

PADINI HOLDINGS BERHAD

(50202-A)
(Incorporated in Malaysia)

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Notice of Annual General Meeting

For the financial year ended 30 June 2006

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting of the Company will be held at No. 21, Jalan U1/20, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan on 20 December 2006 at 10:00 a.m. to transact the following business:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2006 and the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To declare a Final Dividend of 5% less Malaysian Income Tax of 28%. (Resolution 2)
3. To approve payment of Directors' fee of RM100,000.00 in respect of the year ended 30 June 2006. (Resolution 3)
4. To consider and if thought fit, to pass the following resolution:

"That Dato' Zulkifli Bin Abdul Rahman, who retires in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 4)
5. To re-elect the following Directors retiring pursuant to Article 102(1) of the Company's Articles of Association:-
 - i) Mr. Chan Kwai Heng (Resolution 5)
 - ii) Mr. Cheong Chung Yet (Resolution 6)
 - iii) En. Sahid Bin Mohamed Yasin (Resolution 7)
6. To appoint Messrs BKR Peter Chong as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 8)

Special Business

7. **Ordinary Resolution**
 - **Proposed Renewal of and New Shareholders' Mandates For Recurrent Related Party Transactions of A Revenue or Trading Nature which are in the Ordinary Course of Business and Provision of Financial Assistance within the Group**

To consider and, if thought fit, to pass the following as an Ordinary Resolution:

"**THAT**, pursuant to Chapter 10.09, Practice Note 12/2001 and Practice Note 14/2002 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and/or its subsidiary companies to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Section 2 of the Circular to Shareholders dated 28 November 2006 ("the Circular") with the related parties mentioned therein which are necessary for Padini Group's day-to-day operations subject to the following:-

- a) the transactions are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and on terms not detrimental to the minority shareholders of the Company; and
- b) the breakdown of the aggregate value of transactions on the Proposed Recurrent Related Party Transactions conducted during the financial year based on the type of the recurrent transactions and the names of the Related Parties involved will be disclosed in the annual report for the said financial year.

Notice of Annual General Meeting (cont'd)

For the financial year ended 30 June 2006

7. (Cont'd)

THAT, pursuant to Chapter 8.23, Chapter 10.09 and paragraph 5.1 of Practice Note 14/2002 of the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiary companies to provide financial assistance within the Group as specified in Section 7 of the Circular to Shareholders dated 28 November 2006 via the centralised treasury management system of Padini Group, which entails the provision of financial assistance within the Group on a short or medium term basis not exceeding three years, subject to the following:

- a) if the actual amount of financial assistance provided or rendered exceeds the estimated amount as stipulated in Section 7 of the Circular to Shareholders dated 28 November 2006 ("Estimate"), Padini shall make an announcement of the same; and
- b) if the percentage ratio of the amount of financial assistance provided or rendered in excess of the Estimate is 5% or more, Padini shall comply with Chapter 10.08 of the Listing Requirements of Bursa Securities.

AND THAT the Mandates for Recurrent Related Party Transactions of A Revenue or Trading Nature which are in the Ordinary Course of Business and Provision of Financial Assistance within the Group are subject to annual renewal. In this respect, any authority conferred by the mandates shall only continue to be in force until:-

- a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this Annual General Meeting, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(Resolution 9)

8. Ordinary Resolution

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"That, subject to the Companies Act, 1965, the Articles of Association of the Company and approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital for the time being of the Company, and that the Directors be and are also empowered to obtain the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 10)

9. To transact any other ordinary business of which due notice shall have been given.

Notice of Annual General Meeting (cont'd)

For the financial year ended 30 June 2006

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 20 December 2006, a final dividend of 5%, less 28% income tax in respect of the financial year ended 30 June 2006 will be paid on 13 March 2007 to shareholders whose names appear in the Record of Depositors on 1 March 2007.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) Shares transferred to the Depositor's securities account before 4:00 p.m. on 1 March 2007 in respect of transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LIEW KHOON WAN (MACS 00103)
HO MUN YEE (MAICSA 0877877)
Company Secretaries

Selangor
28 November 2006

Notes:

- (i) *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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- (ii) *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.*
- (iii) *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
- (iv) *The instrument appointing a proxy must be completed and deposited at the registered office of the Company at No.21 Lot 116, Jalan U1/20, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan, 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).*

Notice of Annual General Meeting (cont'd)

For the financial year ended 30 June 2006

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. Proposed Renewal of and New Shareholders' Mandates For Recurrent Related Party Transactions of A Revenue or Trading Nature which are in the Ordinary Course of Business and Provision of Financial Assistance within the Group

The Ordinary Resolution, if approved, will authorise the Company and/or its subsidiary companies to enter into any of the category of recurrent transactions of a revenue or trading nature as set out in Section 2 of the Circular to Shareholders dated 28 November 2006 ("the Circular") provided that such transaction are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or will subsist until the expiration of the period within which the next AGM of the Company is required by law to be held, whichever is the earlier.

The Ordinary Resolution, if approved, will also authorise the Company and/or its subsidiary companies to provide financial assistance as set out in Section 7 of the Circular to Shareholders dated 28 November 2006 ("the Circular") provided that:-

- the Company in seeking the Provision of Financial Assistance Mandate in accordance with Chapter 8.23 and 10.09 of the Listing Requirements, shall include in its circular, in addition to such other information as prescribed under the Listing Requirements, the estimated amounts or value of financial assistance (hereinafter referred to as "the Estimate"); and
- if the actual amount of financial assistance provided or rendered exceeds the Estimate, the Company shall make an immediate announcement of the same. If the percentage ratio of the amount of financial assistance provided or rendered in excess of the Estimate is 5% or more, the Company shall comply with Chapter 10.08 of the Listing Requirements,

and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or will subsist until the expiration of the period within which the next AGM of the Company is required by law to be held, whichever is the earlier.

2. Authority pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total 10 per centum (10%) of the issued capital of the Company for the time being, mainly to facilitate the allotment of shares under the Employees' Share Option Scheme.

Statement Accompanying the Notice

of Annual General Meeting ("AGM")

1) The Director who is standing for re-appointment at the forthcoming Twenty-Fifth AGM is as follows:

- a) Dato' Zulkifli Bin Abdul Rahman

Further details of the above Director are set out in the Profile of the Board of Directors on page 26 of this Annual Report.

2) The Directors who are standing for re-election at the forthcoming Twenty-Fifth AGM are as follows:

- a) Mr. Chan Kwai Heng
b) Mr. Cheong Chung Yet
c) En. Sahid Bin Mohamed Yasin

Further details of the above Directors are set out in the Profile of the Board of Directors on pages 27 to 29 of this Annual Report.

3) Details of attendance of Directors at Board Meetings

A total of five (5) Board Meetings were held during the financial year ended 30 June 2006. Details of attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Datuk Dr. Abdullah Bin Abdul Rahman	5 meetings
Yong Pang Chaun	5 meetings
Dato' Zulkifli Bin Abdul Rahman	4 meetings
Chong Chin Lin	5 meetings
Chan Kwai Heng	5 meetings
Yong Lai Wah	5 meetings
Cheong Chung Yet	5 meetings
Sahid Bin Mohamed Yasin	5 meetings

4) Date, Time and Place of General Meetings

Meeting	Date & Time	Place
25th AGM	20 December 2006 @ 10:00 a.m.	No. 21 Jalan U1/20 Hicom Glenmarie Industrial Park 40000 Shah Alam, Selangor Darul Ehsan

Corporate Information

CHAIRMAN	Datuk Dr. Abdullah bin Abdul Rahman
MANAGING DIRECTOR	Yong Pang Chaun
DIRECTORS	Dato' Zulkifli bin Abdul Rahman Yong Lai Wah Chong Chin Lin Chan Kwai Heng Sahid bin Mohamed Yasin Cheong Chung Yet
COMPANY SECRETARIES	Ho Mun Yee (MAICSA 0877877) Liew Khoon Wan (MACS 00103)
AUDITORS	BKR Peter Chong (formerly known as Peter Chong & Co.) Chartered Accountants
PRINCIPAL BANKERS	Standard Chartered Bank Malaysia Berhad The Bank of Nova Scotia Berhad
REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS	No. 21 Lot 116, Jalan U1/20 Hicom Glenmarie Industrial Park 40000 Shah Alam Selangor Darul Ehsan Tel : 03 - 5123 3633 Fax : 03 - 7805 1066
SHARE REGISTRAR	PFA Registration Services Sdn. Bhd. Level 13, Uptown 1 No.1 Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel : 03 - 7725 4888 Fax : 03 - 7722 2311
STOCK EXCHANGE LISTING	Main Board of Bursa Malaysia Securities Berhad

Corporate Structure

For the financial year ended 30 June 2006

PADINI HOLDINGS BERHAD (50202-A)

100%

MIKIHOUSE CHILDREN'S WEAR SDN. BHD. (164485-U)

100%

PADINI CORPORATION SDN. BHD. (22159-H)

100%

SEED CORPORATION SDN. BHD. (194391-K)

100%

YEE FONG HUNG (MALAYSIA) SENDIRIAN BERHAD (15011-U)

100%

PADINI DOT COM SDN. BHD. (510558-H)

99.69%

VINCCI LADIES' SPECIALTIES CENTRE SDN. BHD. (73404-H)

100%

VINCCI HOLDINGS SDN. BHD. (97644-K)

100%

THE NEW WORLD GARMENT MANUFACTURERS SDN. BHD. (80490-U)

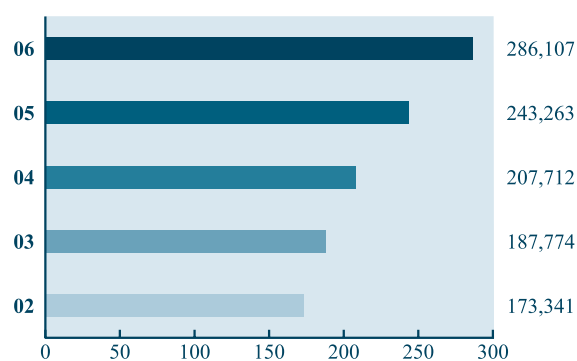
100%

PADINI INTERNATIONAL LIMITED, HONG KONG (896012)

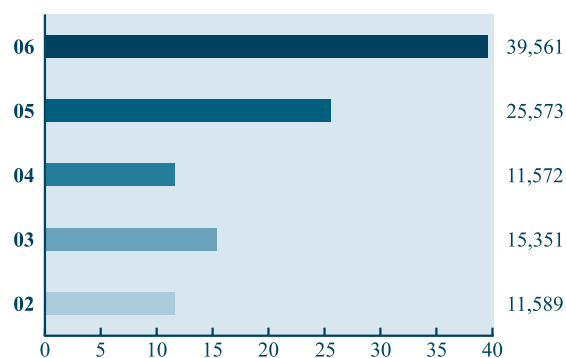
Group Financial Highlights

	2002 RM	2003 RM	2004 RM	2005 RM	2006 RM
Revenue	173,340,723	187,774,453	207,712,482	243,263,163	286,106,824
Profit before taxation	11,589,275	15,351,278	11,572,370	25,573,312	39,560,747
Profit after tax and minority interest attributable to shareholders	6,047,576	9,361,501	6,340,211	18,079,271	27,732,335
Shareholders' fund	74,865,483	81,350,144	86,695,424	98,771,887	118,845,683
Basic earnings per share (sen) based on profit attributable to shareholders	10.1	15.6	10.4	29.1	44.1
Diluted earnings per share (sen)	NA	15.5	10.1	28.6	43.7
<i>NA denotes not applicable as the ESOS was implemented during the financial year 2003.</i>					
Net tangible assets	74,713,653	81,229,451	85,974,174	97,361,020	117,753,263
NTA per share (sen)	125	135	139	157	187
Dividend rate	5%	10%	10%	15%	20%

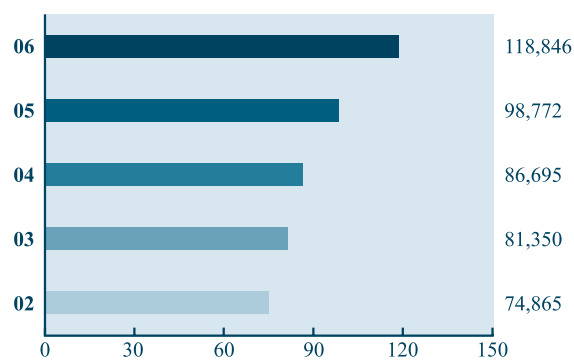
Revenue (RM Thousand)



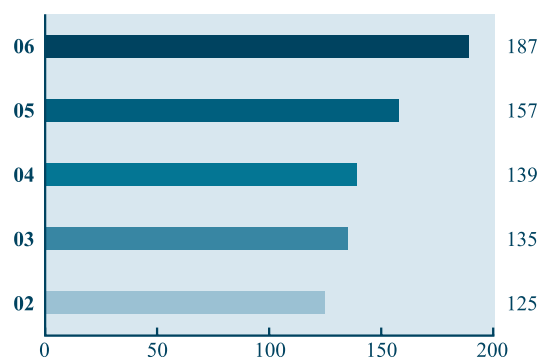
Profit before tax (RM Thousand)



Shareholders' fund (RM Thousand)



Net tangible asset per share (Sen)



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Padini Holdings Berhad and its subsidiary companies ("the Group") for the financial year ended 30 June 2006.

INDUSTRY TREND AND DEVELOPMENT

In the coming 24 months, the major urban centres in Malaysia will witness the opening of several large shopping malls or extensions to existing malls, and in spite of the intensifying competition for resources and consumers, a great deal more retail outlets and shops will open. Both retailers and mall operators will have to devise more and more innovative offerings and promotions to draw in the crowds. Current practices and strategies will have to be revisited and then transformed or even discarded where necessary. To stay competitive, retailers will definitely have to stay focused on the business at hand while at the same time be receptive to new ideas and developments brought about by the relentless proliferation of customer segments, new products, distribution channels, communication media, and access to information. The consumers' voracious appetite for regular change and variety in product designs and features as well as a continuous pursuit for value will mark the retail industry in the years to come, and strategies to be crafted should take cognizance of this.

