election of Directors retiring at the forthcoming Annual General Meeting in accordance with Clause 103(1) of the Company's Constitution;
(6) Directors' fee for the financial year ended 30 June 2019;
(7) Considered retention of the Independent Director;
(8) Directors' Benefits payable; and
(9) 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, Independent Non-Executive Director | 5/5 |
| 2 | Yong Pang Chaun | Managing Director | 5/5 |
| 3 | Andrew Yong Tze How | Executive Director | 4/5 |
| 4 | Benjamin Yong Tze Jet | Executive Director | 5/5 |
| 5 | Chong Chin Lin | Executive Director | 5/5 |
| 6 | Chew Voon Chyn | Executive Director | 5/5 |
| 7 | Foo Kee Fatt | Independent Non-Executive Director | 5/5 |
| 8 | Lee Peng Khoon | Independent Non-Executive Director | 5/5 |
| 9 | Sung Fong Fui | Executive Director | 5/5 |

### 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 2020 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 | PWC: Transfer Pricing: Next Phase in Malaysia | | | | | ✓ | | | | |
| 2 | Bursa: Demystifying The Diversity Conundrum: The Road to Business Excellence | | | | | ✓ | | | | |
| 3 | Securities Commission: Audit Oversight Board - Conversation with Audit Committees | ✓ | | | | ✓ | | | | |
| 4 | IIM/Bursa - An Executive Talk on Integrity and Governance Organised by The Malaysian Institute of Integrity | ✓ | | | | | | | | |
| 5 | Bursa/CIMB - The Cooler Earth Sustainability Summit | ✓ | | | | | | | | |
| 6 | Bursa/Securities Commission - Session on Corporate Governance and Anti-Corruption | | | | | ✓ | | | | |
| 7 | In House Programme: Retail Analytics & Artificial Intelligence (An Overview) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

### 1.7 Directors' Training (Cont'd)

The training programs attended in financial year 2020 are as follows (Cont'd):-

| 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 | CTIM: The Effects of Digital Tax in Malaysia | | | | ✓ | | | | | |
| 9 | LHDNM: Seminar Percukaian Kebangsaan 2019 | | | | ✓ | | | | | |
| 10 | SUKEGO - Handling Media Interviews, Tricky Media Questions & Crisis Situations | | | | | | | | | ✓ |
| 11 | BDO - IFRS Masterclass 2019 | | | | | | | | | ✓ |
| 12 | INVESON - Quick Powerful Graphics with Power View, PowerPivot, Power Query, Power Map and Power BI | | | | | | | | | ✓ |
| 13 | MIA - MIA International Accountants Conference 2019 | | | | | | | | | ✓ |
| 14 | GRANT THORNTON - Highlights on the Practical Application Issues of MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases | | | | | | | | | ✓ |
| 15 | ACCA - MICG Ethics, Governance and Transparency in Corporate Reposting Forum 2020 | | | | | | | | | ✓ |

### 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 2020 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 | – | 1,493,009 | 59,725 | 23,909 | 1,576,643 |
| Chong Chin Lin | – | 1,036,764 | 41,471 | 35,330 | 1,113,565 |
| Foo Kee Fatt | 100,000 | – | – | 6,000 | 106,000 |
| Lee Peng Khoon | 90,000 | – | – | 6,000 | 96,000 |
| Andrew Yong Tze How | – | 576,249 | 69,150 | 25,850 | 671,249 |
| Benjamin Yong Tze Jet | – | 576,249 | 69,150 | 5,320 | 650,719 |
| Chew Voon Chyn | – | 480,249 | 57,630 | 24,760 | 562,639 |
| Sung Fong Fui | – | 840,249 | 104,070 | 31,260 | 975,579 |

**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.

## 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 financial year 2018, 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 2020.

**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 2020 are as follows:-

| Directors | Meetings attended by the Directors/ Total Number of Meetings held during the financial year ended 30 June 2020 | % 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 2020 are discussed by the Committee during the meeting.

**Summary of the Work of the Audit Committee**

During the financial year, 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.

## Summary of the Work of the Audit Committee (Cont'd)

### 2. External Audit

- Reviewed with the statutory auditors, their audit plan for the financial year ended 30 June 2020 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 auditor's 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 RM21,050; and
- 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, 3 new reports and 3 follow-up reports were presented to the Audit Committee focusing on the following matters:
  - ➢ IT Application Controls
  - ➢ Group Human Capital Management
  - ➢ Merchandising Function and Sales Operation for Brands Outlet
  - ➢ Merchandising Function for all brands except Vincci and Brands Outlet
  - ➢ Sourcing Management and Quality Control 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 status for the financial year ended 30 June 2020.
- Reviewed the Internal Audit Charter.

### 4. Risk Assessment

In financial year 2018, 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.

**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 RM62,000.

**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 financial year 2018. To operationalise 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 organisation activities.

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

**Design:** This comprises understanding the Group and its context, articulating risk management commitment, assigning organisational 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.

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 internal control processes and risk practices, and validating the results of these processes/practices.

The last 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. The internal audit has proposed a new audit plan covering the period from 2020 to 2022 in August 2020.

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.

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. The limited assurance review was performed in accordance with Malaysia Approved Standard on Assurance Engagements, 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 which 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 2020, 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

63 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

69 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

67 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

54 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.

## Lee Peng Khoon

67 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 and the Institute of Chartered Accountants in England & Wales.

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

39 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 was 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 4 out of 5 meetings of the Board of Directors.

# Profile of Directors

(Cont'd)

## Benjamin Yong Tze Jet

36 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.

## Chew Voon Chyn

37 years of age,

Malaysian,

Female

*(Executive Director and Key Senior Management)*

**Ms Chew Voon Chyn** 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 January 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

46 years of age,

Malaysian,

Female

*(Executive Director and Key Senior Management)*

**Ms Sung Fong Fui** 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 and 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.

### 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 2020.

*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 2020.

*vi.* ***Non-audit fee***
There was a non-audit fee of RM21,050 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 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are disclosed in Note 9 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 | 75,174 | 851 |

## 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 2020: | |
| First interim single tier dividend of 2.5 sen per ordinary share, paid on 30 September 2019 | 16,448 |
| Second interim single tier dividend of 2.5 sen per ordinary share, paid on 31 December 2019 | 16,448 |
| Third interim single tier dividend of 2.5 sen per ordinary share, paid on 30 March 2020 | 16,447 |
| | 49,343 |

The Directors do not recommend the payment of final dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

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

## 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, Yong Pang Chaun, Foo Kee Fatt and Chew Voon Chyn retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## 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 2020 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 1.7.2019** | **Bought** | **Sold** | **Balance as at 30.6.2020** |
| Shares in the Company | | | | |
| **Direct interests** | | | | |
| Yong Pang Chaun | 3,100,000 | 5,091,960 | – | 8,191,960 |
| Chong Chin Lin | 3,219,990 | – | – | 3,219,990 |
| **Indirect interests** | | | | |
| Yong Pang Chaun | 290,983,490 | – | – | 290,983,490 |
| Chong Chin Lin | 290,863,500 | 5,091,960 | – | 295,955,460 |
| 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 those benefits 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 35 to the financial statements.

## 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 had satisfied themselves that all known bad debts had been written off 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, except for the impact arising from the COVID-19 pandemic as disclosed in Note 39 to the financial statements.

### (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 render the amount written off for bad debts inadequate to any material extent or necessitate 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 and of the Company to meet their obligations as and when they fall due.

## 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.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 39 to the financial statements.

## 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 2020 are disclosed in Note 30 to the financial statements.

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 2020

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 52 to 115 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 2020 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 2020

# 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 52 to 115 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 2020 )

..........................................
**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 2020 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 52 to 115.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 2020, inventories of the Group were RM273,870,000. The details of the inventories have been disclosed in Note 13 to the financial statements. During the financial year, there were inventories written down and inventories written off recognised as cost of sales of RM7,859,000 and RM1,963,000 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.

**Key Audit Matters (continued)**

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

***Audit response***

Our audit procedures, with the involvement of component auditors, 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;

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, including the impact arising from the COVID-19 pandemic; 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.

***2. First-time adoption of MFRS 16 Leases***

The Group adopted MFRS 16 for the first-time during the financial year ended 30 June 2020 as disclosed in Note 37.1 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements to specific assumptions applied in determining right-of-use assets and lease liabilities. The specific assumptions include the determination of appropriate discount rates and assessment of lease terms, including renewal and termination options of the leases.

***Audit response***

Our audit procedures, with the involvement of component auditors, included the following:

a. obtained an understanding of the procedures and processes in relation to the assessment by the management on the MFRS 16 transition impact;

b. assessed the appropriateness of the discount rates applied in determining lease liabilities based on the lease contracts and relevant inputs;

c. assessed the appropriateness of the assumptions applied in determining the lease terms of the lease liabilities, including renewal and termination options of the leases; and

d. verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information.

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.

Independent Auditors' Report
To the members of Padini Holdings Berhad
(Incorporated in Malaysia)

(Cont'd)

## 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.

## 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.

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

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

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 (continued):

(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, actions taken to eliminate threats or safeguards applied.

