

PADINI HOLDINGS BERHAD
(197901005918 (50202-A))
(Incorporated in Malaysia)

Minutes of the Thirty Ninth Annual General Meeting of the Company held at the Broadcast Venue at Room 4.2, No. 19 Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 24 November 2020 at 10:00 a.m.

PRESENT : Mr Chia Swee Yuen
(Independent Non-Executive Chairman)
Mr Yong Pang Chaun
(Managing Director)
Mdm Chong Chin Lin
(Executive Director)
Mr Foo Kee Fatt
(Independent Non-Executive Director)
Mr Lee Peng Khoon
(Independent Non-Executive Director)
Mr Andrew Yong Tze How
(Executive Director)
Mr Benjamin Yong Tze Jet
(Executive Director)
Ms Chew Voon Chyn
(Executive Director)
Ms Sung Fong Fui
(Executive Director)

IN ATTENDANCE : Ms Adelyn Ho } Company Secretaries
Ms Cho Mei Tho }
Ms Samantha Goh – Share Registrar
Ms Tam Kit Wai - Scrutineer

SHAREHOLDERS & PROXIES : As per attendance list

CHAIRMAN OF THE MEETING

Mr Chia Swee Yuen took the Chair and called the Thirty Ninth Annual General Meeting (“AGM”) to order at 10:00 a.m.

He welcomed the Shareholders to the meeting and informed that the quorum requirement had been satisfied as there were more than 2 shareholders and proxies present. He also informed that the Company had received proxy forms appointing him as the proxy and the votes represented amounted to 14.98%.

The Chairman informed that all the resolutions set out in the Notice of the 39th AGM will be voted by poll. He added that the shareholders/proxies may proceed to vote on the resolutions set out in the Notice of the AGM until the end of the voting session which will be announced later.

The Chairman then invited the representative of Tricor Investor & Issuing House Services Sdn Bhd, the Polling Administrator, to brief the shareholders/proxies on the polling process. The video on the polling process was projected on the screen for the shareholders’ information.

The Chairman informed that for the purpose of the poll voting, the Company had appointed:-

- a) Messrs Tricor Investor & Issuing House Services Sdn Bhd as the Polling Administrator to conduct the poll voting; and
- b) Best Corporate and Mgt Services as the Scrutineer to scrutinise the e-polling procedures and to verify the poll results.

NOTICE

The Notice convening the meeting was taken as read.

The Chairman informed that the Company has received a letter from the Minority Shareholders Watch Group ("MSWG") raising several queries in relation to the strategy and financial matters of the Group as well as corporate governance and sustainability issues, and a letter from Kumpulan Wang Persaraan ("KWAP") with regards to the Group's sustainability issues and board composition. He informed that the questions and answers to the letters as well as the questions and answers that were pre-submitted by the shareholders will be shared with the shareholders after he has finished tabling all the matters in the Agenda as follows.

1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Chairman then proceeded with the first item on the Agenda which was to lay the Audited Financial Statements for the year ended 30 June 2020 and the Reports of the Directors and Auditors.

2. DIRECTORS' FEES

The Chairman informed that the next item on Agenda was the payment of Directors' fee. He informed that the Board has recommended the Directors' fees of RM300,000.00 in respect of the financial year ended 30 June 2020.

3. DIRECTORS' BENEFITS

The Chairman proceeded to item 3 on the Agenda which was to table the resolution on 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 of the Company in 2021.

4. RE-ELECTION OF THE DIRECTORS WHO RETIRE BY ROTATION IN ACCORDANCE WITH CLAUSE 103(1) OF THE COMPANY'S CONSTITUTION

The Chairman informed that at this meeting, Mr Yong Pang Chaun, Mr Foo Kee Fatt and Ms Chew Voon Chyn, retired under Clause 103(1) and being eligible, offered themselves for re-election under Ordinary Resolution 3, 4 and 5, respectively.

5. AUDITORS

The Chairman informed that item 5 on the Agenda was on the reappointment of Auditors. He informed that the Auditors, Messrs BDO PLT, has signified their willingness to continue in office.

6. RETENTION OF INDEPENDENT DIRECTOR

The next item on the Agenda was on the retention of Mr Foo Kee Fatt as an Independent Director. The Chairman informed that Mr Foo has served as an Independent Non-Executive Director for a cumulative term of more than nine years and the justifications for him to continue to act as an Independent Non-Executive Director were set out on page 5 of the Annual Report.

7. ANY OTHER MATTERS

The Chairman informed that no notice had been received for the transaction of any other business at this Meeting.

The following presentations were then projected on the screen to be shared with the shareholders:

- Presentation of the Group's financial performance (Appendix I);
- Questions and answers to the letter from MSWG (Appendix II);
- Questions and answers to the letter from KWAP (Appendix III); and
- Questions and answers to the pre-submitted questions from the shareholders (Appendix IV).

The Chairman informed that the Company has also received some questions from the shareholders/proxies during the meeting. A summary of the questions raised by the shareholders/proxies together with the corresponding responses are set out in Appendix V of the minutes.

8. CONDUCT OF POLL

The poll voting session was carried out for 10 minutes after the tabling and deliberations of all the items on the Agenda for the Meeting.

The Meeting was also informed that the results of the polling would be announced after validation by the Scrutineer.

The polling process commenced at 10.50 a.m. and the Meeting was adjourned for the polling to take place.

The polling process was declared closed by the Chairman at 11:00 a.m. and the meeting was adjourned for the counting and verification of the poll results.

9. ANNOUNCEMENT OF POLL RESULTS

The Meeting resumed at 11:20 a.m. for the declaration of poll results as the Chairman had received the said results from the Scrutineer.

The poll results (Appendix VI) were projected onto the screen. The Chairman then announced that all the resolutions as stated in the Notice of the 39th AGM of the Company were duly carried as follows.

9.1 Ordinary Resolution 1 - Payment of Directors' Fees

"That the payment of Directors' fees of RM300,000.00 in respect of the financial year ended 30 June 2020 be and is hereby approved."

9.2 Ordinary Resolution 2 - Payment of Directors' Benefits

"That 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 of the Company in 2021 be and is hereby approved."

9.3 Ordinary Resolution 3 - Re-election of Director retiring in accordance with Clause 103(1) of the Company's Constitution

"That Yong Pang Chaun who retires in accordance with Clause 103(1) of the Company's Constitution be and is hereby re-elected as a Director of the Company."

9.4 Ordinary Resolution 4 - Re-election of Director retiring in accordance with Clause 103(1) of the Company's Constitution

"That Mr Foo Kee Fatt who retires in accordance with Clause 103(1) of the Company's Constitution be and is hereby re-elected as a Director of the Company."

9.5 Ordinary Resolution 5 - Re-election of Director retiring in accordance with Clause 103(1) of the Company's Constitution

"That Ms Chew Voon Chyn who retires in accordance with Clause 103(1) of the Company's Constitution be and is hereby re-elected as a Director of the Company."

9.6 Ordinary Resolution 6 - Re-appointment of Auditors

"That Messrs BDO PLT, be and are hereby re-appointed as Auditors of the Company for the financial year ending 30 June 2021 and that the Directors be and are hereby authorised to fix their remuneration."

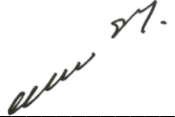
9.7 Ordinary Resolution 7 - Retention of Independent Director

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

TERMINATION

There being no further business, the meeting terminated at 11:25 a.m. with a vote of thanks to the Chair.

Confirmed as a correct record,



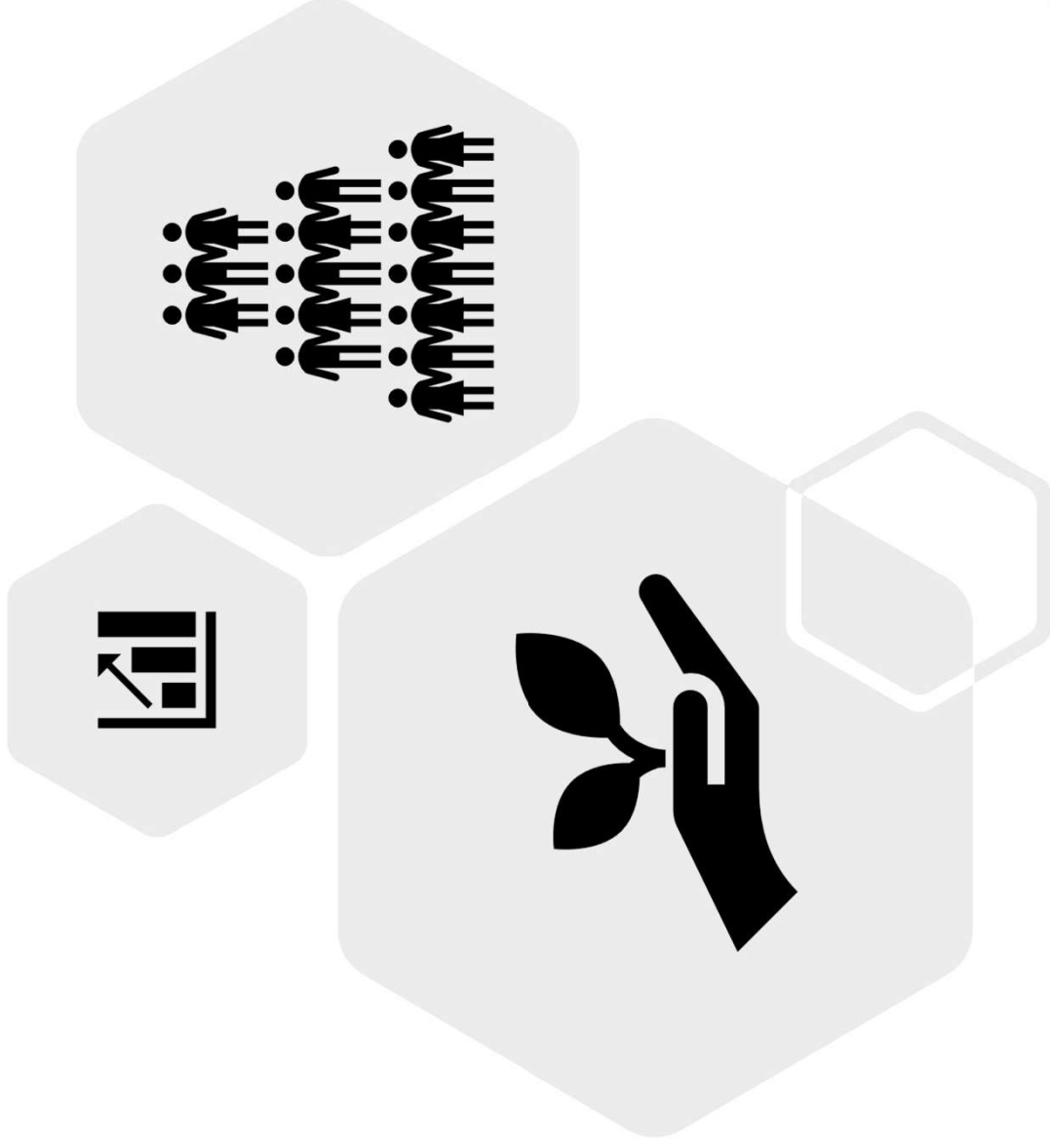
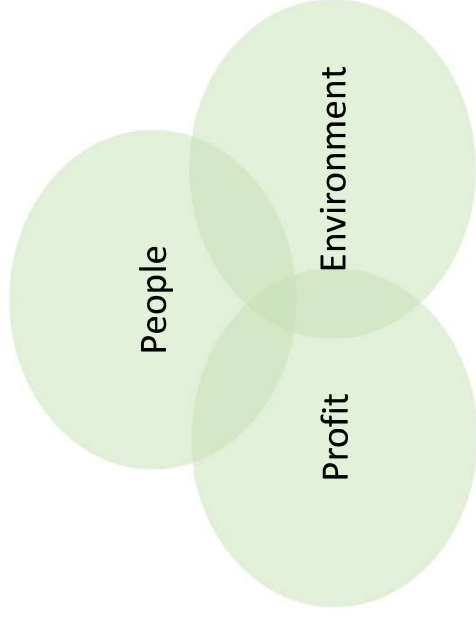
CHAIRMAN