To succeed in such an environment, we will have to prioritise, move quickly, be unafraid to adapt and change, and to always actively engage not just our consumers, but also all stakeholders.

FINANCIAL RESULTS

For the financial year under review, the Group achieved a consolidated revenue of RM286.1 million, a growth of 17.6% over the previous year's amount of RM243.3 million. Gross profits rose in tandem by 18.2% over the same period, while profit before taxation grew by 54.7%, from RM25.6 million achieved in the previous year to RM39.6 million in the current financial year. Profits after taxation attributable to the shareholders rose 53.4% to RM27.7 million when compared to the amount of RM18.1 million achieved during the previous financial year. This vast improvement in the results was attributed mainly to the substantially lower relative increase in the operating expenses when compared to the growth in turnover, and in the gross profits earned.

DIVIDENDS

While the Group does not have a fixed dividend policy, it is our intention to distribute them and to thereby reward our shareholders whenever circumstances so permit.

Since the company's listing in 1998, we have declared and paid dividends for each of our financial years; although we had started with a distribution of 5 sen (less 28% income tax) for the financial year ended 30 June 1998, this was raised to 10 sen for 2003 and then to 15 sen for 2005.

For the financial year under review, a total dividend of 15 sen (less 28% income tax) amounting to RM6,846,997 have been announced and already paid, and the Board further recommended a final dividend of 5 sen less 28% income tax for the financial year ended 30 June 2006 for approval by the shareholders at the forthcoming Annual General Meeting.

BUSINESS REVIEW

While the Group's revenues were derived primarily from its domestic operations, contributions from exports have over the recent few years become increasingly important. Garments, shoes, fashion accessories made up the bulk of the products offered for sale. In the domestic market, our products are sold through the numerous retail stores and consignment counters that the Group manages. In markets abroad, the products are sold mostly through retail stores and counters managed by licensees and dealers. The products mentioned are carried under the following brand names; Vincci, VNC, Padini Authentics, PDI, Padini, Seed, Miki, and P&Co, all of which are owned by the Group.

BUSINESS REVIEW (Cont'd)

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

Brands - Domestic Only	As at 30.6.2004	As at 30.6.2005	As at 30.6.2006
Vincci			
Free-standing stores	16	15	15
Consignment counters	1	3	3
Franchise stores	7	8	9
Seed			
Free-standing stores	11	10	10
Consignment counters	23	19	22
Padini Authentics			
Free-standing stores	13	13	12
Consignment counters	19	10	9
PDI			
Free-standing stores	20	17	14
Consignment counters	1	-	-
Padini			
Free-standing stores	3	3	2
Consignment counters	21	20	20
P&Co			
Free-standing stores	9	5	4
Miki Kids			
Consignment counters	18	16	15
Miki Mom			
Consignment counters	7	7	7
Multi-brands			
Free-standing stores *	5	6	7
Total	174	152	149

* the 7 multi-brand stores as at 30.6.2006 contain a total of 43 stores-within-store showcasing the various brands of the Padini Group.

Brands - Foreign Only	Locations	As at 30.6.2004	As at 30.6.2005	As at 30.6.2006
Vincci/VNC				
Franchise Stores	ASEAN	4	8	12
	Saudi Arabia	4	6	12
	UAE	-	1	2
Dealer Stores	Australia	-	-	3
	Thailand	3	8	8

BUSINESS REVIEW (Cont'd)

Brands - Foreign Only	Locations	As at 30.6.2004	As at 30.6.2005	As at 30.6.2006
Seed				
Franchise Stores	Saudi Arabia	-	4	6
Dealer Stores	UAE	-	1	1
	Singapore	2	1	-
	Thailand	14	16	16
Padini Authentics				
Franchise stores	Saudi Arabia	-	4	5
Total		27	48	67

Retailing - Domestic and Abroad

As indicated in the first table above, domestic retailing for the year under review were primarily run by the Group. All 140 units operated by the Group, and 6 out of the 9 franchise stores were located in the peninsular. Domestic sales in 2006 still accounted for about 85% of the Group's consolidated revenues generated while exports reached RM41.7 million, increasing by nearly 59% from the exports recorded in the previous financial year.

All the foreign retail units offering our brands are operated either via a franchise agreement or a dealership/supply agreement.

For the financial year under review, the individual performance of the 5 trading subsidiary companies are indicated in the table below.

Company	FYE 30.6.2006	FYE 30.6.2005
Vincei Ladies' Specialties Centre Sdn. Bhd.		
Revenues	RM122.2 million	RM97.9 million
Profit before taxation	RM22.5 million	RM17.2 million
Padini Corporation Sdn. Bhd.		
Revenues	RM85 million	RM73.9 million
Profit before taxation	RM9.8 million	RM5.4 million
Seed Corporation Sdn. Bhd.		
Revenues	RM52.7 million	RM50.1 million
Profit before taxation	RM4.7 million	RM2.3 million
Yee Fong Hung (Malaysia) Sendirian Berhad		
Revenues	RM10.3 million	RM8.4 million
Profit / (Loss) before taxation	RM0.4 million	(RM0.2 million)
Mikihouse Children's Wear Sdn. Bhd.		
Revenues	RM8.6 million	RM7.7 million
Profit / (Loss) before taxation	RM0.3 million	(RM0.3 million)

Cafe Operations

Results from our cafe operations conducted by Seed Corporation Sdn Bhd were still negative. Currently, we still have three cafes which we will keep for the time being. We will certainly reexamine the business model used and make changes where needed. If after doing so, the cafe business remains unprofitable, we will then consider exiting this business. Losses from cafe operations for the year under review were about RM850,000.

Manufacturing

Manufacturing operations conducted by Vincci Holdings Sdn Bhd in premises located in Taman Shamelin Perkasa in Cheras, Kuala Lumpur ceased since the end of the June 2006. While there was an initial decision to transfer manufacturing to our new premises in Shah Alam, the plan was aborted when it was discovered that most of the staff employed in the facility were unwilling to relocate. For the financial year ended 30 June 2006, Vincci Holdings Sdn Bhd suffered a pretax loss of about RM124,000.

Branding and Customers' Service

Following our objectives mentioned in this statement in the 2005 Annual Report, we have continued to focus our branding expenditures towards raising the awareness for our brands within the domestic market. However as part of our efforts to improve the attractiveness of our products, we have over the last two years been continually raising the quality and design of our products and this we believe has helped in building up the perception among consumers of the quality of our products.

To further drive better service at our shops, we have commenced recurring training programmes for our frontline staff which focuses primarily on service, and on developing a customer-first mindset. However these efforts are often made difficult because the current rapid growth in retail outlets of all kinds has caused high turnover rates for frontline staff in general.

CORPORATE DEVELOPMENTS

On 6 September 2004, Padini Holdings Berhad had acquired a 70% interest in Padini International Limited, and a 40% interest in Eagletex Company Limited, for HKD2.1 million and HKD4 million respectively, to provide certain support services for the Group's expansion into the markets abroad. Both the companies were incorporated in Hong Kong. On 1 March 2005, the Company entered into a Sales and Purchase Agreement for its investments in Padini International Limited to be increased to 100% while reducing its interests in Eagletex Company Limited to 31%, by way of an exchange of 900,000 ordinary shares in Eagletex Company Limited held by the Company for 900,000 ordinary shares in Padini International Limited. On 25 October 2005, an application to deregister Eagletex Company Limited had been made with the Companies Registry Hong Kong, and the company was officially deregistered on 3 March 2006.

FUTURE OUTLOOK

Competition in the retail industry, both at home and abroad, is expected to get more intense. As globalization and liberalization open up more economies and more sectors within an economy, not only will we see more brands being introduced or launched, we should also expect bigger, stronger and more established players entering the fray. Even as the big retail names focus their attentions on the larger markets of China, India, or even our larger ASEAN neighbours, they too have seen it fit to set up a presence in Malaysia as well.

In the face of such developments, we strive to continuously reinvent ourselves to stay relevant to our consumers. So far, we feel that the Padini Group have done a commendable job of not only just getting by but also of improving our year-on-year performances. We have done this by staying focused on the job at hand. In many instances, we have taken measures based upon an understanding of what the future would bring, and we have done this not so much by relying on history and then extrapolating on a linear path, but more by breaking new ground.

FUTURE OUTLOOK (Cont'd)

On the business side, we have made commitments to further expand our domestic network of multi-brand concept stores. Two of them, one of which will be in Kota Kinabalu in East Malaysia, will be opened by December of 2006, while another 4 are expected to be opened in the later part of the 2007 calendar year. Of the four opening in 2007, one of them will be for Kuching in East Malaysia. The concept stores in East Malaysia will be the first for the Group and we are confident that they will be well-received. We are also currently in negotiations to award master licensing rights to specified parties to distribute and sell our Vincci products in India and in Vietnam. While the 2007 financial year may not see a great jump in top-line revenue growth, we expect better growth for 2008.

CONCLUSION

The past two financial years have given us greater confidence in our abilities to compete effectively in the domestic market; our revenues from local operations have risen by about RM50 million in spite of an overall reduction in the number of our retail outlets in Malaysia. In the same two years, our exports have also grown tremendously by nearly RM29 million. In overall terms, it can be concluded that the intense competition notwithstanding, the Group has performed well, and we remain confident that measures that have been initiated will serve us better in the years ahead.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my appreciation and thanks to our management and our staff at all levels and positions for their contributions and dedication without whom the current achievements of the Padini Group would certainly not have been that commendable. I also thank our customers, business partners, bankers, advisors, and shareholders for their continued support. The Padini Group looks forward to being able to create more value for all stakeholders concerned.

Datuk Dr Abdullah bin Abdul Rahman

Chairman

Date: 6 November 2006

Corporate Governance Statement

For the financial year ended 30 June 2006

The statement below reports on how the Group has applied the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance (the “Code”) and the extent of its compliance with Part 2 of the Code.

SECTION 1: DIRECTORS

Composition of the Board

The company is led and managed by a Board of Directors with vast experience in business, commercial and finance. A brief description on the background of each director is presented on pages 26 to 29 of the Annual Report.

The Board currently has eight (8) members, five (5) Executive Directors including the Managing Director and three (3) Non-Executive Directors (of whom all are independent). This is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), which require that one third or two, whichever is higher, of the total number of Directors to be Independent Directors.

The Independent Directors also have the necessary skill and experience to bring an independent judgment to bear the issues of strategy, performance, resources including key appointments and standards of conduct.

The Independent Directors are independent of Management and majority shareholders. They provide independent views and judgment and at the meantime safeguard the interests of parties such as minority shareholders. No individual or group of individuals dominates the Board’s decision making and the number of directors fairly reflects the investment of the shareholders.

The roles of the Chairman and the Managing Director are separated with Datuk Dr. Abdullah bin Abdul Rahman as the Independent Non-Executive Chairman of the Board and Mr Yong Pang Chaun as the Managing Director. This will ensure a balance of power and authority.

The Board does not consider it necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to members and stakeholders. All issues can be openly discussed during Board meetings. The company is not marred with conflicts and controversies and also has not received any notice of matters of concern from stakeholders since its listing.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

Appointment and Re-election of Directors

In accordance with the Company’s Article of Association, Directors retire from office at least once in every three years and offer themselves for re-election.

Responsibilities and Supply of Information

The Board has the overall responsibility for reviewing and adopting a strategic plan for the Group, overseeing the conduct of the Group’s business, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, reviewing senior management and Board remuneration, developing and implementing an investor relations programme or shareholder communications policy for the Group and reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems.

All directors receive appropriate and timely information which enable them to discharge their responsibilities. Board papers, which include financial and operational information, and an agenda are provided to the Directors in advance of each Board meeting. This enables the Directors to have access to further explanations, and where necessary, to be briefed prior to the meeting.

Corporate Governance Statement (cont'd)

For the financial year ended 30 June 2006

SECTION 1: DIRECTORS (Cont'd)

Responsibilities and Supply of Information (Cont'd)

All Directors have full access to information pertaining to all matters for the purpose of making decisions. All Directors have access to the advice and services of the Company Secretary who ensures compliance with statutory obligations, Listing Requirements of Bursa Securities or other regulatory requirements. The removal of the Company Secretary shall be a matter for the Board as a whole.

Board Meetings

The Board meets regularly throughout the year. Five (5) Board meetings were held during the financial year ended 30 June 2006. The number of Board meetings held during the financial year ended 30 June 2006 and the attendance of the meetings are as follows:-

<i>Meetings Attended by the Directors / Total Number of Meetings held during the Financial Year Ended 30 June 2006</i>			<i>% of Attendance</i>
<i>Directors</i>			
Executive Directors			
Mr. Yong Pang Chaun	5/5		100
Mr. Chan Kwai Heng	5/5		100
Mr. Cheong Chung Yet	5/5		100
Ms. Chong Chin Lin	5/5		100
Ms. Yong Lai Wah	5/5		100
Non-Executive Directors			
Datuk Dr. Abdullah bin Abdul Rahman	5/5		100
Dato’ Zulkifli bin Abdul Rahman	4/5		80
En. Sahid bin Mohamed Yasin	5/5		100

Restriction on Directorships

The number of Directorships held by the Directors is as stated on pages 26 to 29 of the Annual Report.

Directors' Remuneration

Remuneration procedure

The Board has decided that there is no need for a Remuneration Committee to be set up presently. The remuneration of each Director, are determined by the Board as a whole through their contracts of employment. The Directors do not participate in discussion and decision of their own remuneration.

Non-Executive Directors are provided with Directors' fees, which are approved by the shareholders at the Annual General Meeting, based on the recommendation of the Board.