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 9 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 2020
Kuala Lumpur

# STATEMENTS OF FINANCIAL POSITION
as at 30 June 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 102,992 | 132,029 | 46,805 | 48,308 |
| Right-of-use assets | 6 | 508,916 | – | – | – |
| Intangible assets | 7 | 4,635 | 5,659 | – | – |
| Investment property | 8 | 4,750 | 5,270 | – | – |
| Investments in subsidiaries | 9 | – | – | 274,677 | 258,614 |
| Other investments | 10 | 705 | 145 | 560 | – |
| Amounts due from subsidiaries | 11 | – | – | 7,959 | – |
| Deferred tax assets | 12 | 8,706 | 3,245 | – | – |
| | | 630,704 | 146,348 | 330,001 | 306,922 |
| **Current assets** | | | | | |
| Inventories | 13 | 273,870 | 277,236 | – | – |
| Trade and other receivables | 14 | 49,156 | 57,810 | 139 | 1,025 |
| Amounts due from subsidiaries | 11 | – | – | 4,065 | 103,681 |
| Current tax assets | | 2,331 | 1,596 | – | – |
| Cash and bank balances | 15 | 441,474 | 472,031 | 63,441 | 35,713 |
| | | 766,831 | 808,673 | 67,645 | 140,419 |
| Non-current asset held for sale | 16 | – | 560 | – | 560 |
| **TOTAL ASSETS** | | 1,397,535 | 955,581 | 397,646 | 447,901 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 17 | 69,563 | 69,563 | 69,563 | 69,563 |
| Reserves | 18 | 696,217 | 670,781 | 325,715 | 374,207 |
| **TOTAL EQUITY** | | 765,780 | 740,344 | 395,278 | 443,770 |

Statements of Financial Position
as at 30 June 2020
(Cont'd)

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 19 | – | 2,459 | – | 1,617 |
| Lease liabilities | 6 | 431,686 | – | – | – |
| Provision for restoration costs | 21 | 7,814 | 5,313 | – | – |
| Provision for employee benefits | 22 | 48 | 69 | – | – |
| Deferred tax liabilities | 12 | 774 | 1,121 | – | – |
| | | 440,322 | 8,962 | – | 1,617 |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | 88,452 | 168,995 | 633 | 579 |
| Borrowings | 19 | 1,619 | 21,444 | 1,619 | 1,765 |
| Contract liabilities | 24 | 7,002 | 5,449 | – | – |
| Lease liabilities | 6 | 89,711 | – | – | – |
| Provision for restoration costs | 21 | 1,323 | 1,186 | – | – |
| Current tax liabilities | | 3,326 | 9,201 | 116 | 170 |
| | | 191,433 | 206,275 | 2,368 | 2,514 |
| **TOTAL LIABILITIES** | | 631,755 | 215,237 | 2,368 | 4,131 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,397,535 | 955,581 | 397,646 | 447,901 |

*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 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue | 27 | 1,354,679 | 1,783,022 | – | 91,305 |
| Cost of sales | 28 | (817,075) | (1,085,182) | – | – |
| Gross profit | | 537,604 | 697,840 | – | 91,305 |
| Other income | | 28,458 | 16,807 | 5,667 | 7,477 |
| Selling and distribution costs | | (353,655) | (407,702) | – | – |
| Administrative expenses | | (78,977) | (85,844) | (3,449) | (2,512) |
| Profit from operations | | 133,430 | 221,101 | 2,218 | 96,270 |
| Finance costs | 29 | (26,109) | (1,836) | (128) | (226) |
| Profit before tax | 30 | 107,321 | 219,265 | 2,090 | 96,044 |
| Tax expense | 32 | (32,147) | (59,099) | (1,239) | (1,095) |
| Profit for the financial year | | 75,174 | 160,166 | 851 | 94,949 |
| **Other comprehensive income** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translations | 32(d) | (395) | 2,638 | – | – |
| Total other comprehensive (loss)/income, net of tax | | (395) | 2,638 | – | – |
| Total comprehensive income | | 74,779 | 162,804 | 851 | 94,949 |
| Earnings per ordinary share (sen) - Basic and diluted | 34 | 11.43 | 24.34 | | |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

| Group | Note | [--- Non-distributable ---] Share capital RM'000 | Exchange translation differences RM'000 | Distributable 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 | | 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 | 33 | – | – | (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

| Group | Note | [------- Non-distributable -------] Share capital RM'000 | Exchange translation differences RM'000 | Distributable Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| Balance as at 1 July 2019 | | 69,563 | 6,750 | 664,031 | 740,344 |
| Profit for the financial year | | – | – | 75,174 | 75,174 |
| Foreign currency translations, net of tax | | – | (395) | – | (395) |
| Total comprehensive income | | – | (395) | 75,174 | 74,779 |
| **Transactions with owners** | | | | | |
| Dividends paid | 33 | – | – | (49,343) | (49,343) |
| Total transactions with owners | | – | – | (49,343) | (49,343) |
| Balance as at 30 June 2020 | | 69,563 | 6,355 | 689,862 | 765,780 |

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

# STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

| Company | Note | Non-distributable Share capital RM'000 | Distributable Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|
| Balance as at 1 July 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 | 33 | – | (75,660) | (75,660) |
| Total transactions with owners | | – | (75,660) | (75,660) |
| Balance as at 30 June 2019 | | 69,563 | 374,207 | 443,770 |
| Profit for the financial year | | – | 851 | 851 |
| Other comprehensive income, net of tax | | – | – | – |
| Total comprehensive income | | – | 851 | 851 |
| **Transaction with owners** | | | | |
| Dividends paid | 33 | – | (49,343) | (49,343) |
| Total transactions with owners | | – | (49,343) | (49,343) |
| Balance as at 30 June 2020 | | 69,563 | 325,715 | 395,278 |

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

# STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 107,321 | 219,265 | 2,090 | 96,044 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 7 | 1,744 | 1,643 | – | – |
| Bad debts written off | 30 | 23 | – | – | – |
| Deposits written off | 30 | 248 | – | – | – |
| Depreciation of property, plant and equipment | 5 | 36,088 | 41,402 | 1,503 | 1,170 |
| Depreciation of right-of-use assets | 6 | 106,329 | – | – | – |
| Dividend income from subsidiaries | 30 | – | – | – | (91,305) |
| Fair value adjustments on investment property | 8 | 730 | (85) | – | – |
| Net (gain)/loss on disposals of property, plant and equipment | | – | (341) | – | 44 |
| Intangible assets written off | 7 | 5 | 47 | – | – |
| Interest expense | | 25,921 | 1,651 | 128 | 226 |
| Interest income | | (11,086) | (10,455) | (1,172) | (1,344) |
| Inventory losses | 13 | 3,014 | 4,692 | – | – |
| Inventories written down to net realisable values | 13 | 7,859 | 1,977 | – | – |
| Inventories written off | 13 | 1,963 | 1,999 | – | – |
| Property, plant and equipment written off | 5 | 110 | 452 | – | – |
| Right-of-use assets written off | 6 | 501 | – | – | – |
| Reversal of impairment losses on property, plant and equipment | 5 | – | (507) | – | – |
| Reversal of provision for restoration costs | 21 | (1,835) | (648) | – | – |
| Net unrealised (gain)/loss on foreign exchange | | (2,350) | (874) | 870 | (1,813) |
| Operating profit before changes in working capital | | 276,585 | 260,218 | 3,419 | 3,022 |
| Increase in inventories | | (8,897) | (28,669) | – | – |
| Increase in contract liabilities | | 1,553 | 5,449 | – | – |
| Decrease/(Increase) in trade and other receivables | | 9,602 | (895) | 886 | 61 |
| (Decrease)/Increase in trade and other payables | | (81,607) | (48,085) | 54 | (62) |
| Cash generated from operations | | 197,236 | 188,018 | 4,359 | 3,021 |

Statements of Cash Flows
for the financial year ended 30 June 2020
(Cont'd)

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES (continued)** | | | | | |
| Cash generated from operations (continued) | | 197,236 | 188,018 | 4,359 | 3,021 |
| Tax paid | | (45,730) | (60,886) | (1,293) | (1,245) |
| Tax refunded | | 1,124 | 9 | – | – |
| Net cash from operating activities | | 152,630 | 127,141 | 3,066 | 1,776 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of interest in subsidiaries | | – | – | – | (178) |
| Dividends received from subsidiaries | | – | – | 91,305 | 70,670 |
| Interest received | | 11,086 | 10,455 | 1,172 | 1,344 |
| Proceeds from disposals of: | | | | | |
| - intangible assets | | 2 | – | – | – |
| - property, plant and equipment | | – | 477 | – | 5 |
| Purchase of: | | | | | |
| - intangible assets | 7 | (512) | (1,068) | – | – |
| - property, plant and equipment | 5(c) | (11,323) | (26,883) | – | (3,061) |
| - right-of-use assets | 6.1(e) | (20) | – | – | – |
| (Payments made on behalf of)/ Repayments from subsidiaries | | – | – | (16,581) | 7,956 |
| Net cash (used in)/from investing activities | | (767) | (17,019) | 75,896 | 76,736 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividends paid | 33 | (49,343) | (75,660) | (49,343) | (75,660) |
| Drawdowns of short term bank borrowings | | 16,000 | 137,200 | – | – |
| Interest paid | | (215) | (1,102) | (128) | (226) |
| Lease interest paid | 6.2 | (25,023) | – | – | – |
| Repayments of: | | | | | |
| - hire purchase and finance lease obligations | | – | (404) | – | – |
| - lease liabilities | 6.2 | (87,330) | – | – | – |
| - short term bank borrowings | | (35,400) | (148,351) | – | – |
| - term loan | | (1,763) | (2,644) | (1,763) | (1,667) |
| Net cash used in financing activities | | (183,074) | (90,961) | (51,234) | (77,553) |