PADINI HOLDINGS BERHAD
Annual General Meeting
30 June 2020



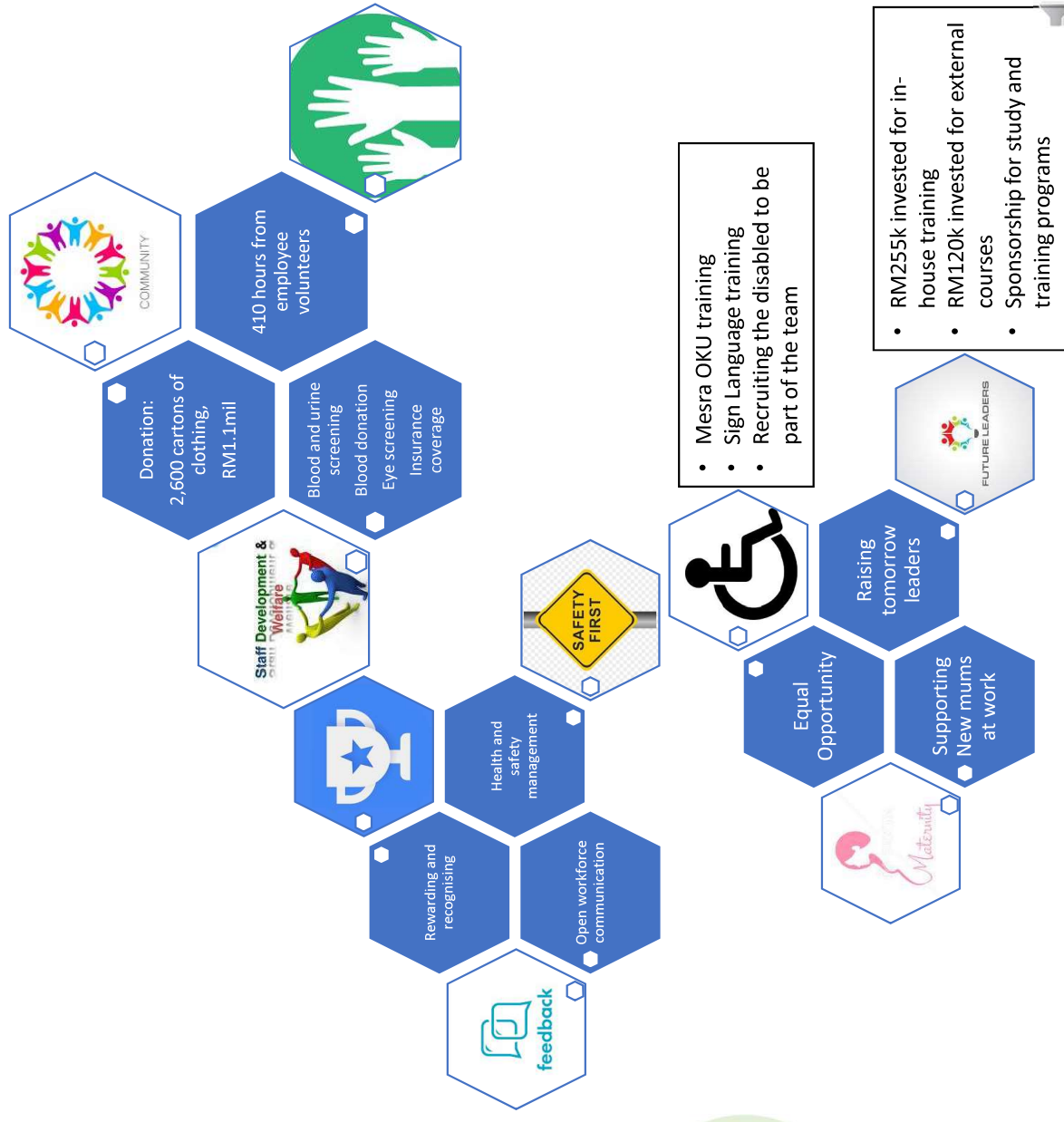
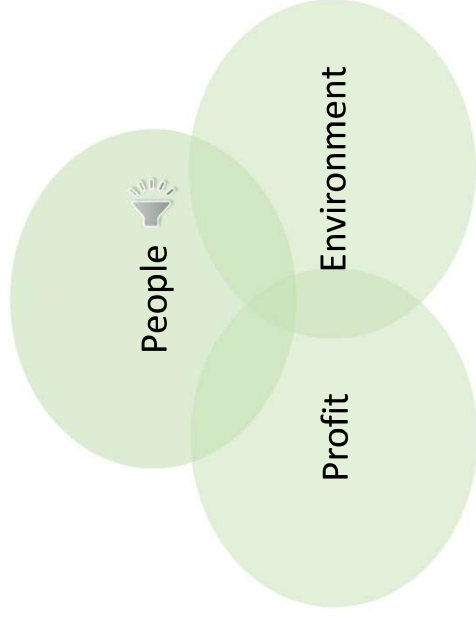
FY2020 Highlights



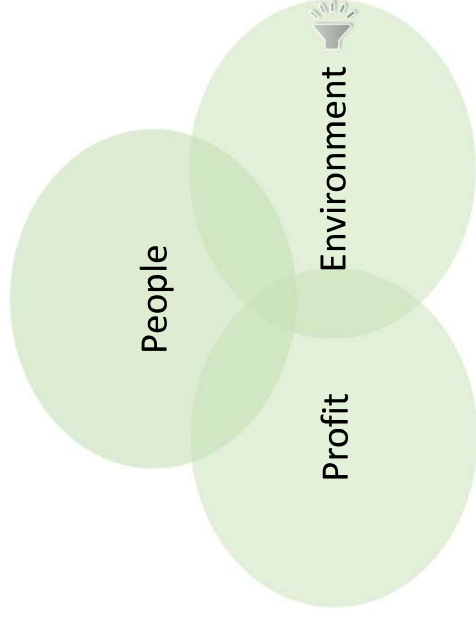
Slide 2

SSFF1 the "importance" of profit We believe it is vital to have a balance
Sharon Sung Fong Fui, 17/11/2020

FY2020 Highlights



FY2020 Highlights



Tree planting activities



Recycling program is implemented (Glass, Plastic, Paper)

3,400 kg of used paper recycled



"Turn off before you take off" campaign

Switched off office lighting that are not in used

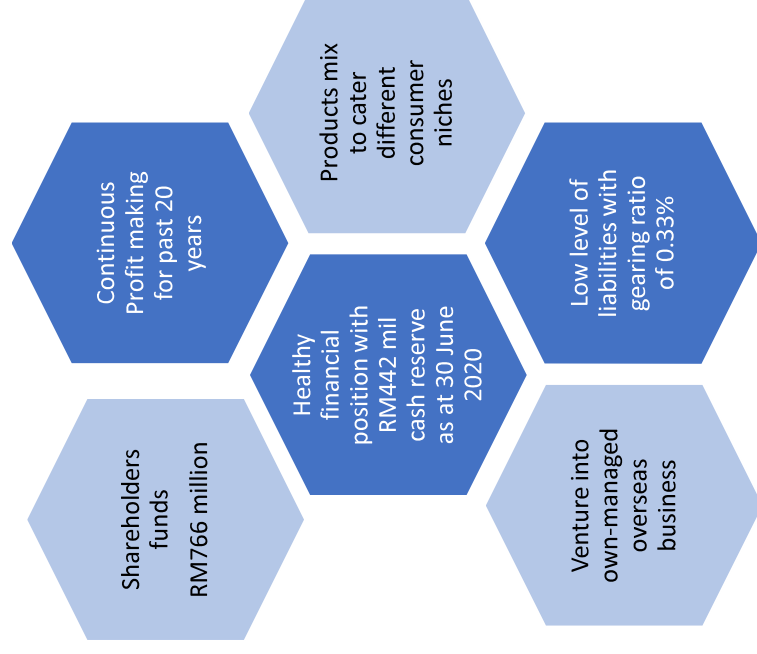
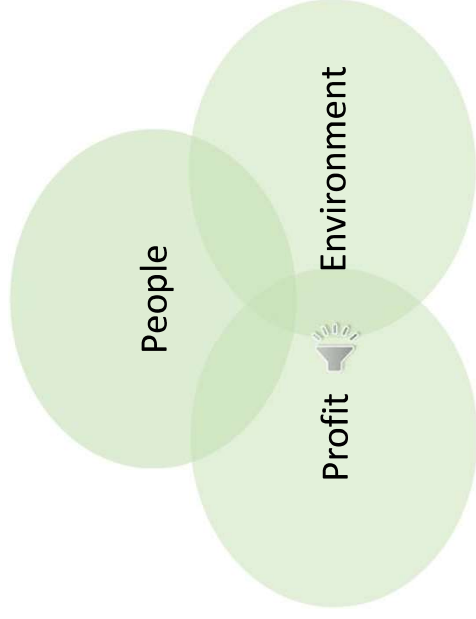
reduction of 22% energy consumption

