

# PADINI

25 October 2016

**Chief Executive Officer  
Minority Shareholder Watchdog Group**

**Attn : Mr Quah Ban Aik – Head, Corporate Monitoring**

**Thirty-Fifth (35th) Annual General Meeting (AGM) of Padini Holdings Berhad**

---

Issues raised by the MSWG as per your fax dated 21 October 2016.

## **Strategy/Financials**

### Question 1

Please share on the Group's strategy, targets and timeline to move from 'brick & mortar' business to the digital transformation landscape?

### Answer 1

The Group does not intend to move aggressively from its brick and mortar distribution channel into the digital side. The digital channel that we have started on 11 November 2015 is meant to be another channel of distribution and is meant to complement the brick and mortar business to cater for a potential future segment of customers.

As such, we have not set any sizable targets for the E Commerce and we don't expect it to contribute significantly to the Group's revenue in the short term. We will, in the meantime, continually monitor our customers' feedback and preferences.

### Question 2

As reported in the Chairman Statement, the Group is aware that online shopping will become an important distribution channel for fashion retail industry.

- (i) How can the Group become more competitive than other digital players in the same segments industries?

### Answer 2 (i)

As our recent results have shown, our customers still have an overwhelming preference for the "brick and mortar" channel. Notwithstanding this, we are continually monitoring developments and trends in online shopping. Each player in the fashion retail industry will need to decide what distribution channels best suit their market segment of customers and develop appropriate responses.

We are enhancing our shopping experience by integrating online with our brick and mortar stores, finding ways to complement each other.

**PADINI HOLDINGS BHD** (50202-A)

NO.19, JALAN JURUNILAI U1/20, HICOM GLENMARIE INDUSTRIAL PARK, 40150 SHAH ALAM, SELANGOR DARUL EHSAN  
Tel: (603) 5123 3633 Fax: (603) 7805 1066 Email: padini@po.jaring.my www.padini.com

# PADINI

- (ii) What budget would the Company allocate to develop online shopping?

Answer 2 (ii)

Given the current landscape as explained earlier, the Group has taken a relatively minimal internal capex spending stand and a PAYU (pay as you use) approach with our partners wherever possible. So far, the amount spent on the online shopping has been at best incremental on a need basis. That said, the initial set-up cost was in the circa of RM680,000 only.

- (iii) What would be the Group initial targets and market share? What is the current achievement?

Answer 2 (iii)

As mentioned in questions 1 and 2(i) above, we are not expecting the E-Commerce to achieve significant revenue in the short term. Currently, the online channel contributes less than 0.02% to the Group's revenue.

Question 3

As mentioned on Chairman Statement (page 12), the Group plan to open at least 7 Padini Concept Stores and 8 Brands Outlet Stores with some major refurbishments for at least 3 existing Padini Concept Stores.

- (i) What is the total capital budget allocated for the refurbishment?

Answer 3 (i)

The refurbishments for the 3 existing outlets is estimated to cost nearly RM7million in total.

As for the capital budget for the new outlets, it will depend on the size of outlets made available to us by our landlords after the tenancies have been finalized. We are budgeting about RM 34million in capex for these 15 outlets if all of it can be finalized within the new financial year ending 30 June 2017.

- (ii) Please share on the criteria and planning involved in choosing and establishing the concept stores?

Answer 3 (ii)

We look at the location of the mall, size, rent, position of the outlet and the demographics of the mall when choosing.

# PADINI

## Question 4

Are there any plans to further downsized its consignment business? Please explain. What is the total revenue contributions from this business? What would be the Group's strategy, going forward?

## Answer 4

Consignment only contributes about 4% of the Group's revenues for the financial year ended 30 June 2016.

We will only consider downsizing the consignment counters further if there are non performing counters and we do not see ourselves exiting the consignment business entirely where it makes business sense.

## **Corporate Governance**

### Question 1

Publish the Company's Memorandum and Articles of Association on the Company's website.

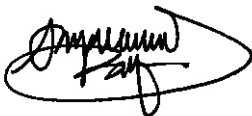
### Answer 1

The board will look into it accordingly.

We hope that the above responses have adequately addressed the points raised in your letter to us.

Thank you.

Yours sincerely,



**YEO SOK HIANG**

On behalf of the Board

PADINI HOLDINGS BERHAD

**PADINI HOLDINGS BHD** (50202-A)

NO.19, JALAN JURUNILAI U1/20, HICOM GLENMARIE INDUSTRIAL PARK, 40150 SHAH ALAM, SELANGOR DARUL EHSAN  
Tel: (603) 5123 3633 Fax: (603) 7805 1066 Email: padini@po.jaring.my www.padini.com