Statements of Cash Flows
for the financial year ended 30 June 2020
(Cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Net (decrease)/increase in cash and cash equivalents | | (31,211) | 19,161 | 27,728 | 959 |
| Effects of exchange rate fluctuations on cash and cash equivalents | | 654 | 1,481 | – | – |
| Cash and cash equivalents at beginning of financial year | | 472,031 | 451,389 | 35,713 | 34,754 |
| Cash and cash equivalents at end of financial year | 15 | 441,474 | 472,031 | 63,441 | 35,713 |

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| **Group** | **Lease liabilities (Note 6) RM'000** | **Hire purchase and lease creditors (Note 20) RM'000** | **Term loan (Note 19) RM'000** | **Banker's acceptances (Note 19) RM'000** |
|---|---|---|---|---|
| At 1 July 2019, as previously reported | – | 1,121 | 3,382 | 19,400 |
| Effects on adoption of MFRS 16 (Note 37.1) | 599,889 | (1,121) | – | – |
| At 1 July 2019, as restated | 599,889 | – | 3,382 | 19,400 |
| Cash flows | (112,353) | – | (1,763) | (19,400) |
| Non-cash flows: | | | | |
| - Additions | 8,314 | – | – | – |
| - Interest expenses | 25,023 | – | – | – |
| - Translation adjustments | 524 | – | – | – |
| At 30 June 2020 | 521,397 | – | 1,619 | – |

Statements of Cash Flows
for the financial year ended 30 June 2020
(Cont'd)

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

| Group | Hire purchase and lease creditors (Note 20) RM'000 | Term loans (Note 19) RM'000 | Banker's acceptances (Note 19) RM'000 | Revolving credits 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 loan (Note 19) RM'000 |
|---|---|
| At 1 July 2019 | 3,382 |
| Cash flows | (1,763) |
| At 30 June 2020 | 1,619 |
| 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 2020

## 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 2020 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 2020.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are disclosed in Note 9 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 37.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the modified retrospective approach as at 1 July 2019. Consequently, the comparative information was not restated and is not comparable to the financial information of the current financial year.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* during the financial year and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and similar circumstances.

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)

| 2020 | 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 | – | 1,365,967 | 108,184 | 384 | – | 1,474,535 |
| Inter-segment revenue | – | (11,672) | (108,184) | – | – | (119,856) |
| **Revenue from external customers** | – | 1,354,295 | – | 384 | – | 1,354,679 |
| Interest income | 1,172 | 8,283 | 1,625 | 6 | – | 11,086 |
| Finance costs | (128) | (25,917) | (13,449) | (1) | 13,386 | (26,109) |
| **Net finance income/(expense)** | 1,044 | (17,634) | (11,824) | 5 | 13,386 | (15,023) |
| Depreciation of property, plant and equipment | (1,503) | (31,706) | (2,786) | (330) | 237 | (36,088) |
| Depreciation of right-of-use assets | – | (105,815) | (504) | (10) | – | (106,329) |
| Amortisation of intangible assets | – | (343) | (1,401) | – | – | (1,744) |
| **Segment profit/(loss) before tax** | 2,090 | 101,503 | 9,282 | (476) | (5,078) | 107,321 |
| Income tax expense | (1,239) | (28,455) | (2,438) | (19) | 4 | (32,147) |
| Other material non-cash items: | | | | | | |
| - Inventory losses | – | (3,014) | – | – | – | (3,014) |
| - Inventories written down to net reliasable values | – | (7,859) | – | – | – | (7,859) |
| - Inventories written off | – | (1,963) | – | – | – | (1,963) |
| Additions to non-current assets other than financial instruments and deferred tax assets | – | 21,286 | 2,792 | – | (2) | 24,076 |
| **Segment assets** | 397,646 | 1,243,289 | 374,609 | 33,770 | (651,779) | 1,397,535 |
| **Segment liabilities** | 2,368 | 636,764 | 335,765 | 57 | (343,199) | 631,755 |

Notes To The Financial Statements
30 June 2020
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## 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 to net reliasable values | – | (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 | 22,925 | 4,568 | 24 | (30) | 30,548 |
| **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 |

## 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 | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Malaysia | 1,294,634 | 1,702,735 | 592,640 | 126,738 |
| Asia (excluding Malaysia) | 60,045 | 80,287 | 38,064 | 19,610 |
| | 1,354,679 | 1,783,022 | 630,704 | 146,348 |

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.

Notes To The Financial Statements
30 June 2020
(Cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Buildings on freehold land RM'000 | Building on leasehold land RM'000 | Motor vehicles RM'000 | Furniture and fixtures RM'000 | Office equipment and tools RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| Balance as at 1 July 2019 | 12,240 | 42,861 | 7,917 | 3,994 | 188,316 | 108,420 | 363,748 |
| Effects on adoption of MFRS 16 (Note 37.1) | – | – | – | (1,691) | (5,360) | – | (7,051) |
| Additions | – | – | – | – | 6,560 | 4,763 | 11,323 |
| Written off | – | – | – | – | (5,577) | (3,350) | (8,927) |
| Transfer to intangible assets (Note 7) | – | – | – | – | – | (237) | (237) |
| Translation adjustments | – | – | 344 | – | 211 | 156 | 711 |
| Balance as at 30 June 2020 | 12,240 | 42,861 | 8,261 | 2,303 | 184,150 | 109,752 | 359,567 |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1 July 2019 | – | 9,022 | 2,131 | 2,568 | 144,922 | 73,076 | 231,719 |
| Effects on adoption of MFRS 16 (Note 37.1) | – | – | – | (412) | (2,270) | – | (2,682) |
| Charge for the financial year | – | 857 | 301 | 68 | 22,108 | 12,754 | 36,088 |
| Written off | – | – | – | – | (5,558) | (3,259) | (8,817) |
| Transfer to intangible assets (Note 7) | – | – | – | – | – | (32) | (32) |
| Translation adjustments | – | – | 100 | – | 133 | 66 | 299 |
| Balance as at 30 June 2020 | – | 9,879 | 2,532 | 2,224 | 159,335 | 82,605 | 256,575 |
| **Carrying amount** | | | | | | | |
| Balance as at 30 June 2020 | 12,240 | 32,982 | 5,729 | 79 | 24,815 | 27,147 | 102,992 |

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

| Group | Freehold land RM'000 | Buildings on freehold land RM'000 | Building on leasehold land 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 |

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

| Company | Freehold land RM'000 | Buildings on freehold land RM'000 | Furniture and fixtures RM'000 | Office equipment and tools RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| Balance as at 1 July 2019/30 June 2020 | 12,240 | 41,696 | 3,457 | 4,699 | 62,092 |
| **Accumulated depreciation** | | | | | |
| Balance as at 1 July 2019 | – | 8,417 | 3,431 | 1,936 | 13,784 |
| Charge for the financial year | – | 833 | 26 | 644 | 1,503 |
| Balance as at 30 June 2020 | – | 9,250 | 3,457 | 2,580 | 15,287 |
| **Carrying amount** | | | | | |
| Balance as at 30 June 2020 | 12,240 | 32,446 | – | 2,119 | 46,805 |

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

| Company | Freehold land RM'000 | Buildings on freehold land 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)

(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:

| | |
|---|---|
| Buildings on freehold land | 50 years |
| Building on leasehold land | 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) In the previous financial year, the Group has reversed a net impairment loss of RM497,000 on a building on leasehold land 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 | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Additions of property, plant and equipment | 11,323 | 29,481 | – | 3,061 |
| Financed by hire purchase and lease arrangements | – | (1,080) | – | – |
| IFRIC 1 adjustments | – | (546) | – | – |
| Provision for restoration costs capitalised | – | (972) | – | – |
| Cash payments on purchase of property, plant and equipment | 11,323 | 26,883 | – | 3,061 |

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) In the previous financial year, 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 were as follows:

| | Group | |
|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 |
| Motor vehicles | – | 1,278 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Freehold land | 4,892 | 4,892 | 4,892 | 4,892 |
| Buildings on freehold land | 16,389 | 16,805 | 15,854 | 16,247 |
| | 21,281 | 21,697 | 20,746 | 21,139 |

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

**The Group as lessee**

### 6.1 Right-of-use assets

| Group | Balance as at 1 July 2019 RM'000 | Effects on adoption of MFRS 16 (Note 37.1) RM'000 | IFRIC 1 adjustments RM'000 | Additions RM'000 | Depreciation RM'000 | Written off RM'000 | Translation adjustments RM'000 | Balance as at 30 June 2020 RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Carrying amounts** | | | | | | | | |
| Retail shop, signage and storage spaces | – | 597,341 | – | 6,444 | (102,999) | – | 364 | 501,150 |
| Apartment | – | 1,056 | – | – | (519) | – | – | 537 |
| Office equipment | – | 371 | – | 1,770 | (507) | – | 1 | 1,635 |
| Renovation cost | – | 3,090 | 1,680 | 2,227 | (1,946) | (501) | 3 | 4,553 |
| Motor vehicle | – | 1,279 | – | 120 | (358) | – | – | 1,041 |
| | – | 603,137 | 1,680 | 10,561 | (106,329) | (501) | 368 | 508,916 |

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

**The Group as lessee (continued)**

### 6.1 Right-of-use assets (continued)

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

| | |
|---|---|
| Retail shop, signage and storage spaces | 2 - 11 years |
| Apartment | 1.5 - 3 years |
| Office equipment | 2 - 4.5 years |
| Renovation cost | 2 - 5 years |
| Motor vehicles | 2 - 5 years |

(b) The Group has certain leases of retail shop, signage and storage spaces with lease term of 12 months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

(c) The following are the amounts recognised in profit or loss:

| | **Group 2020 RM'000** |
|---|---|
| Depreciation charge of right-of-use assets (included in administrative expenses) | 457 |
| Depreciation charge of right-of-use assets (included in selling and distribution costs) | 105,872 |
| Interest expense on lease liabilities (included in finance costs) | 25,023 |
| Expense relating to short-term leases (included in administration expenses) | 57 |
| Expense relating to short-term leases (included in selling and distribution costs) | 5,056 |
| Expense relating to leases of low-value assets (included in administrative expenses) | 23 |
| Expense relating to leases of low-value assets (included in selling and distribution expenses) | 2,154 |
| Variable lease payments: | |
| - arising from COVID-19 related rent concessions (included in other income) | (8,770) |
| - others (included in selling and distribution expenses) | 27,350 |
| | 157,222 |

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

**The Group as lessee (continued)**

### 6.1 Right-of-use assets (continued)

(d) Certain lease rentals are subject to variable lease payments, which are determined based on a percentage of sales generated from outlets.