Solar system installation

reduction of 36% electricity costs



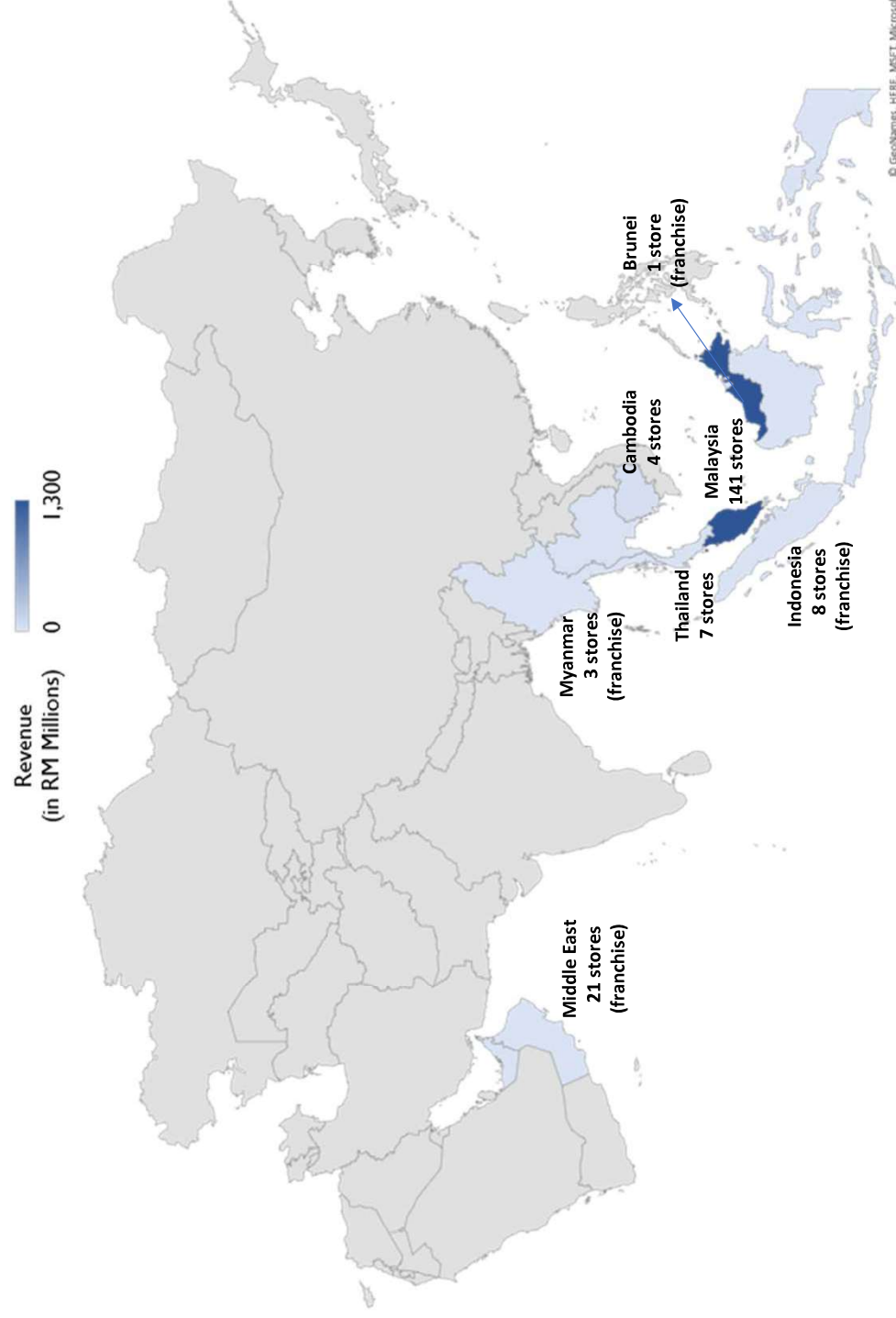
FY2020 Highlights



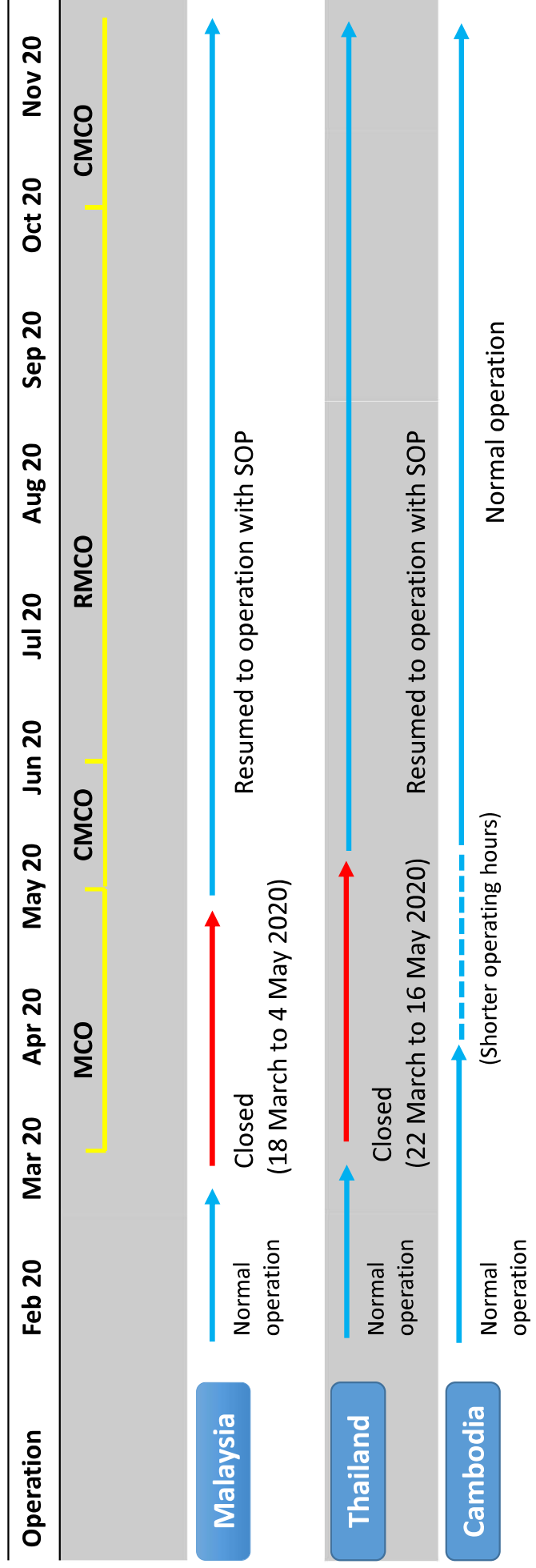


Business & industry overview

GEOGRAPHICAL PRESENCE AS AT 30 JUNE 2020



IMPACT OF COVID-19 PANDEMIC ON OPERATION



MEASURES IN PLACE TO HANDLE THE COVID-19 OUTBREAK



Healthy financial position

Gearing: 0.33%
(debt to equity ratio)

GP margin: 39%

Acid Test ratio: 2.58



Optimise resources and impacts

Preserve cash for debt repayment

Reduce dividend pay-out

Rental rebate

Government subsidy
Supply and demand tracking to control inventory level



Health and safety measures

Immediate implementation of the necessary for health and safety measures

Mask provided to all staff

Social distancing practice



Digital platform

E-commerce
Facebook live
Lazada platform
Shopee

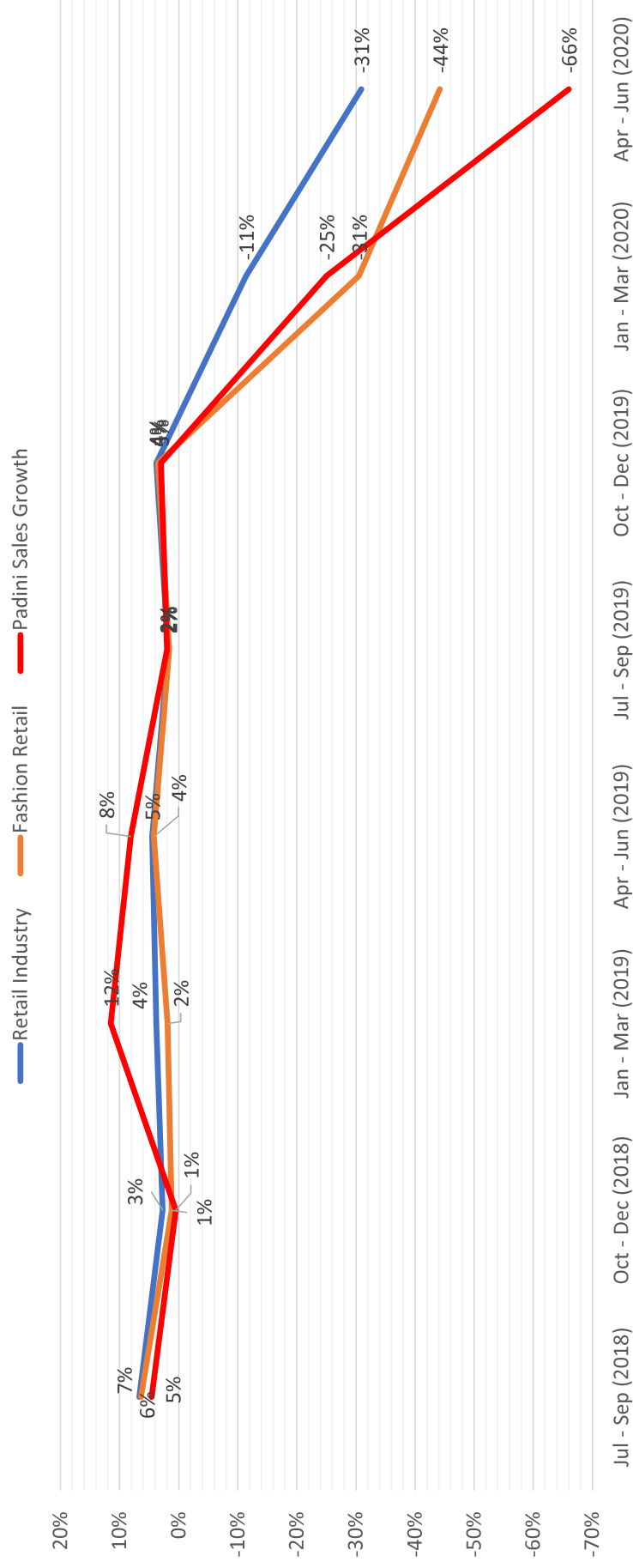


Team players

“what’s your opinion”



RETAIL INDUSTRY SALES GROWTH RATE



Overall performance for Retail industry in Malaysia market as at June 2020 registered a downturn as a result of adverse impact of Covid-19 pandemic. (Sources: MRA/Retail Group Malaysia)



FINANCIAL PERFORMANCE REVIEW

Appendix 1

the Committee

which Pading has control or joint

operation and oversight of
the audit and
the Group
(2020)