Corporate Governance Statement (cont'd)

For the financial year ended 30 June 2006

SECTION 1: DIRECTORS (Cont'd)

Remuneration Package

The details of the remuneration of the Directors of the company are as follows:-

	Salaries RM	Fees & Allowances RM	Bonuses RM	Benefits- in-kind RM	Statutory Contributions RM	Total RM
Executive Directors	1,526,004	103,790	414,000	142,950	232,848	2,419,592
Non-Executive Directors	-	100,000	-	-	-	100,000

The number of Directors whose remuneration falls into the following bands is as follows:-

RANGE OF REMUNERATION	Executive Directors	Non-Executive Directors
Below RM50,000	-	2
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	1	-
RM500,001 - RM550,000	1	-
RM550,001 - RM600,000	1	-
RM600,001 - RM650,000	-	-
RM650,001 - RM700,000	1	-

Directors' Training

Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training programmes as prescribed by Bursa Securities from time to time. All Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by the Bursa Securities, and are also aware of their duty to undergo the Continuing Education Programme ("CEP") as prescribed by Bursa Securities. All the directors have attended such training programmes.

During the financial year ended 30 June 2006, the following training programmes and seminars have been attended by various members of the Board:

- Corporate Director's Training Programme
- KDMC Strategy Execution Programme
- Financial Reporting Standards in Malaysia Workshop
- Understanding Key Performance Indicators

SECTION 1: DIRECTORS (Cont'd)

Directors' Training (Cont'd)

Whenever the need arises, the Company provides briefings of new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

The Board Committees

The Audit Committee assists the Board in discharging its duties and responsibilities. They have the authority to examine a particular issue and report back to the Board with a recommendation. Please refer to page 21 for the Audit Committee report.

SECTION 2: SHAREHOLDERS

The Board maintained an effective communications policy that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:-

- (i) the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on Audit Committee and Board of Directors;
- (ii) various announcements made to the Bursa Securities, which include announcements on quarterly results;
- (iii) the Company website at <http://www.padini.com>;
- (iv) regular meetings with research analysts and fund managers to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general;
- (v) participation in surveys and research conducted by professional organisations as and when such requests arise.

The Annual General Meeting serves as an important means for shareholders communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one days prior to the meeting. At each Annual General Meeting, the Board presents the performance and progress of the Group and provides shareholders with the opportunity to raise questions pertaining to the Group. The Chairman and the Board will respond to the questions raised by the shareholders during the Annual General Meeting.

The Board has ensured each item of special business included in the notice of meeting will be accompanied by an explanatory statement on the effects of the proposed resolution.

SECTION 3: ACCOUNTABILITY AND AUDIT

The Board aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of results to Bursa Securities. The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. A statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 30 of the Annual Report.

Corporate Governance Statement (cont'd)

For the financial year ended 30 June 2006

SECTION 3: ACCOUNTABILITY AND AUDIT (Cont'd)

Relationship with Auditors

The Board established formal and transparent arrangements for maintaining an appropriate relationship with the Group's Auditors, both internal and external. Whenever the need arises, the Auditors would highlight to both the Audit Committee and the Board, matters, especially those pertaining to the area of risk management, which would require their attention and response.

Report of the Audit Committee

The Board of Directors of Padini Holdings Berhad is pleased to present the report of the Audit Committee of the Board for the financial year ended 30 June 2006.

Composition of the Audit Committee

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

- i. Dato' Zulkifli bin Abdul Rahman (Independent Non-Executive Director; Chairman)
- ii. En. Sahid bin Mohamed Yasin (Independent Non-Executive Director; Member)
- iii. Mr. Cheong Chung Yet (Executive Director; Member)
- iv. Datuk Dr. Abdullah bin Abdul Rahman (Independent Non-Executive Director; Member)

Terms of Reference of Audit Committee

Terms of Membership

The Audit Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, of whom majority are Independent Directors.

The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least three (3) years' working experience and he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or he must hold a degree/master/doctorate in accounting or finance and have at least 3 years' post qualification experience in accounting and finance; or he must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

In the event of any vacancy in the Audit Committee resulting in the non-compliance with the Listing Requirements of Bursa Securities, the Board shall appoint a new member within three (3) months.

The Board of Directors shall review the term of office and the performance of an Audit Committee and each of its members at least once in every three (3) years.

No alternate Director shall be appointed as a member of the Audit Committee.

Meetings and Quorum of the Audit Committee

In order to form a quorum in respect of a meeting of the Audit Committee, the majority of the members present must be independent directors. The Company Secretary shall act as secretary of the Audit Committee.

The Audit Committee met five (5) times during the financial year ended 30 June 2006. The details of the attendance of the meetings are disclosed under the heading 'Attendance of Audit Committee Meetings' on page 23 of this Annual Report.

The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors and/or internal auditors. The Audit Committee shall also meet with the external auditors without executive Board members present at least once a year. In an Audit Committee Meeting held on 25 October 2005, the Audit Committee had met with the Group's Finance Manager and representatives from both the external and internal auditors without executive Board members present.

Terms of Reference of Audit Committee (Cont'd)

Meetings and Quorum of the Audit Committee (Cont'd)

In all 5 meetings, the Group Finance Manager was present to report on the results of the Group as well as to answer questions posed by the Audit Committee in relation to the results to be announced. During four other Audit Committee meetings, representatives from the Internal Auditors had also been present to provide updates on the progress of internal audit work that have been conducted to date, and to also provide comments and recommendations, where applicable to improve the risk management framework supporting the activities of the Group.

In any event, should the external auditors request, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

Functions of the Audit Committee

The duties and responsibilities of the Audit Committee include the following:-

- i. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- ii. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- iii. To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors.
- iv. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- v. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - Any changes in the accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- vi. To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);
- vii. To review the external auditor's management letter and the management's response;
- viii. To do the following in relation to the internal audit function
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- ix. To consider any related party transactions that may arise within the Company or the Group;
- x. To consider the major findings of internal investigations and the management's response;
- xi. To consider other topics as defined by the Board.

Report of the Audit Committee (cont'd)

Terms of Reference of Audit Committee (Cont'd)

Rights of the Audit Committee

The Audit Committee has ensured that it shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure determined by the Board:-

- i. have authority to investigate any matter within its terms of reference;
- ii. have the resources which are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the listed issuer;
- iv. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- v. be able to obtain independent professional or other advice; and
- vi. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Procedure of Audit Committee

The Audit Committee regulates its own procedures by:-

- i. the calling of meetings;
- ii. the notice to be given of such meetings;
- iii. the voting and proceedings of such meetings;
- iv. the keeping of minutes; and
- v. the custody, protection and inspection of such minutes.

Review of the Audit Committee

The Board of Directors shall ensure that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference. The last review of the Audit Committee was conducted during and was reported in the Annual Report for the financial year ended 30th June 2004.

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 2006 are as follows:-

<i>Directors</i>	<i>Meetings Attended by the Directors / Total Number of Meetings held during the Financial Year Ended</i>	
	<i>30 June 2006</i>	<i>% of Attendance</i>
Dato' Zulkifli bin Abdul Rahman	4/5	80
En. Sahid bin Mohamed Yasin	5/5	100
Mr. Cheong Chung Yet	4/5	80
Datuk Dr. Abdullah bin Abdul Rahman	5/5	100

Terms of Reference of Audit Committee (Cont'd)

Activities Undertaken By Audit Committee

The activities of the Audit Committee during the financial year ended 30 June 2006 include the following:-

- i. review the Group's year end audited financial statements presented by the external auditors and recommend the same to the Board for approval;
- ii. review the quarterly financial result announcements;
- iii. review audit plan of internal and external auditors;
- iv. review related party transactions within the Group;
- v. review external auditor's management letter and management's response;
- vi. review of the internal audit reports submitted by the internal auditors and recommend the same to the Board for approval;
- vii. review the effectiveness of the Group's system of internal control;
- viii. review the Company's compliance with Listing Requirements of Bursa Securities, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;
- ix. consider and recommend to the Board for approval the audit fees payable to internal and external auditors; and
- x. review report on allocation of share option to employees as required by Paragraph 8.21A of the Listing Requirements.

Nomination Committee

The Board does not consider it necessary to establish a Nomination Committee currently as the composition of the Board is relatively stable. No new appointments are foreseen in the near future. However, a Nomination Committee will be established shall the need arise.

Remuneration Committee

The Board also does not consider it necessary to establish a Remuneration Committee currently. All Executive Directors have contracts of employment with the Company. Therefore, establishing a Remuneration Committee would not serve any purpose. However, a Remuneration Committee will be established shall the need arise.

Statement of Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable and not absolute assurance against material misstatement and losses. The internal control system covers not only financial controls but operational and compliance controls, and risk management.

The Board has outsourced the internal audit function of the Group to an external party. The internal auditors are to assist and advise the Audit Committee on matters relating to the internal audit function.

The Board has considered the system of internal control in operation during the year and the key elements of the system are as follows:-

Risk Assessment and Control Activities

The Board and management are responsible for the ongoing identification, evaluation and managing of significant risks. A 5-year audit plan was adopted following the risk assessment exercise to continuously review the effectiveness of the Group's system of internal control and mitigate risks including financial, operational and compliance risks. Based on the risk assessment results, the internal auditors focused on areas of significant risks to the Group. Reviews were conducted on these areas and the results of these reviews including comments from management, were reported to the Audit Committee periodically. The Board and management are working towards ensuring completion of corrective actions in response to recommendations highlighted in the audit reports. Areas reviewed as at to date include:-

Financial Year	Audit Areas
2004	i. Business Development ii. MIS/EDP iii. Accounting & Finance iv. Field Counselor
2005	v. Merchandising vi. Logistics, Warehousing & Inventories vii. Outsourcing Management viii. Marketing
2006	ix. Human Resources x. Field Counselor

Communication and Information and Monitoring

In reviewing the adequacy and integrity of the system of internal control, the Board receives relevant reports on financial performance of the Group at periodic Board meetings. The involvement of executive directors in the day-to-day operations of the Group also enable monitoring of control procedures at operational level.

The effectiveness of the system of internal control is also monitored on an ongoing basis by the Audit Committee, who receives reports from the internal auditors.

Profile of Directors

For the financial year ended 30 June 2006

Datuk Dr Abdullah bin Abdul Rahman

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

Aged 61 of Malaysian nationality, he was first appointed to the Board as Director and Chairman on 14 February 2001.

From graduating with a BA (Hons) University of Malaya degree in 1968, he went on to complete both his Master of Public Administration, and Ph.D. in Public Administration, in 1976 and 1979 respectively from the University of Southern California.

He also obtained a Certificate in Methodology of Training, University of Manchester (U.K.) in 1972, and a Certificate in Advanced Management, INSEAD, Fontainebleau, France in 1993.

After graduation in 1968, he had joined the State Secretariat, Negri Sembilan as the Assistant State Secretary, and was there until 1971 when he joined INTAN (the National Institute of Public Administration Malaysia) as a lecturer in Management Science. By the time he left INTAN in 1985, he was already the Deputy Director (Academic). His next position was as Director of the Special Task Force on Productivity with the Prime Minister's Department, and he was to remain with the Prime Minister's Department until 1996, by which time he was already serving as the Director General of MAMPU (the Malaysian Administrative, Modernisation and Planning Unit).

Upon leaving the Prime Minister's Department, he was with the Ministry of Health for a brief stint before joining the Government as Special Assistant to the Ketua Setiausaha Malaysia, where he served from 1998 to July of 2000, whereupon he retired upon reaching the retirement age of 55 years.

From July 2000 to July 2001, he was also Professor at the Faculty of Economics and Administration, University of Malaya.

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.

Dato' Zulkifli bin Abdul Rahman

(Chairman of the Audit Committee, Independent Non-Executive Director)

Aged 70 of Malaysian nationality, he was first appointed to the Board on 11 March 1994.

Completing his secondary education and sitting for the Cambridge Overseas certificate in 1955, he joined the then Federation of Malaya Police as a Probationary Inspector in 1956. During his long career with the Royal Malaysian Police, he had served in various departments and had been posted to numerous places in the country. Besides that, he also attended training courses in police related and security matters. When he retired in November 1991, he had already assumed the post of Director of Special Branch, and his service in that post was further extended to December 1993. From 1995 to 1998, he served as Chairman of the Koperasi Polis Berhad.

Other than his directorship with Padini Holdings Berhad, he is also a director in the following public company :

1. Nikko Electronics Bhd

For the financial year under review, he has attended 4 out of 5 meetings of the Board of Directors.

Profile of Directors (cont'd)

For the financial year ended 30 June 2006

Yong Pang Chaun

(Managing Director)

Aged 55 of Malaysian nationality, he was first 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 present 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.

Chan Kwai Heng

(Executive Director)

Aged 54 of Singaporean nationality, he was first appointed to the Board on 29 March 1995.

He graduated from the University of Malaya in 1975 with a Bachelor of Economics (Hons) degree, majoring in Accounts. He also has an European MBA from the Paris Graduate School of Management, which he obtained in June of 2003.

From 1975 and up till 1977, he has worked as a temporary teacher in SMJK Chi Wen, a school in Bahau, Negri Sembilan. Subsequently, he did some lecturing on a part-time basis at colleges such as the Systematic Business Training Centre and TL Management Centre Sdn Bhd in Kuala Lumpur. Before joining the Group in 1988 as an executive director in one of its subsidiary companies, he had also worked from 1983 to 1987 in Vincci Department Store Sdn Bhd as a Manager in charge of finance and administration.

Currently he oversees the finance and administrative activities of the Group.

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

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

Profile of Directors (cont'd)

For the financial year ended 30 June 2006

Cheong Chung Yet

(Member of the Audit Committee, Executive Director)

Aged 40 of Malaysian nationality, he was first appointed to the Board on 14 July 2000.

He obtained his Bachelor of Accountancy (Hons) degree from the University of Malaya in 1989.