The Group has entered into tenancy agreements for the lease of retail shop, signage and storage spaces, which contain variable lease payments based on predetermined revenue thresholds. The Group has determined that these contingent features are not embedded derivatives to be separately accounted for due to the economic characteristics and risk of these contingent rental features are closely related to the economic characteristics and risk of the underlying tenancy agreements. There are no leverage features contained within these contingent rental features.

(e) During the financial year, the Group made the following cash payments to purchase right-of-use assets:

| | Group 2020 RM'000 |
|---|---|
| Additions of right-of-use assets | 10,561 |
| Provision for restoration costs capitalised | (2,227) |
| Lease liabilities | (8,314) |
| Cash payments on purchase of right-of-use assets | 20 |

### 6.2 Lease liabilities

| | Group 2020 RM'000 |
|---|---|
| Represented by: | |
| Current liabilities | 89,711 |
| Non-current liabilities | 431,686 |
| | 521,397 |
| Lease liabilities owing to financial institution | 927 |
| Lease liabilities owing to non-financial institutions | 520,470 |
| | 521,397 |

(a) The Group leases a number of retail shop, signage and storage spaces, apartment, office equipment and motor vehicles that run between 1.5 years to 11 years, with an option to renew the lease after that date.

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

**The Group as lessee (continued)**

**6.2 Lease liabilities (continued)**

(b) The movements of lease liabilities during the financial year are as follows:

| | Group 2020 RM'000 |
|---|---|
| At 1 July 2019 | – |
| Effects on adoption of MFRS 16 (Note 37.1) | 599,889 |
| Additions | 8,314 |
| Payments of lease liabilities | (87,330) |
| Payments of lease interest | (25,023) |
| Interest expenses | 25,023 |
| Translation adjustments | 524 |
| | 521,397 |

(c) The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant option. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

(d) The following table sets out the carrying amount, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

| Group | Weighted average incremental borrowing rate per annum % | Within 1 year RM'000 | One to two years RM'000 | Two to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| **Lease liabilities** | | | | | | |
| **Fixed rates** | 4.30 - 9.51 | 89,711 | 83,413 | 202,495 | 145,778 | 521,397 |

Sensitivity analysis for fixed rate instruments as at the end of the reporting period was not presented as fixed rate instruments are not affected by changes in interest rates.

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

### The Group as lessee (continued)

### 6.2 Lease liabilities (continued)

(e) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

| Group | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **30 June 2020** | | | | |
| Lease liabilities | 111,040 | 336,756 | 157,969 | 605,765 |

## 7. INTANGIBLE ASSETS

| Group | System, applications and products RM'000 | Computer software RM'000 | Total RM'000 |
|---|---|---|---|
| **At cost** | | | |
| Balance as at 1 July 2019 | 7,030 | 8,773 | 15,803 |
| Additions | – | 512 | 512 |
| Transfer from property, plant and equipment (Note 5) | – | 237 | 237 |
| Disposal | – | (2) | (2) |
| Written off | – | (29) | (29) |
| Translation adjustments | – | 15 | 15 |
| Balance as at 30 June 2020 | 7,030 | 9,506 | 16,536 |
| **Accumulated amortisation** | | | |
| Balance as at 1 July 2019 | 4,258 | 5,886 | 10,144 |
| Charge for the financial year | 469 | 1,275 | 1,744 |
| Transfer from property, plant and equipment (Note 5) | – | 32 | 32 |
| Written off | – | (24) | (24) |
| Translation adjustments | – | 5 | 5 |
| Balance as at 30 June 2020 | 4,727 | 7,174 | 11,901 |
| **Carrying amount** | | | |
| Balance as at 30 June 2020 | 2,303 | 2,332 | 4,635 |

## 7. INTANGIBLE ASSETS (continued)

| 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 |

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 |

## 8. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **Workshop, at valuation** | | |
| Balance as at 1 July 2019/2018 | 5,270 | 5,031 |
| Fair value adjustments | (730) | 85 |
| Translation adjustments | 210 | 154 |
| Balance as at 30 June 2020/2019 | 4,750 | 5,270 |

## 8. INVESTMENT PROPERTY (continued)

(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.

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

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Repairs and maintenance | 25 | 25 |
| Quit rent and assessment | 6 | 6 |

(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 |
|---|---|---|---|---|
| **2020** | | | | |
| Workshop | – | 4,750 | – | 4,750 |
| **2019** | | | | |
| Workshop | – | 5,270 | – | 5,270 |

(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 loss of RM730,000 (2019: fair value gain of RM85,000) to the Group to reflect its fair value of RM4,750,000 or equivalent to HKD8,570,000 (2019: RM5,270,000 or equivalent to HKD9,920,000).

(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.

## 9. INVESTMENTS IN SUBSIDIARIES

| | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|
| At cost: | | |
| - Unquoted shares | 275,632 | 259,569 |
| Less: Impairment losses | (955) | (955) |
| | 274,677 | 258,614 |

## 9. 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 2020 % | Effective equity interest 2019 % | 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 | 100 | Dealers of ladies' shoes, garments and ancillary products |

Notes To The Financial Statements
30 June 2020
(Cont'd)

## 9. 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 2020 % | 2019 % | 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 investment in a subsidiary

(i) On 10 June 2020, the Company subscribed for additional 29,050,638 new shares of PIL at a consideration of RM16,062,500 (equivalent to HK$29,050,638) by way of capitalising the amount of RM16,062,500 owing by PIL to the Company.

(ii) In the previous financial year, Padini Thailand allotted 139,900 new shares to the existing shareholders in proportion to their shareholdings. The Company subscribed for 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.

## 10. OTHER INVESTMENTS

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Equity security | | | | |
| - Unquoted shares in Malaysia | 560 | – | 560 | – |
| Club memberships | 145 | 145 | – | – |
| Total non-current other investments | 705 | 145 | 560 | – |

## 10. OTHER INVESTMENTS (continued)

(a) The equity security is classified as financial asset at fair value through other comprehensive income whereas the club memberships are classified as financial assets at fair value through profit or loss.

(b) The fair value of unquoted shares in Malaysia is 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** | | | | |
| **2020** | | | | |
| **Other investments** | | | | |
| - Unquoted shares in Malaysia | – | – | 560 | 560 |
| - Club memberships | – | – | 145 | 145 |
| **2019** | | | | |
| **Other investments** | | | | |
| - Club memberships | – | – | 145 | 145 |
| **Company** | | | | |
| **2020** | | | | |
| **Other investments** | | | | |
| - Unquoted shares in Malaysia | – | – | 560 | 560 |

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

(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<br>Unquoted shares in Malaysia | Discounted industry price to book ratio (2020: 0.34; 2019: Nil) | 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. |

## 10. OTHER INVESTMENTS (continued)

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

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| **Profit after tax** | | | | |
| Price to book ratio | | | | |
| - increase by 0.1 | 94 | – | 94 | – |
| - decrease by 0.1 | (94) | – | (94) | – |

(f) The Group holds 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.

## 11. AMOUNTS DUE FROM SUBSIDIARIES

| | Note | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|
| **Non-current** | | | |
| Amount due from a subsidiary | (b) | 7,959 | – |
| **Current** | | | |
| Amounts due from subsidiaries | (c) | 4,065 | 103,681 |
| Total amounts due from subsidiaries | | 12,024 | 103,681 |

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

(b) Non-current amount due from a subsidiary is unsecured, interest-free and has a maturity of 3 (2019: Nil) years. The amount due from a subsidiary are not payable within the next twelve (12) months.

(c) Current 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 RM Nil (2019: RM91,305,000) and RM411,000 (2019: RM412,000) respectively.

## 11. AMOUNTS DUE FROM SUBSIDIARIES (continued)

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

| | Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Ringgit Malaysia | 444 | 67,023 |
| United States Dollar | 11,580 | 19,069 |
| Thailand Baht | – | 17,589 |
| | 12,024 | 103,681 |

(e) 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 | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **Effects of 5% changes to RM against foreign currencies** | | |
| Profit after tax | | |
| - United States Dollar | 440 | 725 |
| - Thailand Baht | – | 668 |

(f) Impairment for amounts due from subsidiaries are recognised based on 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 months 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 Company 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 Company defined significant increase in credit risk based on the operating performance of the receivables, payment trends and past due information.

The probability of non-payment by the subsidiaries is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve months or lifetime expected credit loss for the subsidiaries.