REPORT OF THE Audit Committee

2.4. Audit Committee

The Audit Committee

2.5. Approval Procedures

The Policy does not

the information

2.6. Audit Committee

The Audit Committee

The Audit Committee

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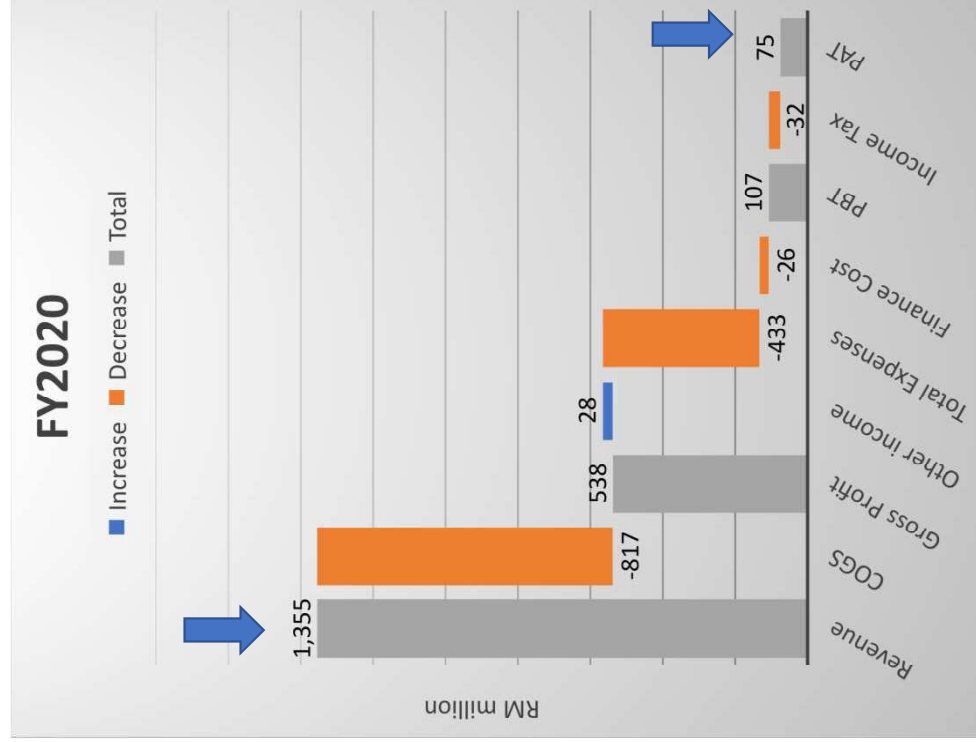
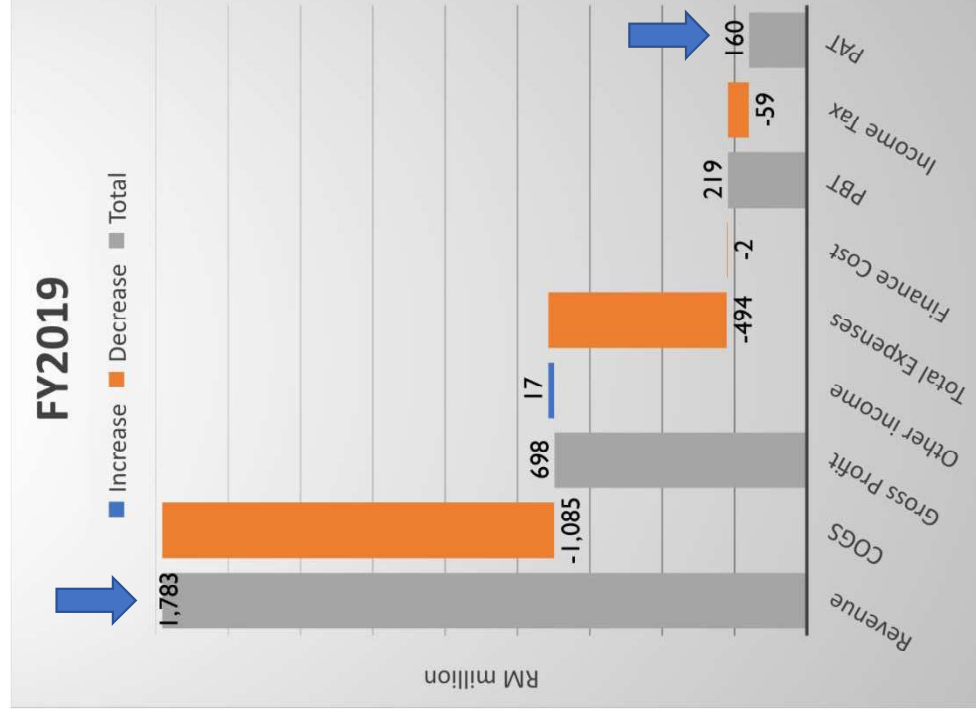
The Audit Committee

PROFIT & LOSS OVERVIEW

Overview:

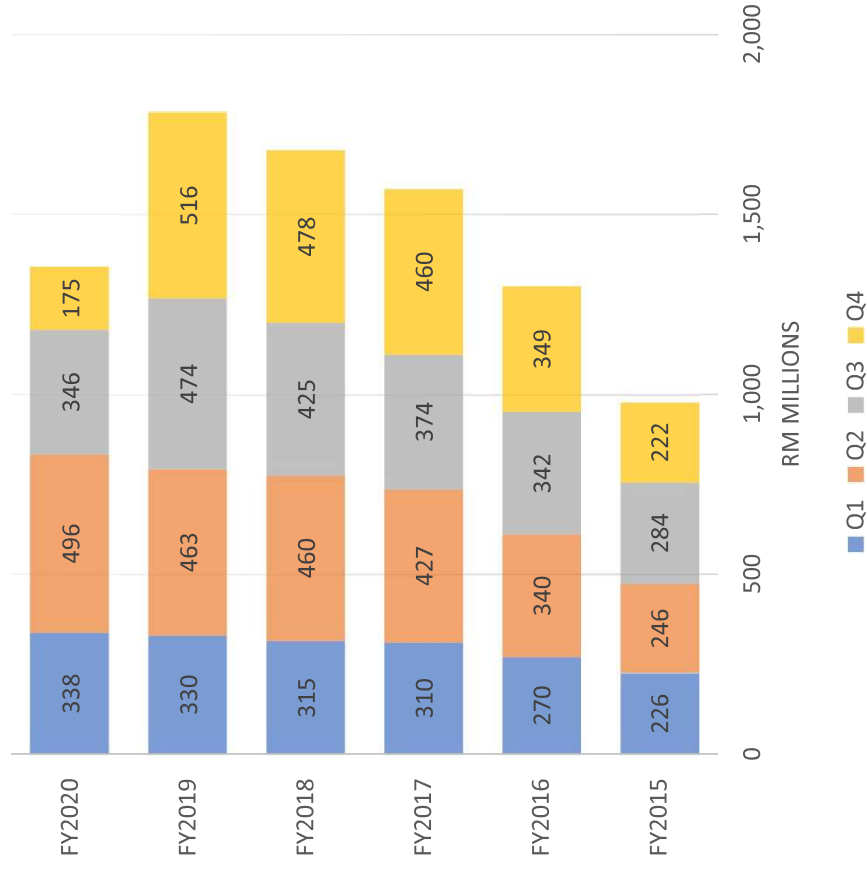
	FY2020 vs FY2019	FY2019 vs FY2018
Revenue growth	(24.0%)	6.2%
COGS	(24.7%)	9.5%
Gross Profit growth	(22.9%)	1.5%
Expenses	(12.3%)	4.7%
PBT	(51.1%)	(8.5%)
PAT	(53.1%)	(10.1%)

	FY2020	FY2019
GP Margin	39%	39%
NP Margin	6%	9%
Total Expenses over revenue	34%	28%
Return on Equity ("ROE")	10%	22%
Inventory Turnover (days)	123 days	90 days