In 1990, he joined Isetan of Japan Sdn Bhd as a Sales and Merchandising Executive before being promoted to the position of Manager of the Merchandising Department in 1995. While serving in Isetan, he had gained extensive experience in retail management (operations and merchandising), and in concept planning, branding and merchandising for in-house labels.

He joined the Group in January 1996 as the head of the Group's merchandising and retail departments, a position which he still assumes.

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.

Chong Chin Lin

(Executive Director)

Aged 53 of Malaysian nationality, she was first 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' Specialties 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.

Yong Lai Wah

(Executive Director)

Aged 56 of Malaysian nationality, she was initially appointed to the Board on 26 March 1992 as a Non-Executive Director; she was subsequently redesignated as an Executive Director when she was given the task of overseeing the cafe operations of Seed Corporation Sdn Bhd, a subsidiary of the Group.

After completing her secondary education, she worked for several years in floor operations in a department store before joining a manufacturing venture started by her family. This manufacturing facility which was started in 1971, produced ladies fashion wear for both wholesale and retail. Since then she has been actively involved with the manufacturing and selling of fashion wear to local department stores and boutiques.

Her numerous years experience in managing not only manufacturing operations, but also in the wholesale of fashion wear have given her considerable business experience and exposure.

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.

Profile of Directors (cont'd)

For the financial year ended 30 June 2006

Sahid bin Mohamed Yasin

(Member of the Audit Committee, Independent Non-Executive Director)

Aged 57 of Malaysian nationality, he was first appointed to the Board on 23 October 1997.

He graduated from the University of Malaya in 1973 with a Bachelor of Arts degree in Economics and obtained a postgraduate Diploma in Management Science from the National Institute of Public Administration in 1976.

Upon graduation in 1973, he got a post as Assistant Secretary in the Prime Minister's Department and served until 1977. Subsequently, he joined Malaysia British Assurance Sdn Bhd in a senior management position and was there for 5 years. In 1983, he joined Hicom Holdings Bhd as Manager for Corporate Services before leaving in 1995 to concentrate on his private businesses.

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.

Other Information

(i) Family Relationship

Except for Yong Pang Chaun who is the spouse of Chong Chin Lin, and who is also the brother of Yong Lai Wah, none of the Directors above has any family relationship with one another.

Yong Pang Chaun, Chong Chin Lin and Yong Lai Wah are the major shareholders in the Company by virtue of their interest in Yong Pang Chaun Holdings Sdn Bhd which owns a 42.46% interest in the shares in the Company.

(ii) Conflict of Interest

None of the Directors mentioned has any conflict of interest with the Company.

(iii) Convictions for offences

None of the Directors mentioned has been convicted for offences within the past ten years other than for traffic offences.

(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.

Directors' Responsibility Statement

in Respect of the Annual Audited Financial Statements

Pursuant to paragraph 15.27 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad, and as required by Companies Act 1965, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company and its subsidiary companies as at the end of the financial year, and of the results 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, 1965.

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

For the financial year ended 30 June 2006

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Directors' Report

For the financial year ended 30 June 2006

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provisions of management consultancy services to its subsidiary companies.

The principal activities of the subsidiary companies are as disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	27,732,335	13,029,871

DIVIDENDS

The dividends paid and payable by the Company since 30 June 2005 were as follows:

	RM
In respect of the financial year ended 30 June 2005, as shown in the Directors' report of the previous financial year	
Special interim dividend of 5% less tax, paid on 23 August 2005	2,246,964
Final dividend of 5% less tax, paid on 13 March 2006	2,269,352
In respect of the financial year ended 30 June 2006	
First interim dividend of 5% less tax, paid on 15 February 2006	2,263,196
Second interim dividend of 5% less tax, paid on 18 July 2006	2,288,954
Special interim dividend of 5% less tax, paid on 6 October 2006	2,294,847

The Directors recommend a final dividend in respect of the current financial year of 5 sen per share, less income tax at 28%, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM62,414,600 to RM63,585,500 by the issuance and allotment of 1,170,900 new ordinary shares of RM1.00 each for cash under the Company's Employees' Share Option Scheme ("ESOS") at the following exercise prices:

Directors' Report (cont'd)

For the financial year ended 30 June 2006

ISSUE OF SHARES AND DEBENTURES (Cont'd)

Number of ordinary shares	Exercise price
754,200	RM1.06
113,500	RM1.26
131,800	RM2.31
171,400	RM1.85

The new issued shares rank pari-passu with the then existing ordinary shares except that they will not qualify for any dividend or distribution declared to members on the Register of Member and Record of Depositors as at the relevant books closing date which precedes that date of allotment of the new ordinary shares or option exercise date.

The Company has not issued any debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 16 September 2002. It became effective on 3 October 2002 for a period of 5 years.

The main features of the ESOS are:

- (a) The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.
- (b) Eligible employees are those who have been confirmed in writing as an employee of the Group for at least three (3) years of continuous services at the date of the offer or an eligible director is a full-time executive director of the Group. Where a foreign employee is serving the Group under an employment contract, the contract shall be for a duration of at least five (5) years.
- (c) The option price shall be set at a discount of not more than 10% from the weighted average market price of the Company for the five (5) market days immediately preceding the date of offer or the par value of the shares of the Company of RM1.00 each, whichever is higher.
- (d) An option granted under ESOS shall be capable of being exercised by the grantee by notice in writing to the Company during the year commencing from the date of the offer and expiring on 2 October 2007. The options granted was exercisable by the grantee in multiples of 1,000 shares until 27 August 2003 whereby the ESOS Bye-Laws was amended to allow employee to exercise their granted option in multiple of 100 shares in the following manners:

Maximum percentage of new shares comprise in all options granted to the grantee which may be subscribed for within each particular year of the scheme					
No. of lots allotted (in multiples of 100 shares)	Year 1	Year 2	Year 3	Year 4	Year 5
1 – 19	100%	-	-	-	-
20 – 39	50%	50%	-	-	-
40 – 99	25%	25%	25%	25%	-
100 and above	20%	20%	20%	20%	20%

Directors' Report (cont'd)

For the financial year ended 30 June 2006

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

- (e) Options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the ESOS.
- (f) All the new ordinary shares issued arising from ESOS rank pari-passu in all respects with the existing ordinary shares of the Company.
- (g) The grantees have no right to participate, by virtue of these options, in any share issue of any other company within the Group.

The movements in the options to take up unissued new ordinary shares of RM1.00 each and the option prices at which the employees were entitled to exercise their options during the financial year ended 30 June 2006 were as follows:-

Date of offer	Option price RM	Balance at 1.7.2005	Granted	Exercised	Lapsed*	Balance at 30.6.2006
10.10.2002	1.06	1,455,800	-	(743,200)	(22,300)	690,300
15.10.2002	1.06	15,500	-	(11,000)	(4,500)	-
08.08.2003	1.26	196,750	-	(113,500)	(14,850)	68,400
04.10.2004	2.31	868,900	-	(131,800)	(69,000)	668,100
10.10.2005	1.85	-	777,000	(171,400)	(171,000)	434,600
		2,536,950	777,000	(1,170,900)	(281,650)	1,861,400

* Due to resignation or offers not taken up.

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of option holders of less than 19,000 share options.

Save as disclosed below, there were no other eligible employees allocated share options of 19,000 and above during the financial year:

Employee's name	Option price	Number of share options granted during the financial year
Lee Sook Fun	RM1.85	19,500

DIRECTORS IN OFFICE

The following Directors served on the Board of the Company since the date of the last report:

Datuk Dr. Abdullah bin Abdul Rahman
Yong Pang Chaun
Dato' Zulkifli bin Abdul Rahman
Yong Lai Wah
Chong Chin Lin
Chan Kwai Heng
Sahid bin Mohamed Yasin
Cheong Chung Yet

Directors' Report (cont'd)

For the financial year ended 30 June 2006

DIRECTORS IN OFFICE (Cont'd)

In accordance with the Company's Articles of Association, Dato' Zulkifli bin Abdul Rahman, Mr. Chan Kwai Heng, Mr. Cheong Chung Yet and Encik Sahid bin Mohamed Yasin retire by rotation, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and share options of the Company and related corporations were as follows:-

	Number of ordinary shares of RM1.00 each			
	Balance at 1.7.2005	Bought	Sold	Balance at 30.6.2006
Direct interest in shares of the Company				
Yong Pang Chaun	98,000	26,000	-	124,000
Chong Chin Lin	149,999	26,000	-	175,999
Chan Kwai Heng	24,400	64,000	-	88,400
Cheong Chung Yet	41,499	27,000	-	68,499

Indirect interest by virtue of shares held by a company in which the Directors have interests

Yong Pang Chaun	27,150,400	26,000	-	27,176,400
Yong Lai Wah	27,000,401	-	-	27,000,401
Chong Chin Lin	27,098,401	26,000	-	27,124,401

Direct interest in shares of the subsidiary company

Vincci Ladies' Specialties Centre Sdn. Bhd.

Yong Lai Wah	5,000	-	-	5,000
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Direct interest in share options of the Company	Number of options for ordinary shares of RM1.00 each			
	Balance at 1.7.2005	Granted	Exercised	Balance at 30.6.2006

Yong Pang Chaun				
- At an option price of RM1.06	52,000	-	(26,000)	26,000
Chong Chin Lin				
- At an option price of RM1.06	52,000	-	(26,000)	26,000
Chan Kwai Heng				
- At an option price of RM1.06	90,000	-	(64,000)	26,000
Cheong Chung Yet				
- At an option price of RM1.06	39,000	-	(27,000)	12,000
- At an option price of RM2.31	21,000	-	-	21,000
Yong Lai Wah				
- At an option price of RM2.31	49,500	-	-	49,500
- At an option price of RM1.85	-	15,000	-	15,000

Directors' Report (cont'd)

For the financial year ended 30 June 2006

DIRECTORS' INTERESTS (Cont'd)

By virtue of their interests in shares of the Company, Messrs. Yong Pang Chaun, Yong Lai Wah and Chong Chin Lin are deemed to be interested in shares of the subsidiary companies to the extent the Company has an interest.

No other Directors in office at the end of the financial year held or dealt in shares and share options of the Company and related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration as disclosed 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 except for any benefits which may arise from related party transactions as disclosed in Note 28 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted under the ESOS.

OTHER STATUTORY INFORMATION

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:

- a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

- a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- b) which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading; or
- c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate; or
- d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

Directors' Report (cont'd)

For the financial year ended 30 June 2006

OTHER STATUTORY INFORMATION (Cont'd)

At the date of this report, there does not exist:

- a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year to secure the liability of any other person; or
- b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

In the opinion of the Directors,

- a) the results of the Group's and the Company's operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

The auditors, Messrs. BKR Peter Chong (formerly known as Peter Chong & Co.), Chartered Accountants, have indicated their willingness to accept re-appointment.

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

DATUK DR. ABDULLAH BIN ABDUL RAHMAN
Director

YONG PANG CHAUN
Director

Date : 19 October 2006
Kuala Lumpur

We, **DATUK DR. ABDULLAH BIN ABDUL RAHMAN** and **YONG PANG CHAUN**, two of the Directors of **PADINI HOLDINGS BERHAD** state that, in the opinion of the Directors, the financial statements set out on pages 40 to 86 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2006 and of the results and cash flow of the Group and the Company for the financial year ended on that date.

DATUK DR. ABDULLAH BIN ABDUL RAHMAN
Director

YONG PANG CHAUN
Director

Date : 19 October 2006
Kuala Lumpur

Pursuant to Section 169 (16) of the Companies Act, 1965

I, **CHAN KWAI HENG**, being the Director primarily responsible for the financial management of **PADINI HOLDINGS BERHAD** do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements set out on pages 40 to 86 are 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 **CHAN KWAI HENG** at)
KUALA LUMPUR in the **FEDERAL**)
TERRITORY this 19th day of October 2006) Before me

Report of the Auditors to the Members

of Padini Holdings Berhad

We have audited the financial statements set out on pages 40 to 86 of **PADINI HOLDINGS BERHAD** for the financial year ended 30 June 2006. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 30 June 2006 and of the results and cash flow of the Group and of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by its subsidiary companies for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of the subsidiary companies for which we have not acted as auditors as disclosed in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

BKR Peter Chong

(formerly known as Peter Chong & Co.)