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

## 12. DEFERRED TAX

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

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Balance as at 1 July 2019/2018 | 2,124 | 1,770 |
| Recognised in profit or loss (Note 32) | 5,808 | 354 |
| Balance as at 30 June 2020/2019 | 7,932 | 2,124 |
| Presented after appropriate offsetting: | | |
| Deferred tax assets, net | 8,706 | 3,245 |
| Deferred tax liabilities, net | (774) | (1,121) |
| | 7,932 | 2,124 |

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

Deferred tax assets of the Group

| | Contract liabilities RM'000 | Lease liabilities RM'000 | Other deductible temporary differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| Balance as at 1 July 2019 | 1,307 | – | 798 | 2,105 |
| Recognised in profit or loss | 373 | 4,033 | 265 | 4,671 |
| Balance as at 30 June 2020, prior to offsetting | 1,680 | 4,033 | 1,063 | 6,776 |
| Set-off of tax | | | | 1,930 |
| Balance as at 30 June 2020 | | | | 8,706 |

| | Contract liabilities 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 |

## 12. 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 (deductible)/ taxable temporary differences RM'000 | Total RM'000 |
|---|---|---|---|
| Balance as at 1 July 2019 | 294 | (275) | 19 |
| Recognised in profit or loss | 1,118 | 19 | 1,137 |
| Balance as at 30 June 2020, prior to offsetting | 1,412 | (256) | 1,156 |
| Set-off of tax | | | (1,930) |
| Balance as at 30 June 2020 | | | (774) |
| 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) |

(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 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Unabsorbed tax losses | | |
| - No expiry date | 7,579 | 6,871 |
| - Expired by 30 June 2024 | 2,300 | 2,300 |
| - Expired by 30 June 2025 | 1,443 | – |
| - Expired by 30 June 2026 | 4,918 | 4,918 |
| Unabsorbed capital allowances | 748 | 740 |
| | 16,988 | 14,829 |

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.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

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

## 13. INVENTORIES

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| **At cost** | | |
| Completed garments, shoes and accessories | 267,335 | 270,829 |
| Raw materials and manufacturing accessories | 4 | 2 |
| | 267,339 | 270,831 |
| **At net realisable value** | | |
| Completed garments, shoes and accessories | 6,531 | 6,405 |
| | 273,870 | 277,236 |

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

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM788,319,000 (2019: RM1,051,293,000). 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 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Inventory losses | 3,014 | 4,692 |
| Inventories written down to net realisable values | 7,859 | 1,977 |
| Inventories written off | 1,963 | 1,999 |
| | 12,836 | 8,668 |

(c) 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. The inventories written down to net realisable values included RM6,212,000 (2019: RM Nil) recognised in relation to the impact of COVID-19 pandemic.

## 14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Trade receivables** | | | | |
| Third parties | 8,660 | 17,407 | – | – |
| **Other receivables and deposits** | | | | |
| Other receivables | 1,215 | 3,140 | 1 | 874 |
| Deposits | 29,487 | 29,930 | 71 | 71 |
| | 30,702 | 33,070 | 72 | 945 |
| **Total receivables** | 39,362 | 50,477 | 72 | 945 |
| **Prepayments** | | | | |
| Prepayments | 9,794 | 7,333 | 67 | 80 |
| | 49,156 | 57,810 | 139 | 1,025 |

(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 (2019: 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.

(c) Impairment for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group to estimate the amount of expected credit losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit losses 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 receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

The Group defined significant increase in credit risk based on the operating performance of the receivables, payment trends and past due information.

The Group has identified the gross domestic product ("GDP"), unemployment rate, inflation rate and consumer price index as the key macroeconomic factors of the forward looking information.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information incorporating the impact of the COVID-19 pandemic in assessing the expected credit losses.

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

## 14. TRADE AND OTHER RECEIVABLES (continued)

(d) Impairment for other receivables are recognised based on 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 months 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 Company 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 Group defined significant increase in credit risk based on the operating performance of the receivables, payment trends and past due information.

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

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 | Impairment RM'000 | Net balance RM'000 |
|---|---|---|---|
| **2020** | | | |
| Current | 5,935 | – | 5,935 |
| Past due | | | |
| 1 to 30 days | 153 | – | 153 |
| 31 to 60 days | – | – | – |
| 61 to 90 days | 1,982 | – | 1,982 |
| More than 90 days | 590 | – | 590 |
| | 2,725 | – | 2,725 |
| | 8,660 | – | 8,660 |
| **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 |

## 14. TRADE AND OTHER RECEIVABLES (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Ringgit Malaysia | 32,533 | 42,871 | 72 | 945 |
| United States Dollar | 4,198 | 5,313 | – | – |
| Chinese Renminbi | 64 | 39 | – | – |
| Hong Kong Dollar | – | 20 | – | – |
| Thailand Baht | 2,567 | 2,234 | – | – |
| | 39,362 | 50,477 | 72 | 945 |

(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 | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **Effects of 5% changes to RM against foreign currencies** | | |
| **Profit after tax** | | |
| - United States Dollar | 160 | 202 |
| - Thailand Baht | 98 | 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-eight percent (88%) (2019: eighty-seven percent (87%)) of the trade receivables of the Group were owed by five (5) major customers (2019: five (5) customers).

## 15. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash and bank balances | 441,474 | 472,031 | 63,441 | 35,713 |

(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 | |
|---|---|---|
| | 2020 % | 2019 % |
| Weighted average effective interest rate | | |
| - Floating rate | 2.35 | 2.84 |

## 15. 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 | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Effects of 50bp changes to profit after tax** | | | | |
| Floating rate instruments | 1,678 | 1,794 | 241 | 136 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Ringgit Malaysia | 384,404 | 412,949 | 63,441 | 35,713 |
| United States Dollar | 43,964 | 42,509 | – | – |
| Hong Kong Dollar | 320 | 516 | – | – |
| Chinese Renminbi | 83 | 143 | – | – |
| Cambodia Riel | 7 | 5 | – | – |
| Thailand Baht | 12,696 | 15,909 | – | – |
| | 441,474 | 472,031 | 63,441 | 35,713 |

(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 | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **Effects of 5% changes to RM against foreign currencies** | | |
| **Profit after tax** | | |
| - United States Dollar | 1,671 | 1,615 |
| - Thailand Baht | 482 | 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.

## 16. NON-CURRENT ASSET HELD FOR SALE

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| Other investment | – | 560 | – | 560 |

In the previous financial year, 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 was 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*.

During the financial year, management has reassessed the current conditions and circumstances and opined the sale has become not highly probable. Accordingly, the Group and the Company have reclassified it as other investment as disclosed in Note 10 to the financial statements.

## 17. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Number of shares '000 | RM'000 | Number of shares '000 | RM'000 |
| **Issued and fully paid up ordinary shares** | | | | |
| At beginning/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.

## 18. RESERVES

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| **Non-distributable** | | | | |
| Exchange translation differences | 6,355 | 6,750 | – | – |
| **Distributable** | | | | |
| Retained earnings | 689,862 | 664,031 | 325,715 | 374,207 |
| | 696,217 | 670,781 | 325,715 | 374,207 |

## 18. RESERVES (continued)

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.

## 19. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Current liabilities** | | | | |
| **Secured** | | | | |
| Hire purchase and lease creditors (Note 20) | – | 279 | – | – |
| Term loan | 1,619 | 1,765 | 1,619 | 1,765 |
| | 1,619 | 2,044 | 1,619 | 1,765 |
| **Unsecured** | | | | |
| Banker's acceptances | – | 19,400 | – | – |
| | 1,619 | 21,444 | 1,619 | 1,765 |
| **Non-current liabilities** | | | | |
| **Secured** | | | | |
| Hire purchase and lease creditors (Note 20) | – | 842 | – | – |
| Term loan | – | 1,617 | – | 1,617 |
| | – | 2,459 | – | 1,617 |
| **Total borrowings** | | | | |
| Hire purchase and lease creditors (Note 20) | – | 1,121 | – | – |
| Term loan | 1,619 | 3,382 | 1,619 | 3,382 |
| Banker's acceptances | – | 19,400 | – | – |
| | 1,619 | 23,903 | 1,619 | 3,382 |

## 19. BORROWINGS (continued)

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

(b) All borrowings are denominated in RM.

(c) In the previous financial year, banker's acceptances amounted to RM19,400,000 of the Group were guaranteed by the Company.