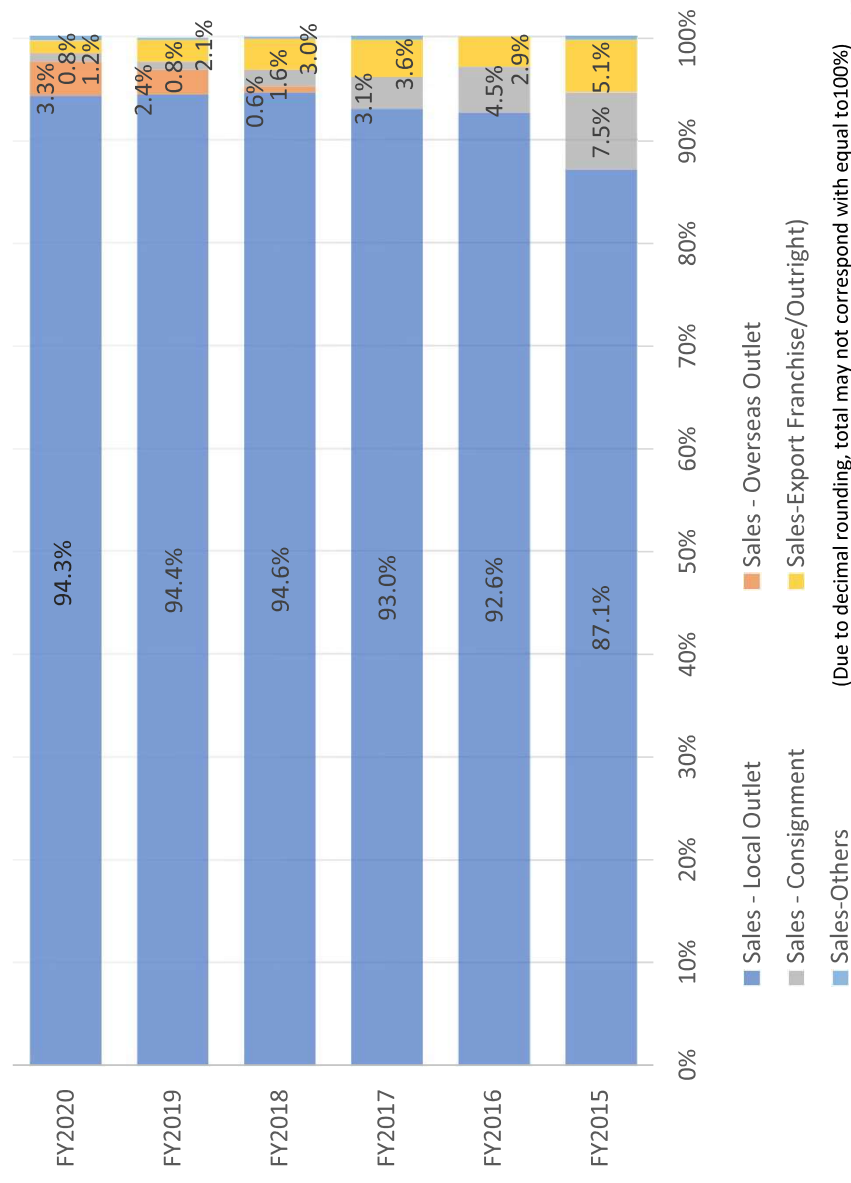


GROUP REVENUE

GROUP REVENUE

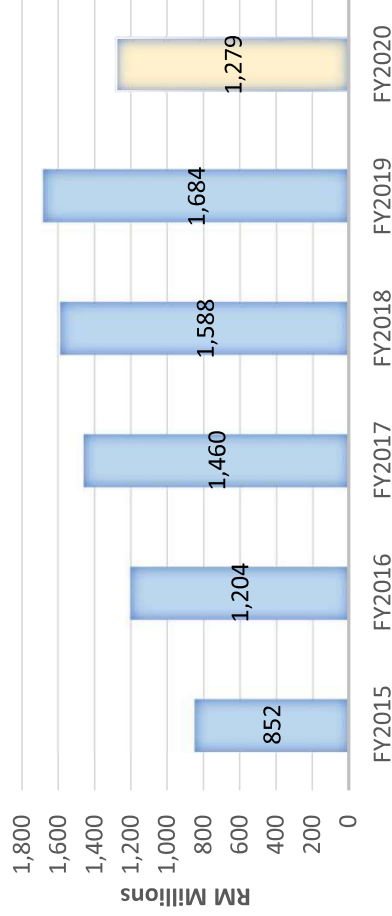


REVENUE STREAMS

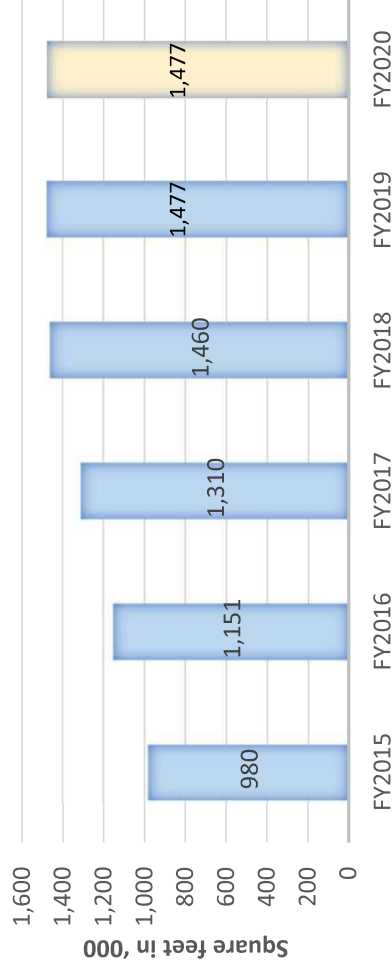


FY2020 SALES FROM LOCAL OUTLET

SALES – LOCAL OUTLET

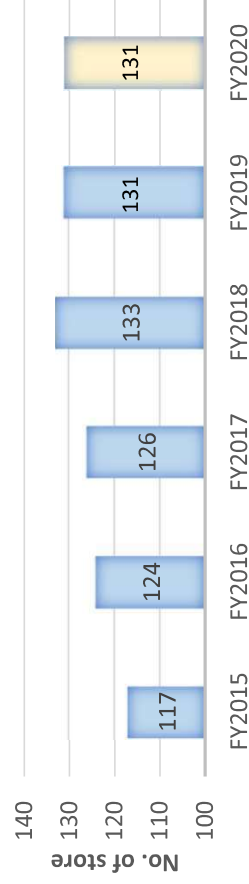


TOTAL FLOOR AREA OPERATED

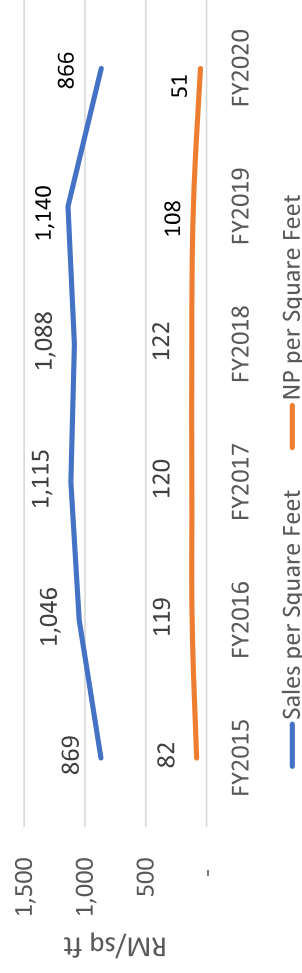


NUMBER OF STORES AS AT 30

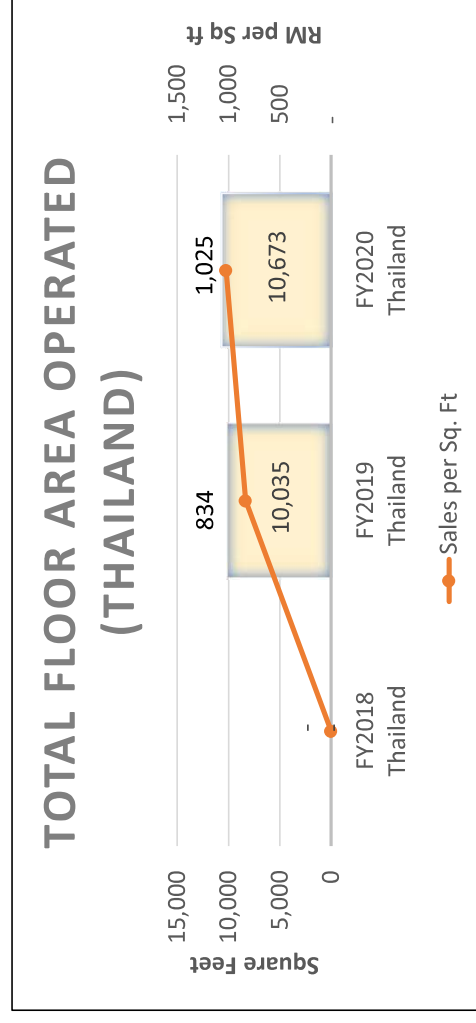
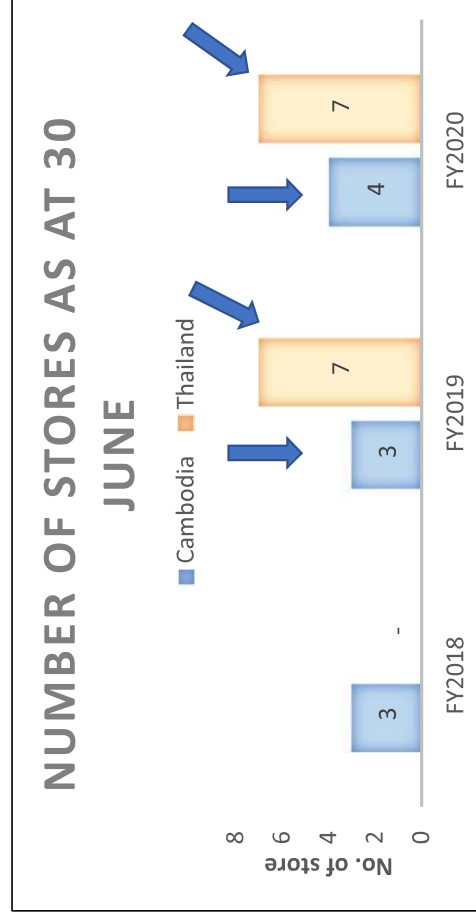
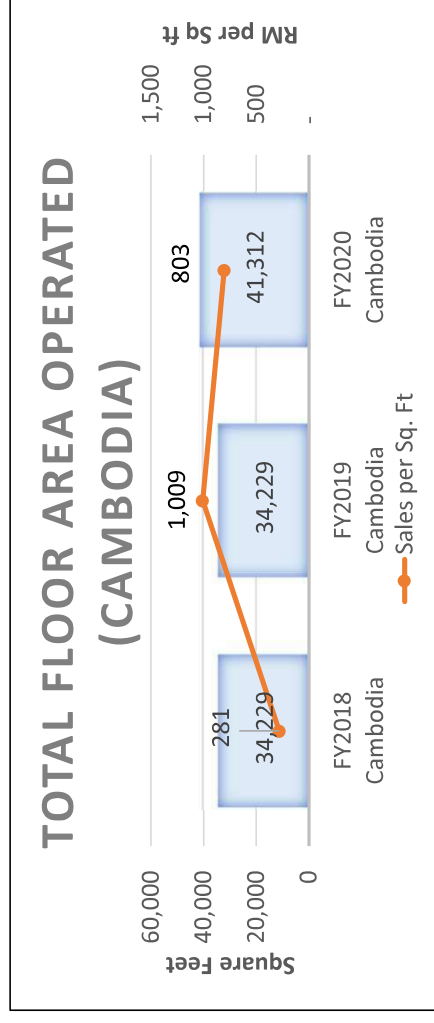
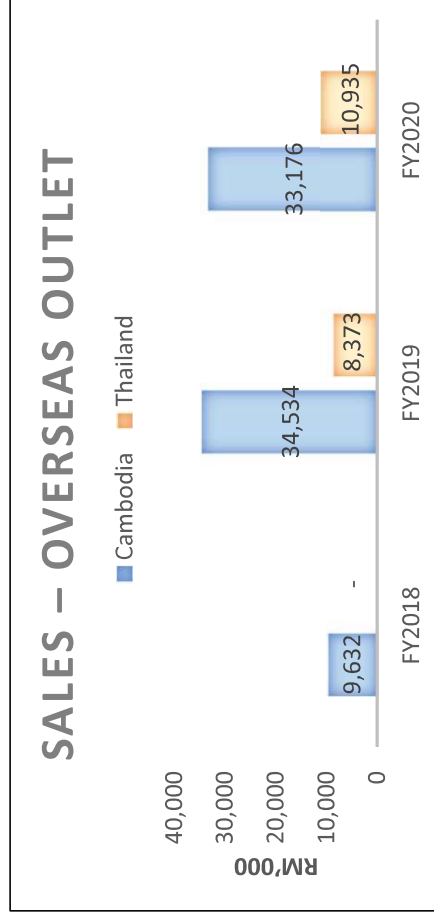
JUNE