No AF 0165

Chartered Accountants

Peter Chong Ton Nen

No 394/03/08/J/PH

Partner of the Firm

Date : 19 October 2006

Kuala Lumpur

Consolidated Balance Sheet

AS at 30 June 2006

	Note	2006 RM	As restated 2005 RM
PROPERTY, PLANT AND EQUIPMENT	4	35,947,923	29,018,898
INVESTMENT IN AN ASSOCIATED COMPANY	6	-	1,487,669
INVESTMENT	7	697,529	744,334
INTANGIBLE ASSETS	8	1,247,606	1,617,781
DEFERRED TAX ASSETS	9	585,755	865,767
CURRENT ASSETS			
Inventories	10	51,396,882	41,900,645
Receivables	11	22,222,143	20,150,443
Tax assets	12	38,212	1,466,117
Short term investment	13	30,900,958	18,017,764
Deposits, cash and bank balances	14	13,563,455	15,321,691
		118,121,650	96,856,660
CURRENT LIABILITIES			
Payables	15	27,089,057	26,236,289
Borrowings	16	2,057,117	2,297,928
Tax liabilities	12	2,909,229	2,592,667
		32,055,403	31,126,884
NET CURRENT ASSETS		86,066,247	65,729,776
		124,545,060	99,464,225
FINANCED BY:			
SHARE CAPITAL	17	63,585,500	62,414,600
RESERVES	18	55,260,183	36,357,287
SHAREHOLDERS' EQUITY		118,845,683	98,771,887
MINORITY INTEREST		305,399	275,896
LONG-TERM AND DEFERRED LIABILITIES			
Negative goodwill on consolidation	19	155,186	206,914
Borrowings	16	5,230,718	197,598
Deferred tax liabilities	9	8,074	11,930
		124,545,060	99,464,225

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

Consolidated Income Statement

For the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
REVENUE	20	286,106,824	243,263,163
COST OF SALES		(152,250,256)	(130,003,991)
GROSS PROFIT		133,856,568	113,259,172
OTHER OPERATING INCOME		3,303,234	3,821,335
		137,159,802	117,080,507
SELLING AND DISTRIBUTION COSTS		(70,828,607)	(68,117,889)
ADMINISTRATION EXPENSES		(26,534,859)	(23,051,016)
PROFIT FROM OPERATIONS	21	39,796,336	25,911,602
FINANCE COSTS	23	(172,243)	(310,385)
SHARE OF RESULTS OF AN ASSOCIATED COMPANY		(63,346)	(27,905)
PROFIT BEFORE TAXATION		39,560,747	25,573,312
TAXATION	12		
- Company and subsidiary companies		(11,779,109)	(7,389,291)
- Associated company		-	-
PROFIT AFTER TAXATION BUT BEFORE MINORITY INTEREST		27,781,638	18,184,021
MINORITY INTEREST		(49,303)	(104,750)
NET PROFIT FOR THE FINANCIAL YEAR		27,732,335	18,079,271
EARNINGS PER SHARE (SEN)	24		
- Basic		44.1	29.1
- Diluted		43.7	28.6
DIVIDEND PER SHARE (SEN)	25		
- First interim		5.0	5.0
- Second interim		5.0	-
- Special interim		5.0	5.0
- Final		5.0	5.0

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

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2006

Note	Share capital RM	Share premium RM	Revaluation reserve RM	Currency translation reserves RM	Retained profits RM	Total RM
At 1 July 2004	61,812,600	749,022	-	-	24,133,802	86,695,424
Issuance of shares	602,000	53,410	-	-	-	655,410
<u>Net gain not recognised in the income statement</u>						
Foreign exchange difference	-	-	-	4,410	-	4,410
Minority interest's share of currency translation reserve	-	-	-	617	-	617
Transfer from deferred tax liability	-	-	67,417	-	-	67,417
Realisation upon disposal	-	-	(67,417)	-	67,417	-
Share of associated company's currency translation reserve	-	-	-	585	-	585
Dividends	-	-	-	5,612	67,417	73,029
- interim	-	-	-	-	-	-
- as previously reported	-	-	-	-	(2,242,424)	(2,242,424)
- prior year adjustment	-	-	-	-	(2,246,964)	(2,246,964)
- as restated	-	-	-	-	(4,489,388)	(4,489,388)
- final	-	-	-	-	(2,241,859)	(2,241,859)
Net profit for the financial year	-	-	-	-	18,079,271	18,079,271
At 30 June / 1 July 2005	62,414,600	802,432	-	5,612	35,549,243	98,771,887
Issuance of shares	1,170,900	393,110	-	-	-	1,564,010
<u>Net gain not recognised in the income statement</u>						
Foreign exchange difference	-	-	-	(106,200)	-	(106,200)
Realisation upon disposal of associated company	-	-	-	(585)	585	-
Dividends	-	-	-	(106,785)	585	(106,200)
- interim	-	-	-	-	(6,846,997)	(6,846,997)
- final	-	-	-	-	(2,269,352)	(2,269,352)
Net profit for the financial year	-	-	-	-	27,732,335	27,732,335
At 30 June 2006	63,585,500	1,195,542	-	(101,173)	54,165,814	118,845,683

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

Consolidated Cash Flow Statement

For the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		39,560,747	25,573,312
Adjustments for:			
Allowance for doubtful debts		271,523	-
Amortisation of intangible assets		469,143	395,186
Amortisation of negative goodwill on consolidation		(51,728)	(51,728)
Bad debts written off		2,939	-
Depreciation of property, plant and equipment		7,623,794	8,510,146
Impairment loss on investment		46,805	-
Interest expenses		172,243	310,385
Interest income		(761,420)	(124,732)
Inventories written down to net realisable value		295,429	599,166
Profit on disposal of property, plant and equipment		(243,468)	(2,064,776)
Property, plant and equipment written off		31,137	-
Share of results of an associated company		63,346	27,905
Unrealised gain on foreign exchange		(50,566)	-
Operating profit before working capital changes		47,429,924	33,174,864
Inventories		(9,791,666)	(7,413,762)
Receivables		(2,295,596)	(2,032,248)
Short term investment		468,542	16,530
Payables		(1,484,069)	7,502,782
Cash generated from operations		34,327,135	31,248,166
Dividend paid		(6,779,512)	(4,484,283)
Tax paid	12	(11,637,439)	(5,547,974)
Tax refund	12	1,891,349	-
Net cash generated from operating activities		17,801,533	21,215,909

The above consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

Consolidated Cash Flow Statement (cont'd)

For the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of associated company		-	(1,954,825)
Acquisition of subsidiary company, net of cash acquired		-	(745,402)
Additions to trademarks		(98,968)	(1,291,717)
Interest income received		292,878	108,202
Proceeds from disposal of associated company		1,424,323	-
Proceeds from disposal of property, plant and equipment		274,339	3,815,271
Purchase of property, plant and equipment	26	(14,018,883)	(8,227,877)
Net cash used in investing activities		(12,126,311)	(8,296,348)
CASH FLOW FROM FINANCING ACTIVITIES			
Changes to short term borrowings		(1,371,000)	(1,212,000)
Dividend paid to minority interest		(19,800)	(7,200)
Drawdown of term loan		6,782,620	-
Interest expenses paid		(283,207)	(310,385)
Proceeds from issuance of shares		1,564,010	655,410
Repayment of hire purchase and finance lease obligations		(356,311)	(305,054)
Repayment of term loan		(750,000)	-
Net cash generated from/(used in) financing activities		5,566,312	(1,179,229)
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,241,534	11,740,332
Effect of exchange rate changes		(34,830)	4,222
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		33,339,455	21,594,404
Effect of exchange rate changes		(81,746)	497
CASH AND CASH EQUIVALENTS CARRIED FORWARD	27	44,464,413	33,339,455

The above consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

Balance Sheet

As at 30 June 2006

	Note	2006 RM	As restated 2005 RM
PROPERTY, PLANT AND EQUIPMENT	4	22,015,470	13,800,993
INVESTMENT IN SUBSIDIARY COMPANIES	5	87,239,209	70,374,209
INVESTMENT IN AN ASSOCIATED COMPANY	6	-	1,514,989
INVESTMENT	7	560,000	560,000
INTANGIBLE ASSETS	8	49,702	53,758
CURRENT ASSETS			
Receivables	11	18,681,300	12,904,813
Tax assets	12	25,340	1,229,611
Deposits, cash and bank balances	14	570,698	659,784
		19,277,338	14,794,208
CURRENT LIABILITIES			
Payables	15	5,043,257	3,216,847
Borrowings	16	1,075,000	-
		6,118,257	3,216,847
NET CURRENT ASSETS		13,159,081	11,577,361
		123,023,462	97,881,310
FINANCED BY:			
SHARE CAPITAL	17	63,585,500	62,414,600
RESERVES	18	54,480,342	35,466,710
SHAREHOLDERS' EQUITY		118,065,842	97,881,310
LONG-TERM LIABILITIES			
Borrowings	16	4,957,620	-
		123,023,462	97,881,310

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

Income Statement

For the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
REVENUE	20	18,017,500	8,293,000
OTHER OPERATING INCOME		1,805,810	1,619,670
ADMINISTRATION EXPENSES		(1,706,396)	(2,917,710)
PROFIT FROM OPERATIONS	21	18,116,914	6,994,960
FINANCE COST		-	-
PROFIT BEFORE TAXATION		18,116,914	6,994,960
TAXATION	12	(5,087,043)	(1,972,661)
NET PROFIT FOR THE FINANCIAL YEAR		13,029,871	5,022,299

Statement of Changes in Equity

For the financial year ended 30 June 2006

	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Retained profits RM	Total RM
At 1 July 2004		61,812,600	749,022	18,888,588	4,871,638	86,321,848
Issuance of shares		602,000	53,410	-	-	655,410
Net gain not recognised <u>in the income statement</u>						
- surplus on revaluation of investment in subsidiary companies		-	-	12,613,000	-	12,613,000
Dividends						
- interim						
- as previously reported	35	-	-	-	(2,242,424)	(2,242,424)
- prior year adjustment		-	-	-	(2,246,964)	(2,246,964)
- as restated		-	-	-	(4,489,388)	(4,489,388)
- final		-	-	-	(2,241,859)	(2,241,859)
Net profit for the financial year		-	-	-	5,022,299	5,022,299
At 30 June/1 July 2005		62,414,600	802,432	31,501,588	3,162,690	97,881,310
Issuance of shares		1,170,900	393,110	-	-	1,564,010
Net gain not recognised <u>in the income statement</u>						
- surplus on revaluation of investment in subsidiary companies		-	-	14,707,000	-	14,707,000
Dividends	25					
- interim		-	-	-	(6,846,997)	(6,846,997)
- final		-	-	-	(2,269,352)	(2,269,352)
Net profit for the financial year		-	-	-	13,029,871	13,029,871
At 30 June 2006		63,585,500	1,195,542	46,208,588	7,076,212	118,065,842

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

Cash Flow Statement

For the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		18,116,914	6,994,960
Adjustments for:			
Amortisation of intangible assets		12,816	6,001
Depreciation of property, plant and equipment		264,565	321,904
Dividend income		(17,947,500)	(8,223,000)
Interest income		(16,038)	-
Impairment loss on investment in subsidiary companies			
- additions		383,000	1,622,000
- reversal		(741,000)	(671,000)
Loss on disposal of associated company		90,666	-
Profit on disposal of property, plant and equipment		(1,818)	(70,000)
Operating profit/(loss) before working capital changes		161,605	(19,135)
Receivables		(5,776,487)	4,232,350
Payables		(510,427)	697,684
Cash (used in)/generated from operations		(6,125,309)	4,910,899
Dividend paid		(6,779,512)	(4,484,283)
Tax paid	12	(5,025,300)	(2,302,440)
Tax refund	12	1,142,528	-
Net cash used in operating activities		(16,787,593)	(1,875,824)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company		-	(1,024,870)
Acquisition of an associated company		-	(1,954,825)
Additions to trademarks		(8,760)	(59,759)
Additional investment in subsidiary companies		(1,800,000)	(2,300,000)
Dividend received		17,947,500	8,223,000
Interest income received		16,038	-
Purchase of property, plant and equipment	26	(8,369,049)	(1,769,754)
Proceeds from disposal of associated company		1,424,323	-
Proceeds from disposal of property, plant and equipment		2,789	70,000
Net cash generated from investing activities		9,212,841	1,183,792

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

Cash Flow Statement (cont'd)

For the financial year ended 30 June 2006

	Note	2006 RM	2005 RM
CASH FLOW FROM FINANCING ACTIVITIES			
Drawdown of term loan		6,782,620	-
Interest expenses paid		(110,964)	-
Proceeds from issuance of shares		1,564,010	655,410
Repayment of term loan		(750,000)	-
Net cash generated from financing activities		7,485,666	655,410
NET DECREASE IN CASH AND CASH EQUIVALENTS		(89,086)	(36,622)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		659,784	696,406
CASH AND CASH EQUIVALENTS CARRIED FORWARD	27	570,698	659,784

The above cash flow statement is to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

- 30 June 2006

1. GENERAL INFORMATION

The Company is principally involved in investment holding and provisions of management consultancy services to its subsidiary companies. The principal activities of the subsidiary companies are as disclosed in Note 5.

There have been no significant changes in the nature of these activities during the financial year.

The total number of employees of the Group and the Company (excluding Executive Directors) at the end of the financial year were 1,762 (2005: 1,732) and 4 (2005: 3) respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office and the principal place of business is No. 21, Lot 116, Jalan U1/20, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The Board has authorised the issuance of the financial statements on 19 October 2006.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks and the overall risk management objective is to ensure the Group creates value for its shareholders whilst minimising the potential adverse effects on the performance. The Group does not use derivative financial instruments to hedge its risks and does not trade in financial instruments during the financial year.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk, market risk and liquidity risk. Set out below are the policies and other measures taken to manage these risks:-

Credit risk

The Group is exposed to credit risk mainly from trade receivables. They are subject to continuous review. At balance sheet date, the maximum exposure for the Group was represented by the carrying amount of the financial assets.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia, and structural foreign currency translation exposures arising from investment in foreign subsidiary companies which are denominated in the currencies where they are domiciled.

The Group does not use foreign exchange derivative instruments as a means to hedge its transaction risk. The risk is, by large, naturally hedged through matching, as far as possible, receipts and payments in each individual currency.

Interest rate risk

The Group is exposed to interest rate risk mainly from its borrowings. There is no formal hedging policy in respect of interest rate exposure. The interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Market risk

The Group is exposed to market risk of which the value of a financial instrument will fluctuate as a result of changes in the market prices. The risk of loss in value is minimised via adherence of qualifying criteria before making the investment and by continuous monitoring of the performance.

Liquidity risk

The Group practices prudent liquidity risk management by maintaining sufficient cash and committed credit facilities to meet the Group's operating and financial requirements for the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified for the revaluation of investment in subsidiary companies, land and buildings), and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements, in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965, requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

3.2 Basis of consolidation

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Unless otherwise indicated, the Group is deemed to have power to exercise control over the financial and operating policies of subsidiary companies if the Company owns, directly or indirectly through its subsidiary companies, more than one half of the voting power.

The consolidated financial statements include the financial statements of the Company and subsidiary companies made up to the end of the financial year.

Subsidiary companies are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Basis of consolidation (Cont'd)

Minority interest is measured at the minorities' shares of the net results of operations and the net assets of subsidiary company concerned.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

3.3 Associated company

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting. Associated companies are enterprises in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies.