(d) Term loan of the Group and of the Company is 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:

| | Within 1 year RM'000 | 1-2 years RM'000 | 2-5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **As at 30 June 2020** | | | | |
| Term loan | 1,619 | – | – | 1,619 |
| **As at 30 June 2019** | | | | |
| Hire purchase and lease creditors | 279 | 255 | 587 | 1,121 |
| Term loan | 1,765 | 1,617 | – | 3,382 |
| Banker's acceptances | 19,400 | – | – | 19,400 |
| | 21,444 | 1,872 | 587 | 23,903 |
| **Company** | | | | |
| **As at 30 June 2020** | | | | |
| Term loan | 1,619 | – | – | 1,619 |
| **As at 30 June 2019** | | | | |
| Term loan | 1,765 | 1,617 | – | 3,382 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| - Fixed rate | – | 1,121 | – | – |
| - Floating rate | 1,619 | 22,782 | 1,619 | 3,382 |

## 19. 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 | |
|---|---|---|---|---|
| | 2020 % | 2019 % | 2020 % | 2019 % |
| Hire purchase and lease creditors | – | 4.53 | – | – |
| Banker's acceptances | – | 4.08 | – | – |
| Term loan | 4.93 | 5.26 | 4.93 | 5.26 |

(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 | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Effects of 50bp changes to profit after tax** | | | | |
| Floating rate instruments | 6 | 87 | 6 | 13 |

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **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 |

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

## 19. 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 2020** | | | | |
| Term loan | 1,649 | – | – | 1,649 |
| **As at 30 June 2019** | | | | |
| Hire purchase and lease creditors | 323 | 902 | – | 1,225 |
| Term loan | 1,892 | 1,651 | – | 3,543 |
| Banker's acceptances | 19,400 | – | – | 19,400 |
| | 21,615 | 2,553 | – | 24,168 |
| **Company** | | | | |
| **As at 30 June 2020** | | | | |
| Term loan | 1,649 | – | – | 1,649 |
| **As at 30 June 2019** | | | | |
| Term loan | 1,892 | 1,651 | – | 3,543 |

## 20. HIRE PURCHASE AND LEASE CREDITORS

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| **Minimum hire purchase and lease payments** | | |
| - not later than one (1) year | – | 323 |
| - later than one (1) year but not later than five (5) years | – | 902 |
| Total minimum hire purchase and lease payments | – | 1,225 |
| Less: Future interest charges | – | (104) |
| Present value of hire purchase and lease payments | – | 1,121 |
| **Repayable as follows:** | | |
| Current liabilities | | |
| - not later than one (1) year | – | 279 |
| Non-current liabilities | | |
| - later than one (1) year but not later than five (5) years | – | 842 |
| | – | 1,121 |

## 21. PROVISION FOR RESTORATION COSTS

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| **Non-current** | | |
| Provision for restoration costs | 7,814 | 5,313 |
| **Current** | | |
| Provision for restoration costs | 1,323 | 1,186 |

(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 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Balance as at 1 July 2019/2018 | 6,499 | 5,294 |
| Recognised in right-of-use assets (Note 6) | 3,907 | 1,518 |
| Recognised in profit or loss (Note 29) | 683 | 549 |
| Reversal of provision for restoration costs | (1,835) | (648) |
| Utilised during the financial year | (125) | (217) |
| Translation adjustments | 8 | 3 |
| Balance as at 30 June 2020/2019 | 9,137 | 6,499 |

## 22. 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 of 400 days 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 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Provision for employee benefits representing net liability | 48 | 69 |
| Analysed as: | | |
| Later than 5 years | 48 | 69 |
| Analysed as: | | |
| Non-current liabilities | 48 | 69 |

## 22. PROVISION FOR EMPLOYEE BENEFITS (continued)

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 | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| At 1 July 2019/2018 | 69 | – |
| Current service cost recognised in profit or loss (Note 31) | – | 64 |
| Reversal (Note 31) | (22) | – |
| Translation adjustment | 1 | 5 |
| At 30 June 2020/2019 | 48 | 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 | |
|---|---|---|
| | 2020 % | 2019 % |
| Discount rate | 5.87 | 2.88 |
| Price inflation | 0.92 | 0.92 |
| Expected rate of salary increases | 5.00 | 5.00 |

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

Significant assumption for determination of the provision for employee benefits is the discount rate. The sensitivity analysis below has been determined based on changes to significant assumption, with all other assumptions held constant.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Group | Increase RM'000 | Decrease RM'000 | Increase RM'000 | Decrease RM'000 |
| A 1% increase/decrease in discount rate will decrease/ increase the provision for employee benefits | (8) | 10 | (11) | 15 |

The sensitivity analysis presented above may not be representative of the actual change in provision for employee benefits as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

## 23. TRADE AND OTHER PAYABLES

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| **Trade payables** | | | | |
| Third parties | 57,973 | 102,422 | – | – |
| **Other payables** | | | | |
| Other payables | 23,221 | 51,699 | 279 | 239 |
| Accruals | 7,258 | 14,874 | 354 | 340 |
| | 30,479 | 66,573 | 633 | 579 |
| | 88,452 | 168,995 | 633 | 579 |

(a) Trade and other payables 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 (2019: 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 RM220,000 (2019: RM705,000).

(d) Included in other payables is an amount of RM4,851,000 (2019: RM32,118,000) 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) The currency exposure profiles of trade and other payables are as follows:

| | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|
| Ringgit Malaysia | 86,473 | 165,372 | 633 | 579 |
| Singapore Dollar | – | 12 | – | – |
| Hong Kong Dollar | 39 | 40 | – | – |
| United States Dollar | 1,254 | 2,390 | – | – |
| Thailand Baht | 686 | 1,181 | – | – |
| | 88,452 | 168,995 | 633 | 579 |

## 23. TRADE AND OTHER PAYABLES (continued)

(f) 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 | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Effects of 5% changes to RM against foreign currency** | | |
| **Profit after tax** | | |
| - United States Dollar | 48 | 91 |
| - Thailand Baht | 26 | 45 |

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.

## 24. CONTRACT LIABILITIES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Deferred revenue from customer loyalty points | 7,002 | 5,449 |

(a) 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. The validity of the customer loyalty points is one (1) year.

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Balance as at 1 July 2019/2018 | 5,449 | 4,964 |
| Additions during the financial year | 4,311 | 5,195 |
| Redemptions | (1,181) | (3,341) |
| Lapsed rebate vouchers | (1,577) | (1,369) |
| Balance as at 30 June 2020/2019 | 7,002 | 5,449 |

## 25. COMMITMENTS

Capital commitments

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Contracted but not provided for: | | |
| Capital expenditure in respect of property, plant and equipment | 1,174 | – |

## 26. CONTINGENT LIABILITIES

| | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|
| Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries | | |
| - secured | 10,800 | 10,800 |
| - unsecured | 157,735 | 102,142 |
| Corporate guarantees given to landlords for the non-cancellable leases of business premises of certain subsidiaries | | |
| - unsecured | 13,407 | 9,435 |
| | 181,942 | 122,377 |

(a) The Group designates corporate guarantees given to financial institutions and landlords 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 statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

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

| | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|
| Ringgit Malaysia | 85,899 | 72,235 |
| United States Dollar | 86,946 | 50,142 |
| Thailand Baht | 9,097 | – |
| | 181,942 | 122,377 |

## 26. CONTINGENT LIABILITIES (continued)

(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.

## 27. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| *Revenue from contracts with customers* | | | | |
| Sales of goods | 1,356,229 | 1,782,921 | – | – |
| Commission income | 3 | 586 | – | – |
| Deferred revenue from customer loyalty points | (1,553) | (485) | – | – |
| *Other revenue* | | | | |
| Dividend income from subsidiaries | – | – | – | 91,305 |
| | 1,354,679 | 1,783,022 | – | 91,305 |
| Timing of revenue recognition: | | | | |
| Transferred at a point in time | 1,354,679 | 1,783,022 | – | 91,305 |

**(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.

## 27. REVENUE (continued)

### (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.

## 28. COST OF SALES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Inventories sold | 788,319 | 1,051,293 |
| Carriage, freight and handling charges | 15,920 | 25,221 |
| Others | 12,836 | 8,668 |
| | 817,075 | 1,085,182 |

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

## 29. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** | **2020** **RM'000** | **2019** **RM'000** |
| Interest expense on: | | | | |
| - Term loans | 128 | 231 | 128 | 226 |
| - Banker's acceptances | 87 | 823 | – | – |
| - Revolving credits | – | 6 | – | – |
| - Hire purchase and lease creditors | – | 42 | – | – |
| - Lease liabilities (Note 6) | 25,023 | – | – | – |
| - Unwinding of discount on provision for restoration costs (Note 21) | 683 | 549 | – | – |
| Others | 188 | 185 | – | – |
| | 26,109 | 1,836 | 128 | 226 |

## 30. PROFIT BEFORE TAX

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** | **2020** **RM'000** | **2019** **RM'000** |
| After charging: | | | | |
| Auditors' remuneration | | | | |
| BDO PLT Malaysia | | | | |
| - Statutory audits | | | | |
| - current year | 214 | 214 | 48 | 48 |
| - Non-statutory audit | 7 | 7 | 7 | 7 |
| Other auditors | | | | |
| - Statutory audit | | | | |
| - current year | 61 | 54 | – | – |
| 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 | 5,462 | 6,087 | – | – |
| Loss on disposal of property, plant and equipment | – | 57 | – | 44 |
| Loss on foreign exchange: | | | | |
| - realised | 87 | 300 | – | 177 |
| - unrealised | 12 | 1 | 870 | – |
| Rental of equipment | 243 | 436 | – | – |
| Rental of premises | 34,397 | 154,535 | – | – |
| Bad debts written off | 23 | – | – | – |
| Deposits written off | 248 | – | – | – |

## 30. PROFIT BEFORE TAX (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| And crediting: | | | | |
| Dividend income from subsidiaries | – | – | – | 91,305 |
| Gain on disposal of property, plant and equipment | – | 398 | – | – |
| Gain on foreign exchange: | | | | |
| - realised | 726 | 26 | 174 | – |
| - unrealised | 2,362 | 875 | – | 1,813 |
| Interest income | 11,086 | 10,455 | 1,172 | 1,344 |
| Rental income from: | | | | |
| - investment property | 184 | 174 | – | – |
| - premises | – | – | 4,321 | 4,321 |
| Royalty income | 661 | 1,083 | – | – |

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM88,000 (2019: RM104,000).