SALES PER Sq. Ft & NET PROFIT PER Sq. Ft



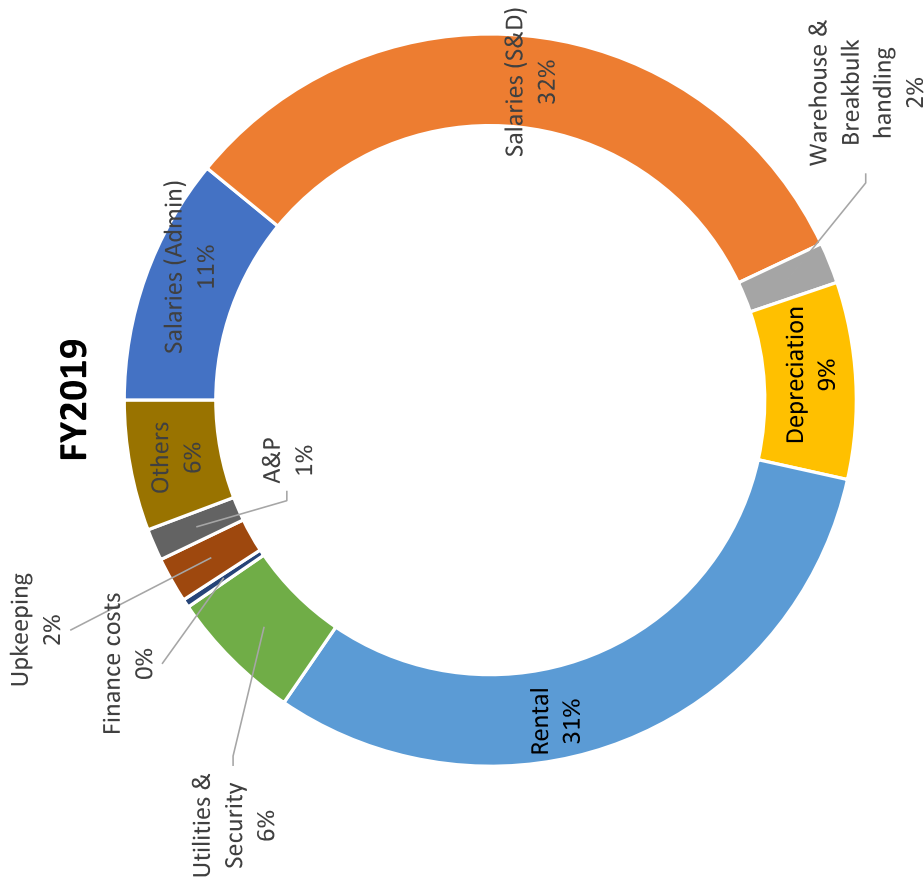
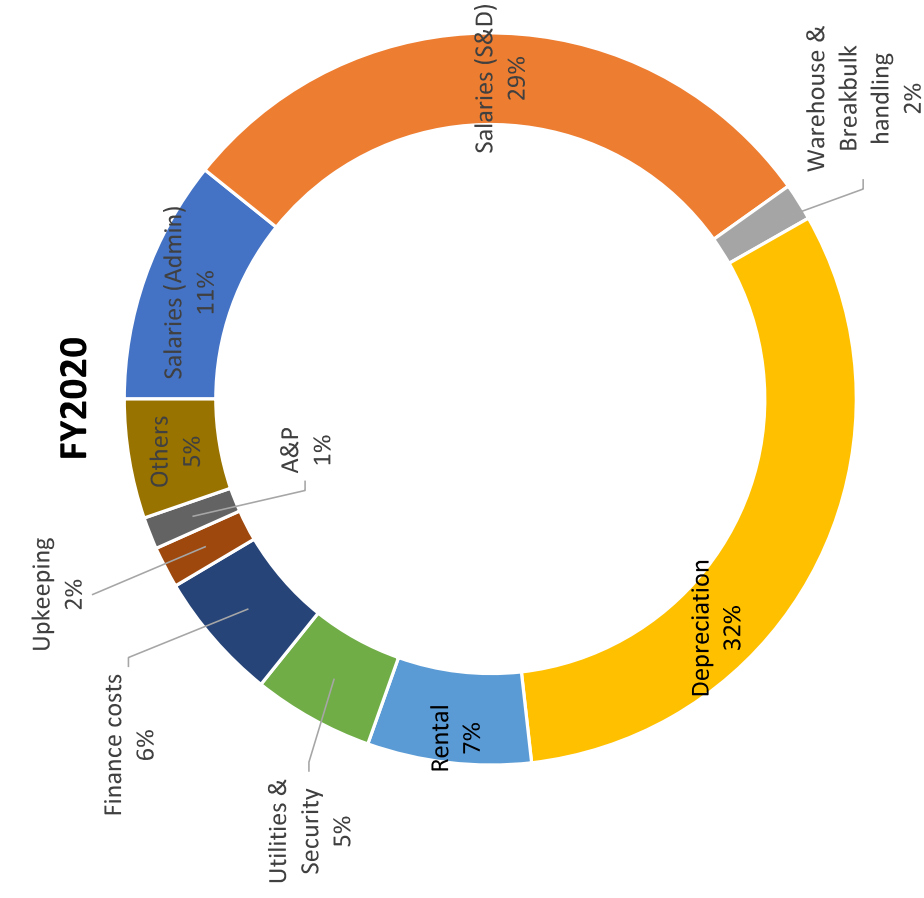
FY2020 SALES FROM OWN-MANAGED OVERSEAS OUTLET



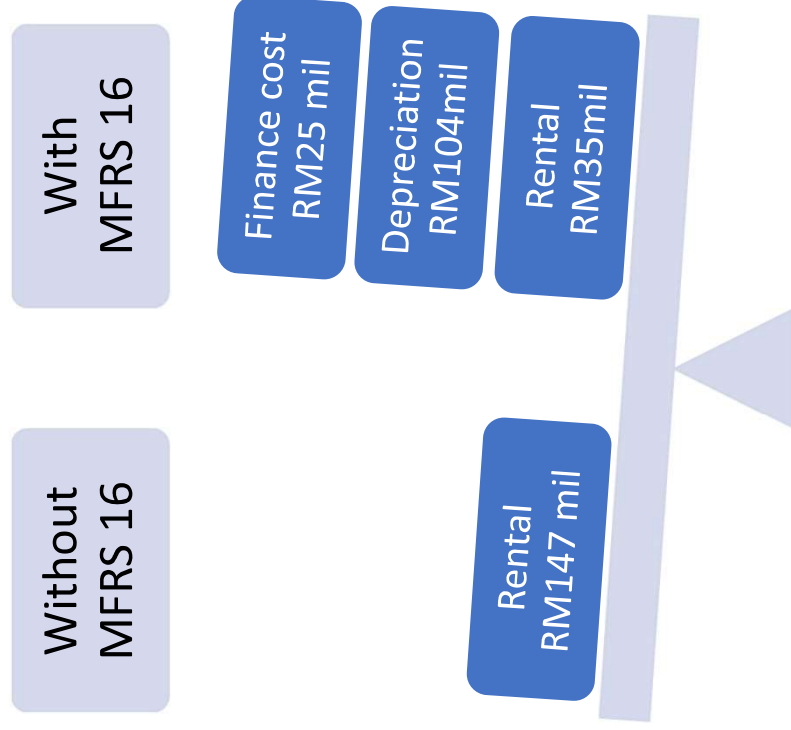
SAME STORES SALES GROWTH ("SSSG")



TOTAL EXPENSES AND FINANCE COST



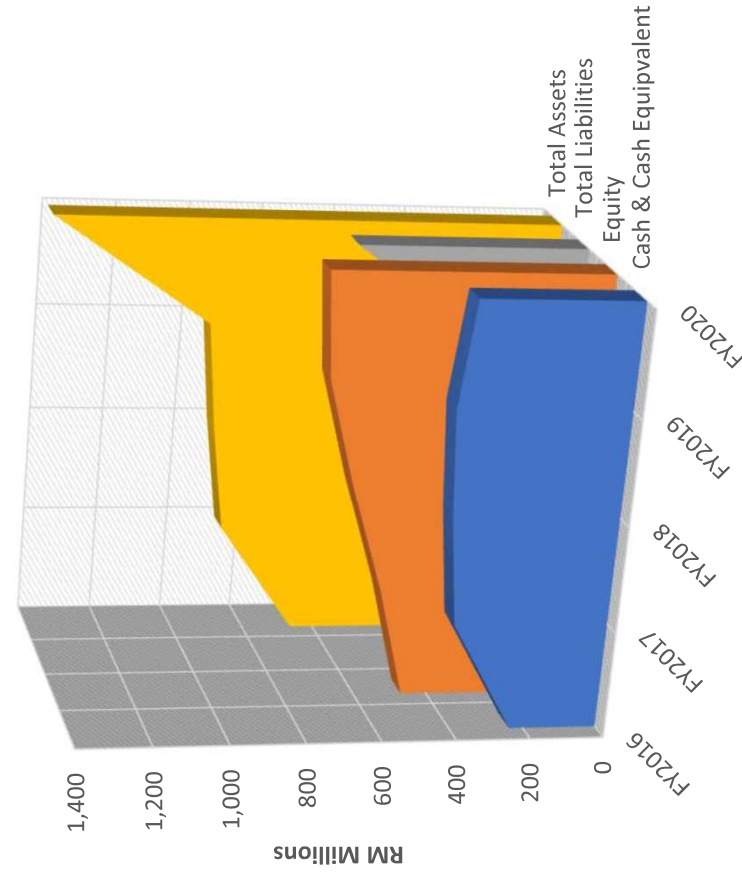
MFRS 16 IMPACT (ON RENTAL)



P&L Impact	FY2020 RM million
Finance costs	(25)
Depreciation	(104)
Rental (Utilisation)	112
Net impact to P&L (Before tax)	<div style="display: inline-block; text-align: center;"> <div style="color: red; font-size: 2em;">↑</div> (17) </div>



FINANCIAL POSITION OVERVIEW



		FY2020	FY2019
Cash	Cash and Cash Equivalent	RM 442.0 mil	RM 472.0 mil
Gearing Ratio	Debt to Assets ratio	0.45	0.23
	Debt to Equity ratio	0.82	0.29
Trade Receivables	Bad debt expenses	Nil	Nil
Price to Earning ratio (PE ratio)	Share price relative to its per-share earnings ("EPS")	21.79	14.87





THANK YOU!

Letter From MSWG

Strategy and Financial Matters

Question 1: Current Economic Challenges

Given the current challenges presented by Covid-19, Padini implemented measures to control cost, optimize working capital, preserve cash and streamline its operations. It also introduced digital retailing and changes in consumer behavior is being considered in the areas of marketing, merchandising and its supply chain. (Page 12, Annual Report)

- (a) What are the measures being undertaken to streamline the Company's operations?**
- (b) Are any of Padini's stores expected to close-down?**
- (c) Have supply of the Company's products been disrupted?**
- (d) What are the issues on the demand and supply side of products? What are the Company's plans to mitigate these issues?**



LETTER FROM MSWG

Answer for Question 1 (a):

We believe that cash flow management, cost planning and re-prioritising of business activities and investments are important measures. It has been approximately 6 months since Covid-19 pandemic declared in Malaysia and the Group continuously maintain a healthy financial position. This is important, that will ensure we can take good care of our employees and our suppliers.

Beside healthy financial position, we have other measurements, including consolidating non performing shops, keeping inventory fresh with tight control of buying, rental rebate, conserve spending in all aspects, review inventory and optimize purchasing to meet market demand, accelerate digital platform such as Facebook live and Shopee.

Due to uncertainty of this unresolved pandemic, we will constantly re-evaluate the processes and strategies which not only for resilience and sustainability of the Group, but good for our employees, suppliers and customer as well.



LETTER FROM MSWG

Answer for Question 1 (b):

To optimise the operation cost efficiency, the Group may close down outlets that are not performing and depending on the renewal terms in leasing arrangements.

