

10th December 2014

Chief Executive Officer
Minority Shareholder Watchdog Group

Attn : Rita Benoy Bushon

RE : 33rd AGM of Padini Holdings Bhd

Issues raised by the MSWG as per your fax dated 09 Dec 2014.

Strategy / Financials

Q1

As reported, domestic operations accounted for nearly 93.9% of the Group's revenue. Going forward, would the domestic environment not become too competitive with the increasing presence of foreign players and how would Padini be able to cope with the foreign players?

Why is the percentage of contribution from overseas operations remaining low? What are the Group's plans to increase the contribution?

Answer

Of course the domestic environment is getting competitive; this merely reflects how attractive the Malaysian retail environment has become. But as have been stated on very numerous occasions, we have always competed with foreign brands that have considerably more resources than us but we are still here and thriving, and that is because we ourselves continually do the things necessary to ensure us that we remain relevant to the market segments that we serve. Relevance in terms of the products we offer for sale, in terms of the pricing policies we adopt, and also in terms of the spread of our distribution network.

The contribution from our overseas operations has remained low because that is not our area of focus. While we would continue selling our Vincci products to our overseas franchisees, such sales are mostly the result of how the franchisees themselves are performing, and we really do not plan for any expansion in the contribution from exports.

Q2

As stated in the Chairman's Statement, all the trading subsidiaries except Vincci have improved upon their performances. The main problem was that the general level of design and quality of merchandise offered for sale had over the years remained unchanged and had not kept in step with the changing preferences of the market.

Could the Board enlighten shareholders what actions have been taken to address the issues and enhance its competitiveness?

What is the targeted revenue growth for Vincci's performance, going forward?

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Answer

Vincci is restructuring our supply network by focusing more of our production in China, which has a shorter lead-time that will keep up with the changing preferences of the market.

We are also focusing on our product development strategies, which cater towards design elements that are more accessible to the market and redefining the value of our products.

The targeted revenue growth for Vincci's performance will remain stagnant for year 2015.

Q3

We noted that gross profit margin had declined slightly from 46.7% in FY2013 to 46.2% in FY2014. What were the reasons for the decline and going forward, would this 40% plus margin be sustainable especially amidst the increasingly competitive environment?

Answer

The main reason for the decline, even though only at 0.5%, would be the increasing contribution to overall revenues from the Brands Outlet side of the Group's business. Since the products sold at the Brands Outlet stores are generally marked at lower gross margins than that done for the core brands of the Group, it is expected that the GP margins would decline as the revenue contribution from Brands Outlet grow in size in relation to the other business segments. As for the ability to maintain the margin, the pricing policies that are currently in place should see the level mentioned being sustainable.

Corporate Governance

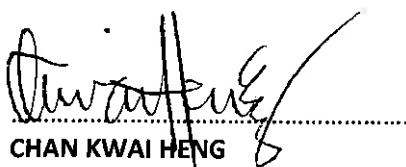
MSWG is promoting standards of corporate governance best practices in PLCs. In this regard, we would like to request that the minutes of the AGM be published on the Company's website.

Yes, we would publish the minutes of the AGM on our website.

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

Thank you.

Yours sincerely



CHAN KWAI HENG

On behalf of the Board

PADINI HOLDINGS BERHAD