Equity accounting involves recognising in the income statement of the Group's share of the results of associated company for the period. The Group's investment in associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associated company and includes goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Where audited financial statements of the associated company is not coterminous with those of the Group, the share of results is based on the unaudited management financial statements made up to the financial year end of the Group.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated company to ensure consistency of accounting policies with the Group.

3.4 Investment

Investment in subsidiary companies, associated company and other non-current investment are shown at cost or at valuation and are adjusted for impairment where the diminution in value is not temporary.

Investment in subsidiary companies are revalued at 5-year interval with additional revaluation in the intervening years where the carrying values of the revalued investment differ materially from the underlying net tangible assets' values of the subsidiary companies.

Where investment in subsidiary companies are stated at valuation, the net increase in the aggregate amount arising from the revaluation is credited to a revaluation reserve account as revaluation surplus. Net decrease in the aggregate amount arising from the revaluation will be charged to the revaluation reserve account. To the extent that a net decrease in aggregate amount is not supported by any previous revaluation surplus, the net decrease is charged to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Investment (Cont'd)

On disposal of an investment and revalued investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement. Any amount in revaluation reserve relating to that revalued investment is transferred to retained profits.

Investment in highly liquid investment, which are held for short term liquidity purposes, are stated at the net realisable value. An increase or decrease in the carrying value of these investments is taken to the income statement.

3.5 Goodwill/negative goodwill

Goodwill/negative goodwill on consolidation represents the difference between the fair value of purchase consideration of subsidiary companies acquired over the Group's share of the fair values of their separable net assets at the date of acquisition.

Goodwill/negative goodwill on consolidation is reported in the balance sheet as an intangible asset or liability and is amortised using the straight-line method over its useful life or 5 years, whichever is shorter.

The carrying amount of goodwill is reviewed annually and written down to account for impairment where necessary.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates. An impairment loss is recognised when the Directors are of the view that there is a diminution in its value which is other than temporary.

The carrying amounts of goodwill for associated company are reviewed at each balance sheet date to determine whether there is any diminution of impairment. If such an indication exist, the goodwill's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount exceeds the recoverable amounts.

3.6 Intangible assets

All expenses incurred in connection with the trademarks have been deferred and amortised over its estimated useful lives or a period of 5 years, whichever is shorter.

The carrying amount of intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

3.7 Property, plant and equipment

All property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. An item is recognised as property, plant and equipment when it is probable that future economic benefits associated with the property, plant and equipment will flow to the companies in the Group.

Surplus arising on revaluation (net of tax) are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset (net of tax). In all other cases, a decrease in carrying amount is charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Property, plant and equipment (Cont'd)

Subsequent to revaluation, any addition is stated at cost whilst disposal is at cost or valuation as appropriate.

The land and buildings have not been revalued since the date of the revaluation exercise as stated in Note 4. The Directors have adopted the transitional provision as allowed by Malaysian Accounting Standards Board. The Group has retained the previous revaluation subject to the continuing application of current depreciation policy.

Freehold land and capital work in progress are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the carrying amount of each asset to their respective residual value over the following estimated useful lives:-

	Number of years
Leasehold land	88
Buildings	50
Plant and machinery	5
Motor vehicles	5
Furniture and fixtures, office equipment, tools and equipment	3 - 5

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. The cost of raw material comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and appropriate proportion of production overheads.

Net realisable value is determined based on the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

3.9 Receivables

Receivables are carried at anticipated realisable value. All known bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the period end.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.10 Liabilities

Borrowings, trade and other payables are stated at cost.

3.11 Borrowing costs

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are expensed.

3.12 Provisions

Provisions, if any, is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

3.13 Leases

Operating lease

Assets acquired under operating lease agreements where all the risks and benefits of ownership retained by the lessor are classified as operating lease. Payments made under operating lease are charged to the income statement on a straight line basis over the period of the lease.

When the operating lease is terminated before the lease period has expired, any payment required to be made to the lessor or by way of penalty is recognised as an expense in the period in which the termination takes place.

Finance lease

Finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments, at the inception of the lease.

Assets acquired under finance lease agreements that give rights approximating ownership are capitalised in the balance sheet, as if they had been purchased outright. Outstanding obligations due under the lease agreements after deducting finance expenses are included as liabilities in the financial statements. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

These assets are depreciated in accordance with the depreciation policy of the Group.

Hire purchase transactions which have the similar criteria with the finance lease are accounted for as finance lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 Taxation and deferred taxation

Income tax on the results for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax asset and liability are accounted for using the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient future taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient future taxable profit will be available, such reductions will be reversed.

3.15 Revenue recognition

Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and it is probable that the economic benefits associated with the transactions will flow to the companies in the Group.

Rendering of management and consultancy services

Revenue from rendering of services is measured at the fair value of the consideration receivable and is recognised in the income statement when it is probable that economic benefits associated with the transactions will flow to the companies in the Group.

Other revenues

- | | |
|-------------------|---|
| Rental income | - on an accrual basis in accordance with the substance of the relevant agreement unless collectibility is in doubt. |
| Dividend income | - when the shareholder's right to receive payment is established. |
| Royalty income | - on an accrual basis in accordance with the substance of the relevant agreement unless collectibility is in doubt. |
| Interest income | - on an accrual basis (taking into account the effective yield on the assets) unless collectibility is in doubt. |
| Membership fee | - on cash receipt basis. |
| Commission income | - measured at the fair value of the consideration receivable and is recognised in the income statement when it is probable that economic benefits associated with the transactions will flow to the companies in the Group. |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.16 Foreign currencies**

The Group's foreign entities are those operations that are not an integral part of the operations of the Group. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the period and the balance sheets are translated at exchange rates ruling at the balance sheet date.

Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investment are taken to 'currency translation reserve' in shareholders' equity.

On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Foreign currency transactions are accounted for at exchange rates ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in translation of foreign currency amount are as follows:-

Foreign currency	2006	2005
1 US Dollar	RM3.6750	RM3.8000
1 Hong Kong Dollar	RM0.4732	RM0.4889
1 Singapore Dollar	N/A	RM2.2533
1 Brunei Dollar	N/A	RM2.2864

3.17 Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings in the period in which they are declared.

3.18 Impairment of assets

The carrying amount of the Group's and the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.18 Impairment of assets (Cont'd)

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed its carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

3.19 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investment, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.20 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investment that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

3.21 Employee benefits

Short term employee benefits

Wages, salaries, bonuses and social contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement. Absences such as sick leaves are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contribution for the local employees to the state pension scheme, the Employees Provident Fund ("EPF"). Overseas subsidiary company makes contribution to their respective countries' Statutory Pension Scheme. Such contributions are recognised as an expense in the income statement as incurred.

Employees' Share Option Scheme ("ESOS")

The ESOS allowed the Group's employees to acquire shares of the Company. No compensation costs or obligations is recognised. When options are exercised, equity is increased by the amount of the proceeds received, net of any transaction costs, if any.

Notes to the Financial Statements (cont'd)

- 30 June 2006

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Long-term leasehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fixtures RM	Office equipment RM	Tools and equipment RM	Capital work in progress RM	Total RM
Net carrying amounts at 1 July 2005	12,738,158	1,810,856	1,441	1,356,777	8,807,683	1,694,698	1,000,363	1,608,922	29,018,898
Additions	-	-	-	785,975	3,606,786	719,770	1,141,630	8,362,686	14,616,847
Disposals	-	-	-	(29,900)	-	(971)	-	-	(30,871)
Written off	-	-	(30)	-	(1,214)	(518)	(29,375)	-	(31,137)
Reclassification	-	-	-	(46,666)	46,666	-	-	-	-
Depreciation charge	(127,754)	(35,550)	(1,411)	(510,561)	(5,721,442)	(752,615)	(474,461)	-	(7,623,794)
Effect of exchange rate changes	-	-	-	-	(348)	(1,672)	-	-	(2,020)
Net carrying amounts at 30 June 2006	12,610,404	1,775,306	-	1,555,625	6,738,131	1,658,692	1,638,157	9,971,608	35,947,923
At 30 June 2006									
Cost	12,572,263	2,237,465	180,195	3,947,475	44,626,558	7,392,097	6,068,523	9,971,608	86,996,184
Valuation	1,164,000	-	-	-	-	-	-	-	1,164,000
Accumulated depreciation	(1,125,859)	(462,159)	(180,195)	(2,391,850)	(37,888,427)	(5,733,405)	(4,430,366)	-	(52,212,261)
Net carrying amounts	12,610,404	1,775,306	-	1,555,625	6,738,131	1,658,692	1,638,157	9,971,608	35,947,923
At 30 June 2005									
Cost	12,572,263	2,237,465	549,657	4,025,172	43,637,832	7,238,911	5,127,588	1,608,922	76,997,810
Valuation	1,164,000	-	-	-	-	-	-	-	1,164,000
Accumulated depreciation	(998,105)	(426,609)	(548,216)	(2,668,395)	(34,830,149)	(5,544,213)	(4,127,225)	-	(49,142,912)
Net carrying amounts	12,738,158	1,810,856	1,441	1,356,777	8,807,683	1,694,698	1,000,363	1,608,922	29,018,898

These notes form part of the financial statements.

These notes form part of the financial statements.

Notes to the Financial Statements

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Freehold land and buildings RM	Motor vehicles RM	Furniture and fixtures RM	Office equipment RM	Tools and equipment RM	Capital work in progress RM	Total RM
Net carrying amounts at 1 July 2005	11,853,518	-	91,233	218,902	28,418	1,608,922	13,800,993
Additions	-	-	40,253	65,524	11,550	8,362,686	8,480,013
Disposal	-	-	-	(971)	-	-	(971)
Depreciation charge	(104,474)	-	(51,977)	(94,068)	(14,046)	-	(264,565)
Net carrying amounts at 30 June 2006	11,749,044	-	79,509	189,387	25,922	9,971,608	22,015,470
At 30 June 2006							
Cost	12,572,263	106,941	1,321,809	1,473,044	402,304	9,971,608	25,847,969
Accumulated depreciation	(823,219)	(106,941)	(1,242,300)	(1,283,657)	(376,382)	-	(3,832,499)
Net carrying amounts	11,749,044	-	79,509	189,387	25,922	9,971,608	22,015,470
At 30 June 2005							
Cost	12,572,263	106,941	1,281,556	1,411,161	390,754	1,608,922	17,371,597
Accumulated depreciation	(718,745)	(106,941)	(1,190,323)	(1,192,259)	(362,336)	-	(3,570,604)
Net carrying amounts	11,853,518	-	91,233	218,902	28,418	1,608,922	13,800,993

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Included in the net carrying amounts of property, plant and equipment are:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(i) Assets carried at valuation less accumulated depreciation:				
- freehold buildings	861,360	884,640	-	-

Had these assets been carried at cost less accumulated depreciation:

- freehold buildings	258,408	265,392	-	-
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The freehold buildings were valued by independent professional valuers based on the open market value method in 1982.

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(ii) Assets pledged as securities for banking facilities (Note 16):				
- freehold land	4,629,080	4,629,080	4,629,080	4,629,080
- leasehold land and building	1,775,306	1,810,856	-	-
- capital work in progress	9,971,608	1,608,922	9,971,608	1,608,922
	16,375,994	8,048,858	14,600,688	6,238,002
(iii) Assets held under hire purchase instalment plan:				
- motor vehicles	1,233,467	845,965	-	-
(iv) Title deeds to the following land and buildings have yet to be issued by the relevant authorities:				
- freehold land and buildings	12,610,404	12,738,158	11,749,044	11,853,518
- leasehold land and buildings	1,775,306	1,810,856	-	-
	14,385,710	14,549,014	11,749,044	11,853,518

(v) Included in capital work in progress is interest expense capitalised during the financial year amounted to RM110,964 (2005: RMNil).

Notes to the Financial Statements (cont'd)

- 30 June 2006

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006 RM	2005 RM
Unquoted shares		
At valuation		
At 1 July	85,274,332	68,896,626
Additions	1,800,000	3,764,706
Revaluation surplus	14,707,000	12,613,000
At 30 June	101,781,332	85,274,332
Less: Accumulated impairment losses		
At 1 July	14,900,123	13,949,123
Additions	383,000	1,622,000
Reversal	(741,000)	(671,000)
At 30 June	(14,542,123)	(14,900,123)
Net carrying amount	87,239,209	70,374,209

The Directors revalued the investment in subsidiary companies based on their underlying net tangible assets during the financial year.

All subsidiary companies were incorporated in Malaysia except for Padini International Limited which was incorporated in Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). Details of the subsidiary companies are as follows:-

Subsidiary companies of the Company	Gross equity interest		Principal activities
	2006 %	2005 %	
Vincci Ladies' Specialties Centre Sdn. Bhd. ("Vincci")	99.69	99.69	Dealers of ladies' shoes and accessories.
Padini Corporation Sdn. Bhd. ("Padini Corporation")	100	100	Dealers of garments.
Seed Corporation Sdn. Bhd. ("Seed")	100	100	Dealers of garments and ancillary products.
Yee Fong Hung (Malaysia) Sendirian Berhad ("Yee Fong Hung")	100	100	Dealers of garments and ancillary products.
Mikihouse Children's Wear Sdn. Bhd. ("Mikihouse")	100	100	Dealers of children's garments and accessories.
Vincci Holdings Sdn. Bhd. ("Vincci Holdings")	100	100	Manufacturer of garments and ceased operation subsequent to the balance sheet date.
Padini Dot Com Sdn. Bhd. ("Padini Dot Com")	100	100	On-line shopping and commence operations to provide management services subsequent to the balance sheet date.
The New World Garment Manufacturers Sdn. Bhd. ("The New World Garment")	100	100	Dormant.
Padini International Limited *	100	100	Dealers of garments.

* Audited by other firms of auditors.