Answer for Question 1 (c):

We have long and good business relationship with our external suppliers and working with them collaboratively by updating them on our situation and our needs on regular basis. No major disruptions since the pandemic. We have managed our buying at the right level to ensure we are not burdened with old stocks when the market turns around.



LETTER FROM MSWG

Answer for Question 1 (d):

We are manageable on our supply side of products as stated in answer (c). For demand of products, the retail industries in overall experienced downturn and our business was similarly affected. Introducing the product features via e-Commerce, Facebook live cast and Lazada platform are important channel. Padini has been actively post product related contents in these channels and actively engaging with customers' responses and requests. We will continue exploring to engage more online portal to sell our products such as Shopee which launched in November 2020. This is an essential progression and continuous effort for bringing Padini into another level.



Question 2: Digital Platform

The Company commenced its e-Commerce platform at the end of 2015 and accelerated this business platform via Facebook live cast and Instagram and on the Lazada platform and is exploring more online portals to sell its products. (Page 17, Annual Report)

- (a) What has been the progress of the digital platform?**
- (b) What are the Company's plans in growing this platform further?**
- (c) Will the digital platform be extended to its regional businesses?**



LETTER FROM MSWG

Answer for Question 2 (a):

We have actively engaged online sales with more targeted advertising through social media. Since the pandemic we have seen an uptake of sales. It still acts as a channel for us and we expect it to grow over time. We have launched Shopee for Malaysia market in November 2020.

Answer for Question 2 (b):

We believe in creating more content that is relevant to customers will further grow this channel of sales.

Answer for Question 2 (c):

E-Commerce expanded to Singapore market in October 2020 and for Thailand's operation, we have launched the Shopee platform in August 2020.



Question 3: Inventory Turnover

Year	2020 RM Million	2019 RM Million
Inventory Balance	273	277
Cost of Sales	817	1,085
Inventory Turnover Ratio	2.99 times	3.92 times

Source: Page 52, 54, Annual Report

The table above shows that the inventory turnover ratio reduced from almost four times to 3 times, indicating slow turnover of stock. There was also inventories written down (to net realisable values) of RM6,212,000 (2019: RM Nil) due to the impact of the COVID-19 pandemic. In this regard,

- (a) Are there issues of concern with inventory management or obsolesce?
- (b) Are there any issues with storage and related costs?
- (c) Are further material write-downs expected in 2021?



LETTER FROM MSWG

Answer for Question 3 (a):

We believe stock obsolesce is common to the trading company especially fashion industry in nature. Inventories written down of RM6,212,000 recognised in relation to the impact of COVID-19 pandemic which is the uncertainties encountered by us. This is part of Group's stringent inventory policy where we are monitoring the inventory more on regular basis.

Answer for Question 3 (b):

Regular monitoring of inventory and addressing the obsolesce stock on timely manner help to freed-up warehouse space for more productive and profitable inventory turns.

Answer for Question 3 (c):

We would not be able to conclude the inventories condition for the financial year ending 2021.



Question 4: Recoverability of Trade Receivables

The credit terms granted by the Group in relation to trade receivables ranges from 2 to 60 days (2019: 2 to 60 days) from the date of invoice (Page 87 Annual Report). The amounts past due for 2020 was RM2.7million, representing 31% of total trade receivables of RM8.6million. Of the RM2.7 million, almost RM2million are between 61 to 90 days old. Comparatively, in 2019, the amounts past due was RM4million, or 24% of the total trade receivables of RM17million. There were no impairments charges in the year. (Page 88, Annual Report)

Is there a need to review the credit policy? What is the expectation of recoverability of these amounts? Are any impairments foreseen for 2021?

Answer for Question 4

The amounts past due mainly arising from overseas franchisee. We don't foresee major risk here, as there is deposit placed by overseas franchisee. Subsequent to the financial year end, 97% of RM2.7million payments have been received.



Question 5: Decrease in Rental of Premises

Why has the rental expenses for premises decreased from RM154million to RM34 million? (Page 103, Annual Report)

Answer for Question 5

This is due to the adoption of MFRS 16 Leases which took effect on 1 July 2019. For lessee accounting, MFRS 16 applies a “right-of-use” approach which requires a lessee to recognise assets and liabilities for the rights and obligations created by lease contracts. With this approach, depreciation on right-of-use assets and interest expenses on lease liabilities are recognised during the financial year which amounted to RM106 million (Page 72 of Annual Report) and RM25 million (Page 103 of Annual report) respectively.



Corporate Governance Matters

Question 1: The Board to Comprise at least half independent directors.

The Company has not complied with Practice Note 4.1 of the Malaysian Code of Corporate Governance. The Practice Note asks that at least half the Board should comprise independent directors to ensure that decisions are made objectively in the best interests of the company.

Padini's Board currently comprises three (3) Independent Non-Executive Directors and six (6) Executive Directors. The Company has indicated that it requires 2 to 3 years to meet this requirement. (Page 19, Corporate Governance Report).

- (a) Why does the Company require 2 to 3 years to appoint independent directors?**
- (b) What are the action steps being taken to appoint independent directors?**



LETTER FROM MSWG

Answer for Question 1 (a):

The experience and reputation of the Independent Director is vital to bring an objective independent judgment on issue of strategy, performance and resources as well as overseeing the conduct of business to protect the best interest of the Group and its shareholders. We targeted 2 to 3 years timeline for the Group to search for suitable qualified candidate as Independent Director who can perform and not merely in rushing to conform the listing requirement.

Answer for Question 1 (b):

The Board considers its current Board composition with the mix of directors' industry experiences and competencies, able to manage and monitor the Group's operation effectively and fairly in protecting the interest of shareholders. The Board will continue in assessing potential candidates to look out for suitable candidate.



Question 2: Appointment of New Directors.

Practice 4.6 of the Malaysian Code of Corporate Governance states that in identifying candidates for appointment of directors, the board should also utilise independent sources to identify suitably qualified candidates (Page 26 Corporate Governance Report)

- (a) Does the Company have a policy to utilise independent sources to source for new directors?
- (b) Which sources has it utilized or intend to utilise?



LETTER FROM MSWG

Answer for Question 2 (a):

We do not have fixed policy as to which sources to be used for this purpose. However, the Group has in place a formal and transparent procedure for the appointment of Directors to the Board via the Nomination remuneration Committee (“NRC”).

In appointing an appropriate individual to the Board, the NRC shall first consider and recommend to the Board the suitable candidate for directorship taking into consideration and upon the evaluation of the candidate’s skills, knowledge, competencies, expertise and experience, time commitment, professionalism, integrity and diversity. The NRC would assess their suitability based on a prescribed set of criteria as set out in the NRC Charter.

Detailed information on the process undertaken by the NRC including its process of identifying and appointing a candidate can be found in the NRC Charter on the Group’s website at <https://corporate.padini.com>



LETTER FROM MSWG

Answer for Question 2 (b):

There has been referral from wide range of sources, and we have interviewed selected candidate. Nevertheless, there is no rush as mentioned earlier, until we are certain the contribution that he or she can bring to the Group.



Sustainability Matters

Question 1: Climate Change Policy.

Padini has identified logistics, use of packaging and the usage of electricity as significant source of environmental stress, especially in the form of carbon emissions. The Company uses materials that are renewable, recycled, recyclable, compostable and sustainably certified and has also spent about RM3 million a solar system reducing approximately 36% electricity cost comparing to financial year 2019 (Page 16, Sustainability Report).

Climate risks have been identified as a threat to humanity, with risks which are already clear and present. In this regard,

- (a) Does the Company have a specific strategy with targets relating to climate governance and managing climate risks and linking it to the Company's long-term business sustainability?
- (b) What is the role of directors and senior management with regard to the Company's climate governance matters?



LETTER FROM MSWG

Answer for Question 1 (a):

We do not have specific strategy relating to climate governance and managing climate risk for the time being. This is a long journey. Business has been tarnished by the recent pandemic, our priority now is to ensure business performance is back to track.

Answer for Question 1 (b):

Directors and senior management of Padini consider the climate change a potential strategic risk, where they play an important role to assess, identify and manage it in same way as other strategic risk with due care and diligence in long run.



Question 2: Sustainable Supply Chain.

With regard to its supply chain, Padini looks to long-lasting relationships with its external suppliers although each one of the Company's suppliers is at a different stage of their sustainability journey. Padini has a set of code of conduct which most of its core suppliers have acknowledged and signed. For any areas of non-compliance or areas for improvement, Padini works with its suppliers on improving their processes. (Page 15, Annual Report)

- (a) What are the sustainability considerations in the selection of the Company's suppliers?**
- (b) How many suppliers against the total number have not met Padini's code of conduct?**
- (c) Is climate risk a criterion in the selection of suppliers?**



LETTER FROM MSWG

Answer for Question 2 (a):

In supplier selection process, Padini takes into consideration of, amongst others, the sustainability aspects, which includes employment discrimination, factory safety and working condition.

Answer for Question 2 (b):

Different factories have different levels of compliances. We are not aware of any factory that do not meet our expectation at the moment. Periodic visit to supplier factories leads to smoother and improve communication, and helps to build stronger relationship with our suppliers. Padini holds meeting to discuss solution to various issues and work with factory management.

Answer for Question 2 (c):

Not a criteria for the time being.



Letter From KWAP

Recommendation 1: Long-term Sustainability Strategy

We observed that Padini has established a governance structure to support your Global Sustainability Program as disclosed in Padini's Sustainability Report 2019. However, there is no further information disclosed about the program. Therefore, KWAP would like Padini to provide further clarification on what the Global Sustainability program entails. During the engagement, we also observed that Padini has embarked on initiatives such as installation of solar systems, integration of social and environmental aspects into the supply chain assessment and conduct site visits to the suppliers' factories. While these efforts are commendable, KWAP would like to encourage Padini to further develop and disclose a structured plan for the program as well as set long-term targets and goals to be achieved throughout your supply chain and business operations. KWAP believes that developing a structured long-term sustainability strategy is crucial as it provides direction for senior leadership and employees to understand their role in delivering value to the business growth and therefore improving the sustainability performance throughout your value chain.



LETTER FROM KWAP

Feedback for recommendation 1:

Global Sustainability Program referring to the measures and activities which were implemented by the Group and disclosed under environment, people, and community session respectively (Page 15 to 26, Sustainability Report).

Noted on the recommendation in regarding to further develop and disclose a structured plan for the program.



Recommendation 2: Sustainability Reporting

It is commendable that Padini has commenced Sustainability Reporting since 2018. Therefore, we would like to encourage Padini to enhance your reporting by adopting the Global Reporting Initiative (“GRI”) Standards for better disclosure and transparency. A comprehensive disclosure of information will help investors like us to understand your business and operations better, instill understanding and facilitate our decision-making process. We value improvements and efforts as we also believe that sustainability is a journey and changes does not happen overnight.