## 31. EMPLOYEE BENEFITS

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Salaries, wages, allowances and bonuses | 160,702 | 186,237 |
| Contributions to defined contribution plans | 16,986 | 19,120 |
| Unutilised leaves | (544) | (1,068) |
| (Decrease)/Increase in provision for employee benefits (Note 22) | (22) | 64 |
| Other employee benefits | 5,114 | 5,723 |
| | 182,236 | 210,076 |

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM5,462,000 (2019: RM6,087,000).

## 32. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Current year tax expense based on profit for the financial year: | | | | |
| - Malaysian income tax | 36,468 | 58,802 | 1,169 | 1,147 |
| - Foreign income tax | 1,183 | 937 | – | – |
| | 37,651 | 59,739 | 1,169 | 1,147 |
| Under/(Over) provision in prior years: | | | | |
| - Malaysian income tax | 304 | (286) | 70 | (52) |
| | 37,955 | 59,453 | 1,239 | 1,095 |
| Deferred tax (Note 12): | | | | |
| - Relating to origination and reversal of temporary differences | (5,825) | (520) | – | – |
| - Under provision in prior years | 17 | 166 | – | – |
| | (5,808) | (354) | – | – |
| Total tax expense | 32,147 | 59,099 | 1,239 | 1,095 |

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 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.

## 32. 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 | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Profit before tax | 107,321 | 219,265 | 2,090 | 96,044 |
| Tax at Malaysian statutory tax rate of 24% (2019: 24%) | 25,757 | 52,624 | 501 | 23,051 |
| Tax effects in respect of: | | | | |
| Different tax rates in foreign jurisdiction | (218) | (97) | – | – |
| Non-allowable expenses | 6,400 | 6,880 | 668 | 584 |
| Non-taxable income | (631) | (970) | – | (22,349) |
| Deferred tax assets not recognised | 518 | 921 | – | – |
| Utilisation of previously unrecognised deferred tax assets | – | (139) | – | (139) |
| | 31,826 | 59,219 | 1,169 | 1,147 |
| Under/(Over) provision of tax expense in prior years | 304 | (286) | 70 | (52) |
| Under provision of deferred tax in prior years | 17 | 166 | – | – |
| | 32,147 | 59,099 | 1,239 | 1,095 |

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | 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 | (395) | – | (395) | 2,638 | – | 2,638 |

## 33. DIVIDENDS

| | Group and Company | | | |
|---|---|---|---|---|
| | 2020 Dividend per ordinary share sen | 2020 Amount of dividend RM'000 | 2019 Dividend per ordinary share sen | 2019 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 | 16,447 | 2.5 | 16,448 |
| Fourth interim dividend | – | – | 2.5 | 16,448 |
| Special dividend | – | – | 1.5 | 9,868 |
| | 7.5 | 49,343 | 11.5 | 75,660 |

The Directors do not recommend the payment of final dividend in respect of the current financial year.

## 34. EARNINGS PER SHARE

### (a) Basic

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

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Profit for the financial year | 75,174 | 160,166 |
| Weighted average number of ordinary shares in issue ('000) | 657,910 | 657,910 |
| Basic earnings per ordinary share (sen) | 11.43 | 24.34 |

### (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.

## 35. 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% (2019: 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 | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Transactions with subsidiaries: | | |
| Dividend income received and receivable from: | | |
| - Vincci | – | 24,150 |
| - Padini Corporation | – | 31,655 |
| - Seed | – | 8,500 |
| - Yee Fong Hung | – | 27,000 |
| Rental income received and receivable from: | | |
| - Vincci | 344 | 355 |
| - Padini Corporation | 329 | 358 |
| - Seed | 114 | 230 |
| - Yee Fong Hung | 2,461 | 2,513 |
| - Mikihouse | 37 | 34 |
| - Padini Dot Com | 1,036 | 831 |

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 2020 is disclosed in Note 11 to the financial statements.

## 35. 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, who are the only key management personnel of the Group and of the Company, during the financial year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Fees | 300 | 300 | 300 | 300 |
| Short term employee benefits | 5,079 | 5,651 | 18 | 18 |
| Contributions to defined contribution plans | 401 | 454 | – | – |
| | 5,780 | 6,405 | 318 | 318 |

## 36. 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 2020 and financial year ended 30 June 2019.

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 2020.

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

### (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.

## 36. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (i) Credit risk

Cash deposits and trade and other 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 14 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 6, 19 and 23 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 6, 15 and 19 to the financial statements respectively.

#### (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.

## 36. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (iv) Foreign currency risk (continued)

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 RM57,070,000 (2019: RM59,082,000) for the Group.

The currency exposure profile and sensitivity analysis of foreign currency risk have been disclosed in Notes 11, 14, 15, 23 and 26 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 10 to the financial statements.

## 37. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

### 37.1 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** |
|---|---|
| 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 |
| Amendment to MFRS 16 *Covid-19-Related Rent Concessions* | 1 June 2020 (early adopted) |

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 and Amendment to MFRS 16 as described in the following sections.

## 37. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 37.1 New MFRSs adopted during the financial year (continued)

#### (a) MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 July 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 July 2019 were between 4.3% to 9.5%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 and do not contain a purchase option as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 37. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 37.1 New MFRSs adopted during the financial year (continued)

#### (a) MFRS 16 *Leases* (continued)

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

| | Note | As at 30 June 2019 RM'000 | Impact RM'000 | As at 1 July 2019 RM'000 |
|---|---|---|---|---|
| Property, plant and equipment | | 132,029 | (4,369) | 127,660 |
| Right-of-use assets | a | – | 603,137 | 603,137 |
| Lease liabilities | b | – | 599,889 | 599,889 |
| Borrowings | | 23,903 | (1,121) | 22,782 |

(a) The associated right-of-use assets were measured using the modified retrospective approach, for which the right-of-use assets is equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 1 July 2019. Accordingly, the comparative information presented is not restated.

(b) Lease liabilities are measured as follows:

| | Group RM'000 |
|---|---|
| Operating lease commitments at 30 June 2019 as disclosed under MFRS 117 | 185,219 |
| Weighted average incremental borrowing rate as at 1 July 2019 | 4.4% |
| Discounted operating lease commitments as at 1 July 2019 | 176,374 |
| Finance lease liabilities recognised as at 30 June 2019 | 1,121 |
| Recognition exemption for leases of low-value assets | (342) |
| Recognition exemption for leases with less than 12 months of lease term at transition | (2,736) |
| Extension options reasonably certain to be exercised | 408,904 |
| Variable lease payments | (2,234) |
| Contracts reassessed as lease contracts | 18,802 |
| **Lease liabilities recognised at 1 July 2019** | 599,889 |

## 37. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 37.1 New MFRSs adopted during the financial year (continued)

#### (b) Amendment to MFRS 16 *Covid-19 Related Rent Concessions*

MFRS 16 has been amended to:

(a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
(b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(i) Changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(iii) There is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to MFRS 16 and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and in similar circumstances. Consequently, the Group does not recognise changes in these lease payments as lease modifications and instead, recognise these as variable lease payments in profit or loss. The effects of early adoption are disclosed in Note 6.1(c) to the financial statements.

### 37.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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** |
|---|---|
| *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 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* | 1 January 2020 |
| Amendments to MFRS 4 *Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9* | 17 August 2020 |
| MFRS 17 *Insurance Contracts* | 1 January 2021 |
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |
| Amendments to MFRS 3 *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use* | 1 January 2022 |
| Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract* | 1 January 2022 |
| Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Deferred |

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

## 38. FINANCIAL REPORTING UPDATES

**IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)**

The IFRS Interpretations Committee ("IFRIC") issued a final agenda decision on 26 November 2019 regarding "Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)".

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 30 June 2020.

## 39. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was subsequently extended until 12 May 2020, followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 December 2020.

The enforcement of the MCO has impacted the consumer demand which resulted in the decrease in local sales and has restricted the business operations at full capacity. There were no sales generated during the period from 18 March 2020 until 4 May 2020 due to the closure of all local outlets. Most of the outlets have resumed business on 5 May 2020 with the Standard Operating Procedures ("SOP") imposed during the Conditional Movement Control Order ("CMCO") and subsequently replaced by Recovery Movement Control Order ("RMCO") with SOP remained until 31 December 2020.

In addition, management will continue to implement measures to control cost, optimising working capital, preserving cash and streamlining the operations to minimise the impact.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next 12 months after the end of the reporting period.