Notes to the Financial Statements (cont'd)

- 30 June 2006

6. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted				
At cost	-	1,514,989	-	1,514,989
Share of post acquisition reserves	-	(27,320)	-	-
	-	1,487,669	-	1,514,989

Represented by:

Share of net assets other than goodwill	-	1,441,722
Goodwill on acquisition	-	45,947
	-	1,487,669

There are no capital commitments or contingencies relating to the Group's interest in associated company at balance sheet date.

Included in share of post acquisition reserves are the following charges for the current financial year:

	Group	
	2006 RM	2005 RM
Amortisation of goodwill	-	12,670
Loss on disposal of partial equity interest in the associated company	-	2,554
Realisation of goodwill upon disposal	45,947	-
Realised loss on foreign exchange upon disposal	17,399	-

The associated company was incorporated in Hong Kong. Details of the associated company is as follows:

Associated company of the Company	Gross equity interest		Principal activity
	2006 %	2005 %	
Eagletex Company Limited	-	31	Dealers of garments.

On 3 March 2006, the associated company has been de-registered pursuant to Section 291 AA (9) of the Companies Ordinance in Hong Kong and the capital amounted to RM1,424,323 (HKD2,948,910) has been returned to the Company.

7. INVESTMENT

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Quoted shares in Malaysia	60,584	60,584	-	-
Less : Impairment loss	(46,805)	-	-	-
	13,779	60,584	-	-

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

7. INVESTMENT (Cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares in Malaysia	560,000	560,000	560,000	560,000
Club membership	123,750	123,750	-	-
	697,529	744,334	560,000	560,000
Market value of quoted shares	23,573	29,362		

8. INTANGIBLE ASSETS

	Group RM	Company RM
Trademarks		
Net carrying amounts at 1 July 2005	1,617,781	53,758
Additions	98,968	8,760
Amortisation charge	(469,143)	(12,816)
Net carrying amounts at 30 June 2006	1,247,606	49,702
At 30 June 2006		
Cost	2,388,562	68,519
Accumulated amortisation	(1,140,956)	(18,817)
Net carrying amounts	1,247,606	49,702
At 30 June 2005		
Cost	2,289,593	59,759
Accumulated amortisation	(671,812)	(6,001)
Net carrying amounts	1,617,781	53,758

9. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2006 RM	2005 RM
Deferred taxation		
At 1 July	853,837	197,300
Recognised in equity	-	67,417
Recognised in the income statement (Note 12)	(276,539)	589,142
Effect of exchange rate changes	383	(22)
At 30 June	577,681	853,837

Notes to the Financial Statements (cont'd)

- 30 June 2006

9. DEFERRED TAXATION (Cont'd)

	Group 2006 RM	2005 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	585,755	865,767
Deferred tax liabilities	(8,074)	(11,930)
	577,681	853,837

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

Group	Balance at 1.7.2005 RM	Recognised in the income statement RM	Effect of exchange rate changes RM	Balance at 30.6.2006 RM
Deferred tax assets				
Surplus on revaluation	(127,761)	4,563	-	(123,198)
Depreciation claimed in excess of capital allowances	621,700	47,600	-	669,300
Unused capital allowances	49,000	(200)	-	48,800
Unused tax losses	258,300	(252,900)	-	5,400
Other temporary differences	64,528	(79,075)	-	(14,547)
	865,767	(280,012)	-	585,755
Deferred tax liabilities				
Capital allowances claimed in excess of depreciation	(11,930)	3,473	383	(8,074)
	853,837	(276,539)	383	577,681

Deferred tax assets of the companies in the Group are only recognised to the extent where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The balance of deferred tax assets have not been recognised as it is not probable that sufficient future taxable profits will be available to offset against the following unrecognised deferred tax assets of these companies concerned.

Deferred tax assets have not been recognised in respect of the following:

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Surplus on revaluation	(123,198)	(127,761)	-	-
Temporary differences between accounting depreciation and related capital allowances	642,400	608,700	(47,000)	3,000
Unused capital allowances	493,800	677,000	332,000	250,000
Unused tax losses	2,200,400	2,496,300	-	-
Other temporary differences	(14,547)	64,528	-	-
	3,198,855	3,718,767	285,000	253,000
Less: Recognised as deferred tax assets	(585,755)	(865,767)	-	-
	2,613,100	2,853,000	285,000	253,000

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

10. INVENTORIES

	Group	
At cost	2006 RM	2005 RM
Raw materials	733,775	891,998
Completed garments, shoes and accessories	49,853,467	39,121,032
Food and beverage	14,580	66,319
	<u>50,601,822</u>	<u>40,079,349</u>
At net realisable value		
Raw materials	795,060	1,236,755
Completed garments, shoes and accessories	-	584,541
	<u>51,396,882</u>	<u>41,900,645</u>

11. RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	12,278,936	12,417,057	-	-
Less: Allowance for doubtful debts	(271,523)	-	-	-
	<u>12,007,413</u>	<u>12,417,057</u>	<u>-</u>	<u>-</u>
Other receivables and prepayment	733,035	129,945	631,760	49,240
Deposits				
- business premises	8,579,021	7,234,835	-	-
- others	902,674	368,606	704,359	53,162
Due from subsidiary companies - non-trade	-	-	17,345,181	12,802,411
	<u>22,222,143</u>	<u>20,150,443</u>	<u>18,681,300</u>	<u>12,904,813</u>

The currency exposure profile of receivables is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	17,784,008	17,705,728	18,189,025	12,197,339
United State Dollar	1,306,707	1,077,240	492,275	707,474
Hong Kong Dollar	3,131,428	1,367,475	-	-
	<u>22,222,143</u>	<u>20,150,443</u>	<u>18,681,300</u>	<u>12,904,813</u>

- (i) Included in trade receivable of the Group is advance payment made to suppliers amounted to RM898,163 (2005: Nil).
- (ii) Included in deposits is a balance of RM472,520 (2005: RMNil), representing deposits paid for the proposed acquisition of industrial land as disclosed in Note 33(b).
- (iii) The amount due from subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

12. TAXATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Net tax (liabilities)/assets at 1 July	(1,126,550)	1,304,274	1,229,611	899,832
Taxation charge for the financial year	(11,502,570)	(7,978,433)	(5,087,043)	(1,972,661)
Effect of exchange rate changes	12,013	(365)	-	-
Payment made during the financial year	11,637,439	5,547,974	5,025,300	2,302,440
Refund received during the financial year	(1,891,349)	-	(1,142,528)	-
Net tax (liabilities)/ assets at 30 June	(2,871,017)	(1,126,550)	25,340	1,229,611
Disclosed as:-				
Tax assets	38,212	1,466,117	25,340	1,229,611
Tax liabilities	(2,909,229)	(2,592,667)	-	-
	(2,871,017)	(1,126,550)	25,340	1,229,611

The taxation expenses comprise:

Malaysian taxation

- Based on results for the financial year	11,289,141	7,673,831	5,087,043	2,282,280
- Adjustment in respect of prior years	(96,032)	50,202	-	(309,619)
- Penalty	-	56,575	-	-

Hong Kong taxation

	309,461	197,825	-	-
	11,502,570	7,978,433	5,087,043	1,972,661

Deferred taxation (Note 9)

- Based on results for the financial year				
- Malaysian taxation	(3,988)	(218,750)	-	-
- Hong Kong taxation	(3,473)	11,908	-	-
- Adjustment in respect of prior years	284,000	(382,300)	-	-
	276,539	(589,142)	-	-
	11,779,109	7,389,291	5,087,043	1,972,661

Tax savings arising from utilisation of unused capital allowances and tax losses of the Group and the Company amounted to RM404,792 (2005 : RM179,409) and RM Nil (2005 : RM9,161) respectively.

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements (cont'd)

- 30 June 2006

12. TAXATION (Cont'd)

(i) Group's reconciliation of tax expense with accounting profit:

	2006 RM	2005 RM
Profit before taxation	39,560,747	25,573,312
Tax at the current income tax rate	11,077,009	7,160,527
Tax at different statutory income tax rate of certain subsidiary companies	(259,564)	(222,657)
Tax effects in respect of:		
- Depreciation of non-qualifying property, plant and equipment	1,142,557	1,176,863
- Tax savings from utilisation of unused capital allowances and tax losses	(307,373)	(49,409)
- Non-allowable expenses	407,398	292,918
- Non-taxable income	(501,664)	(161,208)
- Profit on disposal of property, plant and equipment not subject to income tax	(22,964)	(565,698)
- Deferred tax assets not recognised	60,305	38,443
- Crystallisation of deferred tax liability on revaluation surplus	(4,563)	(4,563)
Adjustment in respect of prior years		
- Income tax	(96,032)	50,202
- Deferred tax	284,000	(382,300)
Penalty	-	56,575
Others	-	(402)
	11,779,109	7,389,291

(ii) Company's reconciliation of tax expense with accounting profit:

	2006 RM	2005 RM
Profit before taxation	18,116,914	6,994,960
Tax at the current income tax rate	5,072,736	1,958,589
Tax effects in respect of:		
- Impairment loss on investment in subsidiary companies		
- additions	107,240	454,160
- reversal	(207,480)	(187,880)
- Depreciation of non-qualifying property, plant and equipment	41,998	50,675
- Non-allowable expenses	55,445	62,744
- Tax savings from utilisation of unused capital allowances	-	(9,161)
- Non-taxable income	(14,840)	(15,849)
- Deferred tax assets/(liabilities) not recognised	31,944	(30,998)
Adjustment in respect of prior years (Income tax)	-	(309,619)
	5,087,043	1,972,661

Notes to the Financial Statements (cont'd)

- 30 June 2006

12. TAXATION (Cont'd)

(iii) The Group and the Company have the following which can be used to offset against future taxable profits:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unused capital allowances	1,837,000	2,491,000	1,187,800	896,000
Unused tax losses	7,840,000	9,290,000	-	-
	<u>9,677,000</u>	<u>11,781,000</u>	<u>1,187,800</u>	<u>896,000</u>

The unused tax losses and capital allowances are available to offset against future taxable profits of the companies in the Group in which those items arose. Deferred tax assets have not been recognised in respect of these items because it is not probable that these companies have sufficient profit in future in order to utilise the unused tax losses and capital allowances and they have arisen in companies that have a recent history of losses.

13. SHORT TERM INVESTMENT

	Group	
	2006 RM	2005 RM
At market value		
Investment in unit trusts, in Malaysia	<u>30,900,958</u>	<u>18,017,764</u>

14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with licensed banks	30,020	24,000	-	-
Cash and bank balances	13,533,435	15,297,691	570,698	659,784
	<u>13,563,455</u>	<u>15,321,691</u>	<u>570,698</u>	<u>659,784</u>

The fixed deposits with licensed banks are pledged for banking facilities.

The currency exposure profile of deposits, cash and bank balances is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	11,477,279	12,776,106	570,698	659,784
Hong Kong Dollar	2,086,176	2,545,585	-	-
	<u>13,563,455</u>	<u>15,321,691</u>	<u>570,698</u>	<u>659,784</u>

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

15. PAYABLES

	Group		Company	
	As restated		As restated	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade payables	19,828,132	20,440,099	-	-
Other payables and accruals	2,677,124	3,549,226	459,456	839,903
Due to subsidiary companies - non-trade	-	-	-	129,980
Dividend payable	4,583,801	2,246,964	4,583,801	2,246,964
	<u>27,089,057</u>	<u>26,236,289</u>	<u>5,043,257</u>	<u>3,216,847</u>

The currency exposure profile of payables is as follows:

	Group		Company	
	As restated		As restated	
	2006	2005	2006	2005
	RM	RM	RM	RM
Ringgit Malaysia	25,841,189	24,767,262	5,043,257	3,216,847
United State Dollar	699,024	1,217,492	-	-
Hong Kong Dollar	548,844	251,535	-	-
	<u>27,089,057</u>	<u>26,236,289</u>	<u>5,043,257</u>	<u>3,216,847</u>

Included in trade payables of the Group is advance payment received from customers against confirmed purchase orders amounted to RM968,115 (2005: RM1,217,492).

The amount due to subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

16. BORROWINGS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Current				
Secured				
Hire purchase obligations	355,117	299,928	-	-
Term loan	1,075,000	-	1,075,000	-
Unsecured				
Bankers' acceptance	627,000	1,998,000	-	-
	<u>2,057,117</u>	<u>2,297,928</u>	<u>1,075,000</u>	<u>-</u>
Non-current, secured				
Hire purchase obligations	273,098	197,598	-	-
Term loan	4,957,620	-	4,957,620	-
	<u>5,230,718</u>	<u>197,598</u>	<u>4,957,620</u>	<u>-</u>
	<u>7,287,835</u>	<u>2,495,526</u>	<u>6,032,620</u>	<u>-</u>

(i) The term loan is secured against certain property, plant and equipment of the Group as disclosed in Note 4 (ii).

Notes to the Financial Statements (cont'd)

- 30 June 2006

16. BORROWINGS (Cont'd)

(ii) Interests are charged as follows:

- Bank overdrafts - Nil (2005: 7.75% to 8.00%) per annum.
- Bankers' acceptance - Ranging from 3.50% to 4.35% (2005: 3.50% to 4.38%) per annum.
- Hire purchase - Implicit interest rate ranging from 4.38% to 6.05% (2005: 6.05% to 11.30%) per annum.
- Term loan - Ranging from 3.32% to 4.27% (2005: Nil) per annum.