Feedback for recommendation 2:

Noted on the recommendation. The Group currently opt for core option for GRI Standards reporting. Again, we will improve continuously the sustainability reporting by increasing the accountability and transparency.



Recommendation 3: Sustainable Procurement

In your effort to promote sustainable procurement, it is commendable that Padini has commenced initiatives such as periodic visits to suppliers' factories to assess their business practices and factories' environment. Based on our engagement, we gathered that Padini has established an internal monitoring system such as the assessment checklist which incorporates crucial criteria such as child labour. However, we would like to encourage Padini to continuously enhance the checklist by integrating more comprehensive environmental and social criteria which will provide a solid foundation to manage risks involved in your supply chain management. In addition, we would like to recommend Padini to consider exploring best industry practices such as sustainable sourcing of raw materials as many established garment producers have embarked on such campaigns to meet increasing demand from consumers for sustainably produced products and play their role as a responsible producer who is mindful of the negative impact of their operations on the environment.



LETTER FROM KWAP

Feedback for recommendation 3:

Noted on the recommendation. We have not started our journey on sustainable procurement of raw material.



LETTER FROM KWAP

Recommendation 4: Board Composition for Independent Directors

It is observed that Padini's nine Board members comprises of six Executive Directors and three Independent Non-Executive Directors hence this consists of 33% Independent Directors. KWAP would like to highlight that the current Board composition is not aligned with KWAP's Voting Guidelines where we recommend our investee companies to abide by Malaysian Code of Corporate Governance 2017 (MCCG)'s requirement in which the Board should comprise of at least half of Independent Directors. Therefore, we would like to recommend Padini to ensure that the composition of Board of Directors is in accordance to the MCCG 2017.



LETTER FROM KWAP

Feedback for recommendation 4:

The experience and reputation of the Independent Director is vital to bring an objective independent judgment on issue of strategy, performance and resources as well as overseeing the conduct of business to protect the best interest of the Group and its shareholders. We are in the midst of identifying and selecting the suitable qualified candidate as Independent Director who can perform and not merely in rushing to conform the listing requirement.

The Board considers its current Board composition with the mix of directors' industry experiences and competencies, able to manage and monitor the Group's operation effectively and fairly in protecting the interest of shareholders. The Board will continue in assessing potential candidates to look out for suitable candidate.



SHAREHOLDER Q&A

Strategy and Financial Matters

	Question	Reply
1.	<p>Any retail store closed in year 2020?</p> <p>If the COVID Situation persists, will Padini have planning on closing physical retail stores and focus more on online store?</p>	<p>No new store opening and closure during FY2020 (Page 15, Annual Report), except one store opened in Cambodia.</p> <p>We believe in brick-and-mortar model and online retail model complement each other to provide a richer shopping experience for our customers.</p>
2.	<p>Recently Malaysia government is signing Regional Comprehensive Economic Partnership ("RCEP") include the 10 member countries of the Association of Southeast Asian Nations ("ASEAN"). Any benefit or impact for this RCEP agreement to the Padini? Does this agreement will enhanced Padini expansion in ASEAN region?</p>	<p>We will continue to monitor the overseas markets for opportunities to increase our market presence in ASEAN countries.</p>



Strategy and Financial Matters(Continued)

	Question	Reply
3.	Please explain the full supply chain/network, example: From beginning of Design until the end of Retail. Which part does Padini involve in? Which part doesn't?	Padini is a trading house. As such, we only involve in buy and sell garments, shoes and accessories.
4.	Brands Outlet had so many labels such as Garage Inc, Filanto etc. Is all the brands under Padini own brands? Or source from 3 rd party/consignment brand?	All the brands under Brands Outlets are owned by us.
5.	What is your competitive advantages compare to your competitors such as H&M, Uniqlo, and Zara etc.?	Brands differentiation and market focus. The Group continues focusing on wide range of products to cater the market needs for affordable fashion, this includes product enhancement within the brands and new product range at affordable prices.



Strategy and Financial Matters(Continued)



	Question	Reply
6.	Gross margin from FY 2010 (51%) fell to FY 2019 (39%); this is without COVID 19 effect. Any reasons for the drop of gross margin? Will it continue to drop in future and how does Padini going to tackle this drop of margin?	There are few reasons on the decline. One of the main reasons would be the increasing contribution to overall revenues from Brands Outlet to the Group's revenue. Since the products sold at the Brands Outlet are generally marked at lower gross margins than those other brands within the Group, it is expected that the GP margins would decline as the revenue contribution from Brands Outlet grew from 9% in FY2010 to 38% in FY2020 to the Group Revenue.
7.	How does the Covid-19 pandemic change the growth strategy in Malaysia and oversea market? Where are the future sources of growth?	This has been replied in the letter to MSWG.

Strategy and Financial Matters(Continued)



	Question	Reply
8.	The group already has a good presence in both large cities and smaller towns in Malaysia. Revenue growth has slowed even before the pandemic. Is the domestic market already saturated? How much improvement is possible through optimization like changing existing store format or closing unprofitable stores.	Improvement in top line is possible despite local market itself is a competitive market, which we are competing with both local and foreign brands. Continuous improvement and staying relevant in market is necessary for the improvement by offering right products, adopting right pricing policies and right spread of our distribution network.
9.	Virtual AGM is convenient for shareholders who live far away. It is also environmentally friendly by reducing travelling. Can the group offer an online participation option in its future AGMs?	We will take into consideration for the recommendation.
10.	Chinese Renminbi has strengthened this year against the Malaysia Ringgit. Given the group reliance on Chinese imports, what is the impact on the group's profitability for every 1% rise in Renminbi?	We transact more than 90% in MYR. However, it could have indirect impact of approximately RM5 million, depending on size of purchases and the terms of purchase.

Strategy and Financial Matters(Continued)

	Question	Reply
11.	What is the revenue drop in percentage (as compare to pre-Covid time) since the reimposition of CMCO?	Q2 FY2021 result has yet to be announced .



Digital platform

	Question	Reply
1.	<p>Padini seemed very slow in adopting an aggressive e-commerce strategy, as I notice that we have only joined Shopee 2 months ago. What is your online strategy and plans moving forward?</p> <p>How was the sales during 11.11 sales event from Facebook, Instagram and Lazada respectively?</p> <p>How much is the proportion of e-Commerce sales versus retail business?</p>	<p>This has been replied in the letter to MSWG.</p> <p>Q2 FY2021 result has yet to be announced. However, there is always room to improve.</p> <p>Less than 1%</p>



Overseas Business

	Question	Reply
1.	What is the main reason behind the slow expansion in overseas market (Cambodia and Thailand)? Is it too competitive compare to local player at those countries? What are the future plan/strategies for overseas market?	There is 1 new store opened in Cambodia during FY2020. In Thailand, most of the outlets were renovated and in full operation during FY2020. There are still at the early stage of business growth.
2.	Padini has quite a lot of overseas markets, how would Padini grow in these markets judging from the fact that most revenue is still coming from the Malaysia market?	Oversea markets mainly managed by licensee (through franchise). We will continue to monitor the overseas markets for opportunities to increase our market presence in ASEAN countries. We have expanded in Singapore in Oct 2020 via e-Commerce channel.



PADINI HOLDINGS BERHAD (50202-A)

39th AGM – 24/11/2020

Appendix V

Page 1

Questions raised by shareholders / proxies	Board of Directors / Management's response
When will the Company distribute dividend and the Company's dividend policy.	<p>Mr Chia Swee Yuen informed that one of the key things that the Company needed to do during the Covid-19 pandemic is to preserve the Company's cash position to ensure the sustainability of the Company's operations going forward. Due to the uncertainties arising from the pandemic, the Directors will need to assess the situation before making any decision for declaration of dividends.</p> <p>As for the dividend policy, Mr Chia informed that the Company does not have a fixed dividend policy but has consistently maintained payment of dividends although it will vary according to the economic environment and prospects from time to time.</p>
The Company's plans for the online business.	Mr Chia informed that the Group embarked on the online business to build up on the Group's expertise in this segment and this will be further developed as the Group progresses in the online business.
Were there any plan to close down outlets due to impact of MCO to the business.	Mr Chia informed that the Group may close down outlets that are not performing and also depending on other considerations like the lease terms arrangements with the landlords.
Reasons for the ability to reduce employee benefits cost for the Group from RM210.076 million for the financial year ended 30 June 2019 to RM182.236 million for the financial year ended 30 June 2020, despite maintaining its total number of stores and no retrenchment of staff.	Ms Sharon Sung informed that the reduction was due to lesser contract staff, savings on bonus and commissions as well as lesser overtime claims due to shorter operating hours in certain outlets.
Padini's plans in capturing the market share in the sportswear which is seeing a rise in demand.	Mr Benjamin Yong informed that both Brands Outlet and Padini Concept Store have already launched its range of sportswear (active and lifestyle) and the Group has the supply chain for such items. The Management will continue to monitor the performance and will expand the range if it is successful.
The Group's plan for the Indonesian market in the future as the Indonesian franchise agreement will be terminated by end of September 2020.	Mr Benjamin Yong informed that the Group is open to exploring this market but due to the pandemic, the Group's current priority will be to take care of the existing stores and current business. The Management will further explore on this market once the pandemic is over.
How does the Group controls the quality and the latest fashion design/style, and which fashion is more popular at the moment.	<p>Mr Benjamin Yong informed that although the Group is in trading activities, the Group sets the quality standards and provides the designs and fashion styles to the factories to manufacture the products.</p> <p>As for the current popular fashion, he informed that for the Group, the most popular items currently were the quality basic items.</p>

PADINI HOLDINGS BERHAD
(50202-A)

Thirty Ninth Annual General Meeting
Room 4.2, No. 19 Jalan Jurumilai UI/20,
HiCorn Glenmarie Industrial Park, 40150 Shah Alam
On 24-November-2020 at 10:00AM

Result On Voting By Poll

Resolution(s)	Vote For			Vote Against			Total Votes		
	No of Units	%	No of P/S	No of Units	%	No of P/S	No of Units	%	No of P/S
Ordinary Resolution 1	470,903,960	99.9583	265	196,503	0.0417	25	471,100,463	100.0000	290
Ordinary Resolution 2	470,648,860	99.9041	261	451,603	0.0959	29	471,100,463	100.0000	290
Ordinary Resolution 3	465,605,660	98.8334	265	5,493,703	1.1666	24	471,101,363	100.0000	289
Ordinary Resolution 4	434,679,160	92.2687	257	36,422,203	7.7313	32	471,101,363	100.0000	289
Ordinary Resolution 5	453,873,101	96.3430	247	17,228,262	3.6570	42	471,101,363	100.0000	289
Ordinary Resolution 6	456,737,360	97.0406	276	13,928,703	2.9594	14	470,666,063	100.0000	290
Ordinary Resolution 7	423,655,560	89.9307	256	47,435,803	10.0693	32	471,091,363	100.0000	288