# DIRECTORS' SHAREHOLDINGS AND INTERESTS

## DIRECTORS' SHAREHOLDINGS AS AT 15 SEPTEMBER 2020

### Shareholdings in the Company

| Director | No. of Shares Held | | | |
|---|---|---|---|---|
| | Indirect | % | Direct | % |
| YONG PANG CHAUN | 290,983,490 * | 44.228 | 8,191,960 | 1.245 |
| CHONG CHIN LIN | 295,955,460** | 44.984 | 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 15 September 2020

| | | |
|---|---|---|
| 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 | : | 9,996 |

### DISTRIBUTION SCHEDULE - ORDINARY SHAREHOLDERS AS AT 15 SEPTEMBER 2020

| No. of Holders | Holdings | Total Holdings | % |
|---|---|---|---|
| 128 | less than 100 | 2,890 | 0.000 |
| 3,773 | 100 - 1,000 | 2,323,509 | 0.353 |
| 4,893 | 1,001 - 10,000 | 19,237,550 | 2.924 |
| 986 | 10,001 - 100,000 | 28,106,408 | 4.272 |
| 213 | 100,001 - 32,895,474 | 235,105,043 | 35.735 |
| 3 | 32,895,475 and above | 373,134,100 | 56.716 |
| **9,996** | **TOTAL** | **657,909,500** | **100.000** |

Analysis of Shareholdings
(Cont'd)

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 SEPTEMBER 2020

| 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. | – | 287,763,500 | – | 43.739 |
| | | | - Chong Chin Lin # | – | 3,219,990 | – | 0.489 |
| | | | - Yong Pang Chaun | 8,191,960 | – | 1.245 | – |
| 3 | Chong Chin Lin ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd. | – | 287,763,500 | – | 43.739 |
| | | | - Yong Pang Chaun * | – | 8,191,960 | – | 1.245 |
| | | | - Chong Chin Lin | 3,219,990 | – | 0.489 | – |
| 4 | Yong Lai Wah ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd. | – | 287,763,500 | – | 43.739 |
| | | | - Yong Lai Wah | – | – | – | – |
| 5 | Yong Lee Peng ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd. | – | 287,763,500 | – | 43.739 |
| | | | - Yong Lee Peng | 900,000 | – | 0.137 | – |
| 6 | Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | Incorporated in Malaysia | Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | 33,157,400 | – | 5.040 | – |
| | | | Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident FD BD (ARIM) | 1,466,000 | – | 0.223 | – |
| | | | Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident FD BD (TEMPLETON) | 1,358,200 | – | 0.206 | – |
| | | | Citigroup Nominees (Tempatan) Sdn Bhd - Emplys Prvnt FD BD (F.TEMISLAMIC) IC | 459,700 | – | 0.070 | – |

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 SEPTEMBER 2020 (CONT'D)

| 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 (Cont'd) | Incorporated in Malaysia | Citigroup Nominees (Tempatan) Sdn Bhd - Emplys Prvnt FD BD (ABERISLAMIC) IC | 1,505,600 | – | 0.229 | – |
| | | | 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 (CPIAM EQ) IC | 58,300 | – | 0.009 | – |
| 7 | Kumpulan Wang Persaraan (Diperbadankan) | Incorporated in Malaysia | Kumpulan Wang Persaraan (Diperbadankan) | 52,213,200 | – | 7.936 | – |
| | | | Kumpulan Wang Persaraan (Diperbadankan) - Fund Managers | – | 4,029,267 | – | 0.612 |

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 15 SEPTEMBER 2020

(As per the Record of Depositors)

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | YONG PANG CHAUN HOLDINGS SDN. BHD. | 287,763,500 | 43.739 |
| 2 | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 52,213,200 | 7.936 |
| 3 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD | 33,157,400 | 5.040 |
| 4 | THIAN MIN YANG | 18,835,300 | 2.863 |
| 5 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>ICAPITAL.BIZ BERHAD | 17,006,700 | 2.585 |
| 6 | LEMBAGA TABUNG HAJI | 12,000,000 | 1.824 |
| 7 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>DEUTSCHE BANK AG SINGAPORE FOR PANGOLIN ASIA FUND | 11,173,500 | 1.698 |
| 8 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>PAMB FOR PRULINK EQUITY FUND | 9,571,600 | 1.455 |
| 9 | YONG PANG CHAUN | 8,191,960 | 1.245 |
| 10 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC SMALLCAP FUND | 7,301,800 | 1.110 |
| 11 | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR NORGES BANK (FI 17) | 6,167,752 | 0.937 |
| 12 | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 5,139,045 | 0.781 |
| 13 | TAN YU YEH | 5,097,900 | 0.775 |
| 14 | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND | 4,938,237 | 0.751 |
| 15 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM MALAYSIA 2 - WAWASAN | 4,488,100 | 0.682 |
| 16 | CIMB GROUP NOMINEES (ASING) SDN. BHD.<br>EXEMPT AN FOR DBS BANK LTD (SFS) | 4,391,700 | 0.668 |
| 17 | CITIGROUP NOMINEES (ASING) SDN BHD<br>GSCO LLC FOR TRUFFLE HOUND GLOBAL VALUE LLC | 4,200,000 | 0.638 |
| 18 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC SELECT TREASURES FUND | 4,134,200 | 0.628 |
| 19 | CARTABAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67) | 3,513,100 | 0.534 |
| 20 | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC | 3,465,600 | 0.527 |

## LIST OF TOP 30 SHAREHOLDERS AS AT 15 SEPTEMBER 2020
(As per the Record of Depositors)

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 21 | CHONG CHIN LIN | 3,219,990 | 0.489 |
| 22 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>PBTB FOR TAKAFULINK DANA EKUITI | 2,875,800 | 0.437 |
| 23 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC TREASURES GROWTH FUND | 2,869,600 | 0.436 |
| 24 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCE BERHAD (PAR-220082) | 2,695,100 | 0.410 |
| 25 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND | 2,591,100 | 0.394 |
| 26 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC STRATEGIC SMALLCAP FUND | 2,450,000 | 0.372 |
| 27 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC OPPORTUNITIES FUND | 2,231,200 | 0.339 |
| 28 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND | 2,189,800 | 0.333 |
| 29 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>PAMB FOR PRULINK DANA UNGGUL | 2,031,500 | 0.309 |
| 30 | CARTABAN NOMINEES (ASING) SDN BHD<br>BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND | 2,000,000 | 0.304 |
| | **TOTAL** | 527,904,684 | 80.240 |

# LIST OF GROUP PROPERTIES
AS AT 30 JUNE 2020

| Location | Description / Existing Use | Land Area/ Built-up Area (sq. ft.) | Tenure | Approximate Age of Buildings | Net Carrying Amount @ 30.06.2020 (RM) |
|---|---|---|---|---|---|
| No. 21, Lot 116, Jalan U1/20<br>Glenmarie Industrial Park<br>40000 Shah Alam<br>Date of Acquisition:<br>11 June 1998 | 2-storey Office cum warehouse: Corporate Headquarters & central warehouse | 45,962/<br>68,536 | Freehold | 24.5 years | 11,199,330 |
| No. 19, Lot 115, Jalan U1/20<br>Glenmarie Industrial Park<br>40150 Shah Alam<br>Date of Acquisition:<br>08 August 2003 | 4-storey Office cum warehouse: Corporate Headquarters & central warehouse | 45,962/<br>116,337 | Freehold | 14 years | 12,741,326 |
| No. 15, Lot 112, Jalan U1/20<br>Glenmarie Industrial Park<br>40150 Shah Alam<br>Date of Acquisition:<br>24 March 2006 | 4-storey Central Warehouse with 1 Basement Car parks | 75,003/<br>180,070 | Freehold | 10 years | 20,745,514 |
| Lots LG 028 & 044<br>Lower Ground Floor<br>Sungei Wang Plaza<br>Kuala Lumpur<br>Date of last revaluation: 1982 | Retail shoplots: utilised by a subsidiary as a free-standing retail outlet | 1455/<br>1455 | Freehold | 47 years | 10,205,000 |
| Workshop B15<br>10th Floor, Block B<br>Hong Kong Industrial Centre<br>489-491 Castle Peak Road,<br>Kowloon, Hong Kong<br>Date of acquisition:<br>12 September 2007 | Office Lot/ Workshop: Management Office for Padini International Limited, Hong Kong | 1,500 | Leasehold – 75 years expiring on 30.06.2047 | 38 years | 1,327,005 |
| Workshop B14<br>10th Floor, Block B<br>Hong Kong Industrial Centre<br>489-491 Castle Peak Road,<br>Kowloon, Hong Kong<br>Date of acquisition:<br>12 September 2007 | Office Lot/ Workshop: Rented out | 1,424 | Leasehold – 75 years expiring on 30.06.2047 | 38 years | 4,750,351 |
| Flat E, 5th Floor,<br>Block 5,<br>Liberte,<br>No. 833, Lai Chi Kok Road,<br>Kowloon.<br>Date of acquisition:<br>29 August 2014 | Residential Apartment: Staff Hostel | 698 | Leasehold – 50 years expiring on 16.08.2049 | 17 years | 4,402,523 |

**PADINI HOLDINGS BERHAD**
*(Registration No. 197901005918 (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 |
|---|---|---|
| | | |

and

| 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 Ninth Annual General Meeting of the Company to be held on a fully virtual basis at the broadcast venue at Room 4.2, No. 19 Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam on Tuesday, 24 November 2020 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 Mr Yong Pang Chaun | | |
| Ordinary Resolution 4 | Re-election of Mr Foo Kee Fatt | | |
| Ordinary Resolution 5 | Re-election of Ms Chew Voon Chyn | | |
| 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 ______________________ 2020

______________________________
Signature of Member / Common Seal

*Notes:*

*(i) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.*

*(ii) Shareholders/proxies from the public WILL NOT BE ALLOWED to attend the 39th AGM in person at the Broadcast Venue on the day of the meeting. Please refer to the Administrative Guide if you wish to join the meeting remotely.*

*(iii) Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 39th AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at https://tiih.online. Please follow the procedures for RPV in the Administrative Guide on 39th AGM.*

*(iv) A member of the Company entitled to attend and vote at the above meeting, is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.*

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

*(vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised 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 authorised.*

*(vii) 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). Individual shareholders can also have the option to submit the proxy appointment electronically via TIIH online at website https://tiih.online before the proxy form submission cut-off time as mentioned in the above. For further information on the electronic submission of proxy form, kindly refer to the Administrative Guide.*

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AFFIX
STAMP

The Share Registrar
**PADINI HOLDINGS BERHAD**
(Registration No. 197901005918 (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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corporate.padini.com

**PADINI HOLDINGS BERHAD**
Registration No: 197901005918 (50202-A)

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