(iii) Hire purchase obligations

	Group	
	2006	2005
	RM	RM
Minimum lease payments		
- not later than 1 year	376,588	323,718
- later than 1 year and not later than 5 years	284,053	202,673
	<u>660,641</u>	<u>526,391</u>
Less : Unexpired finance charges	(32,426)	(28,865)
	<u>628,215</u>	<u>497,526</u>
Present value of hire purchase obligations		
Payable as follows:		
- not later than 1 year	355,117	299,928
- later than 1 year and not later than 5 years	273,098	197,598
	<u>628,215</u>	<u>497,526</u>

(iv) The term loan at the end of the financial year is repayable as follows:

	Group/Company	
	2006	2005
	RM	RM
Not later than 1 year	1,075,000	-
Between 1 to 2 years	1,175,000	-
Between 2 to 5 years	3,782,620	-
	<u>6,032,620</u>	<u>-</u>

17. SHARE CAPITAL

Group/Company	2006	2005	2006	2005
	No. of shares	No. of shares	RM	RM
Authorised:				
Ordinary shares of RM1 each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

17. SHARE CAPITAL (Cont'd)

Group/Company	2006 No. of shares	2005 No. of shares	2006 RM	2005 RM
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 July	62,414,600	61,812,600	62,414,600	61,812,600
Share options exercised				
At RM1.06 per share	754,200	529,200	754,200	529,200
At RM1.26 per share	113,500	70,200	113,500	70,200
At RM2.31 per share	131,800	2,600	131,800	2,600
At RM1.85 per share	171,400	-	171,400	-
	1,170,900	602,000	1,170,900	602,000
At 30 June	63,585,500	62,414,600	63,585,500	62,414,600

During the financial year, the Company increased its issued and paid-up share capital from RM62,414,600 to RM63,585,500 by the issuance and allotment of 1,170,900 new ordinary shares of RM1.00 each for cash under the Company's Employees' Share Option Scheme ("ESOS").

Employees' Share Option Scheme

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 16 September 2002. It became effective on 3 October 2002 for a period of 5 years.

The main features of the ESOS are:

- The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.
- Eligible employees are those who have been confirmed in writing as an employee of the Group for at least three (3) years of continuous services at the date of the offer or an eligible director is a full-time executive director of the Group. Where a foreign employee is serving the Group under an employment contract, the contract shall be for a duration of at least five (5) years.
- The option price shall be set at a discount of not more than 10% from the weighted average market price of the Company for the five (5) market days immediately preceding the date of offer or the par value of the shares of the Company of RM1.00 each, whichever is higher.
- An option granted under ESOS shall be capable of being exercised by the grantee by notice in writing to the Company during the year commencing from the date of the offer and expiring on 2 October 2007. The options granted was exercisable by the grantee in multiples of 1,000 shares until 27 August 2003 whereby the ESOS Bye-Laws was amended to allow employees to exercise their granted option in multiple of 100 shares in the following manners:

Maximum percentage of new shares comprise in all options granted to the grantee which may be subscribed for within each particular year of the scheme					
No. of lots allotted (in multiples of 100 shares)	Year 1	Year 2	Year 3	Year 4	Year 5
1 - 19	100%	-	-	-	-
20 - 39	50%	50%	-	-	-
40 - 99	25%	25%	25%	25%	-
100 and above	20%	20%	20%	20%	20%

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

17. SHARE CAPITAL (Cont'd)

Employees' Share Option Scheme (Cont'd)

- (e) Options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the ESOS.
- (f) All the new ordinary shares issued arising from ESOS rank pari-passu in all respects with the existing ordinary shares of the Company.
- (g) The grantees have no right to participate, by virtue of these options, in any share issue of any other company within the Group.

The movements in the options to take up unissued new ordinary shares of RM1.00 each and the option prices at which the employees were entitled to exercise their options during the financial year ended 30 June 2006 were as follows:-

Date of offer	Option price RM	Balance at 1.7.2005	Granted	Exercised	Lapsed*	Balance at 30.6.2006
10.10.2002	1.06	1,455,800	-	(743,200)	(22,300)	690,300
15.10.2002	1.06	15,500	-	(11,000)	(4,500)	-
08.08.2003	1.26	196,750	-	(113,500)	(14,850)	68,400
04.10.2004	2.31	868,900	-	(131,800)	(69,000)	668,100
10.10.2005	1.85	-	777,000	(171,400)	(171,000)	434,600
		2,536,950	777,000	(1,170,900)	(281,650)	1,861,400

* Due to resignation or offers not taken up.

The fair values of shares of the Company at the exercise dates ranges from RM1.65 to RM3.14 per share (2005: RM1.90 to RM2.96). The total fair value at exercise date of shares issued is RM2,957,758 (2005: RM1,355,215).

18. RESERVES

	Group As restated		Company As restated	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable				
Share premium	1,195,542	802,432	1,195,542	802,432
Revaluation reserve	-	-	46,208,588	31,501,588
Currency translation reserves	(101,173)	5,612	-	-
	1,094,369	808,044	47,404,130	32,304,020
Distributable				
Retained profits	54,165,814	35,549,243	7,076,212	3,162,690
	55,260,183	36,357,287	54,480,342	35,466,710

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of its entire distributable reserves as at 30 June 2006.

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

19. NEGATIVE GOODWILL ON CONSOLIDATION

	Group RM
Net carrying amount as at 1 July 2005	206,914
Amortisation charge	(51,728)
Net carrying amount as at 30 June 2006	<u>155,186</u>
	2006 2005
Represented by:	RM RM
Cost	258,642 258,642
Accumulated amortisation	(103,456) (51,728)
Net carrying amount	<u>155,186 206,914</u>

20. REVENUE

	Group	Company
	2006 2005	2006 2005
	RM RM	RM RM
Commission income	1,200,601 -	- -
Dividend income	- -	17,947,500 8,223,000
Sale of goods	284,906,223 243,263,163	- -
Rendering of management services	- -	70,000 70,000
	<u>286,106,824 243,263,163</u>	<u>18,017,500 8,293,000</u>

21. PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at profit from operations:

	Group	Company
	2006 2005	2006 2005
	RM RM	RM RM
Auditors' remuneration		
- statutory audit	116,889 119,389	25,000 25,000
- tax services	2,400 2,200	1,800 1,500
Allowance for doubtful debts	271,523 -	- -
Amortisation of intangible assets	469,143 395,186	12,816 6,001
Amortisation of negative goodwill on consolidation	(51,728) (51,728)	- -
Bad debts written off	2,939 -	- -
Depreciation of property, plant and equipment	7,623,794 8,510,146	264,565 321,904

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

21. PROFIT FROM OPERATIONS (Cont'd)

The following items have been charged/(credited) in arriving at profit from operations (Cont'd):

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors' remuneration (Note 22)	2,619,087	2,262,954	100,000	100,000
Impairment loss on investment	46,805	-	-	-
Impairment loss on investment in subsidiary companies				
- additions	-	-	383,000	1,622,000
- reversal	-	-	(741,000)	(671,000)
Interest income	(761,420)	(124,732)	(16,038)	-
Inventories written down to net realisable value	295,429	599,166	-	-
Loss on disposal of associated company	-	-	90,666	-
Profit on disposal of property, plant and equipment	(243,468)	(2,064,776)	(1,818)	(70,000)
Property, plant and equipment written off	31,137	-	-	-
Rental income	(79,199)	(95,374)	(678,816)	(678,816)
Rental of equipment	82,510	59,442	-	-
Rental of premises	23,856,980	22,906,824	-	-
Realised (gain)/loss on foreign exchange	(379,890)	6,970	-	-
Royalty income	(1,410,259)	(1,254,180)	-	-
Staff costs				
- Salaries, allowance and bonus	38,485,007	34,902,846	91,153	61,272
- Employees Provident Fund	4,395,507	3,993,957	10,933	7,323
- Other employee benefits	1,381,401	1,254,928	16,483	18,962
Unrealised gain on foreign exchange	(50,566)	-	-	-

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

22. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company				
- Present				
- fees	100,000	100,000	100,000	100,000
- other emoluments	2,276,642	1,572,480	-	-
- Past				
- other emoluments	-	364,000	-	-
Director of the subsidiary companies				
- Present				
- other emoluments	125,440	226,474	-	-
- Past				
- other emoluments	117,005	-	-	-
	<u>2,619,087</u>	<u>2,262,954</u>	<u>100,000</u>	<u>100,000</u>

The estimated monetary value of other benefits not included in the above received by the Directors of the Group and the Company were RM159,671 (2005: RM165,160) and RM Nil (2005: RM Nil) respectively.

The Directors' remuneration were received or receivable by the following Directors:-

Directors of the Company

Datuk Dr. Abdullah bin Abdul Rahman

Yong Pang Chaun

Dato' Zulkifli bin Abdul Rahman

Yong Lai Wah

Chong Chin Lin

Chan Kwai Heng

Sahid bin Mohamed Yasin

Cheong Chung Yet

Director of the subsidiary company

Yong Lai Ang

Past Director of the subsidiary company

Low An Khong

Notes to the Financial Statements (cont'd)

- 30 June 2006

22. DIRECTORS' REMUNERATION (Cont'd)

Group	Executive 2006 RM	Non- executive 2006 RM	Executive 2005 RM	Non- executive 2005 RM
Directors of the Company				
Fees	-	100,000	-	100,000
Other emoluments				
- Salaries and allowances	1,629,794	-	1,296,000	-
- Bonus	414,000	-	108,000	-
- Employees Provident Fund	232,848	-	168,480	-
- Estimated value of benefits in kind	142,950	-	118,142	-
	<u>2,419,592</u>	<u>100,000</u>	<u>1,690,622</u>	<u>100,000</u>
Past Director of the Company				
Other emoluments				
- Salaries	-	-	300,000	-
- Bonus	-	-	25,000	-
- Employees Provident Fund	-	-	39,000	-
- Estimated value of benefits in kind	-	-	34,550	-
	<u>-</u>	<u>-</u>	<u>398,550</u>	<u>-</u>
Company				
Directors of the Company				
Fees	-	100,000	-	100,000
Other emoluments				
- Estimated value of benefits in kind-	-	-	-	-
	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>

23. FINANCE COSTS

	Group	
	2006 RM	2005 RM
Interests on:		
- Hire purchase and finance lease obligations	31,166	46,665
- Bank overdrafts	-	2,402
- Bankers' acceptance and trust receipts	90,331	242,612
- Others	50,746	18,706
	<u>172,243</u>	<u>310,385</u>

24. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share of the Group for the financial year is calculated based on the net profit attributable to shareholders divided by the weighted average number of ordinary shares in issue:

	Group	
	2006	2005
	RM	RM
Net profit attributable to shareholders	27,732,335	18,079,271
	Number of ordinary shares	
Weighted average number of ordinary shares in issue	62,879,656	62,126,661
Earnings per share (sen)	44.1	29.1

(ii) Diluted earnings per share

The diluted earnings per share of the Group for the financial year is calculated based on the net profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares.

The weighted average number of ordinary shares is adjusted to assume the conversion of all dilutive potential shares, namely share options granted under the Company's ESOS scheme and is arrived as follows:-

	Group	
	2006	2005
	RM	RM
Net profit attributable to shareholders	27,732,335	18,079,271
	Number of ordinary shares	
Weighted average number of ordinary shares in issue	62,879,656	62,126,661
Weighted average number of ordinary shares under ESOS	1,739,950	2,757,850
Weighted average number of ordinary shares that would have been issued at fair value	(1,212,094)	(1,745,633)
Adjusted weighted average number of ordinary shares in issue	63,407,512	63,138,878
Diluted earnings per share (sen)	43.7	28.6

Notes to the Financial Statements (cont'd)

- 30 June 2006

25. DIVIDENDS

The dividends paid and payable by the Company since 30 June 2005 were as follows:-

RM

In respect of the financial year ended 30 June 2005, as shown in the
Directors' report of the previous financial year

Special interim dividend of 5% less tax, paid on 23 August 2005	2,246,964
Final dividend of 5% less tax, paid on 13 March 2006	<u>2,269,352</u>

In respect of the financial year ended 30 June 2006

First interim dividend of 5% less tax, paid on 15 February 2006	2,263,196
Second interim dividend of 5% less tax, paid on 18 July 2006	2,288,954
Special interim dividend of 5% less tax, paid on 6 October 2006	<u>2,294,847</u>

The Directors recommend a final dividend in respect of the current financial year of 5 sen per share, less income tax at 28%, subject to the approval of members at the forthcoming Annual General Meeting.

26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Additions to property, plant and equipment	14,616,847	8,227,877	8,480,013	1,769,754
Financed by hire purchase	(487,000)	-	-	-
Interest expense capitalised	(110,964)	-	(110,964)	-
	<u>14,018,883</u>	<u>8,227,877</u>	<u>8,369,049</u>	<u>1,769,754</u>

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Represented by:				
Deposits, cash and bank balances	13,563,455	15,321,691	570,698	659,784
Short term investment	30,900,958	18,017,764	-	-
	<u>44,464,413</u>	<u>33,339,455</u>	<u>570,698</u>	<u>659,784</u>

These notes form part of the financial statements.

28. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosure mentioned elsewhere in the financial statements, the related party relationships and significant transactions are set out as follows:

(i) Related party relationships

Related parties are parties in which one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company has related party relationships with the following:-

(a) Subsidiary companies of the Company as disclosed in Note 5.

(b) Associated company of the Company as disclosed in Note 6.

(c) Substantial shareholder of the Company

Yong Pang Chaun Holdings Sdn. Bhd. ("YPC"), a shareholder of the Company which holds 42.46% equity interest in the Company where the Directors of the Company, Messrs. Yong Pang Chaun, Chong Chin Lin and Yong Lai Wah have substantial financial interests. Yong Pang Chaun and Chong Chin Lin are also the directors of YPC.

(d) A company in which a Director has indirect financial interest

Dat Hin Garment Manufacturing Sdn. Bhd. ("Dat Hin"), a company where the Director of the Company, Mdm. Yong Lai Wah has indirect financial interest.

(ii) Significant related party transactions

In the normal course of business, the Company undertakes on agreed terms and prices, the following transactions with its related parties as follows:-

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Transactions entered into with subsidiary companies				
Dividend income received from				
- Vincci	-	-	8,827,500	2,311,200
- Padini Corporation	-	-	4,870,000	1,753,200
- Seed	-	-	4,250,000	1,836,000
Management fee received from				
- Vincci	-	-	17,500	17,500
- Padini Corporation	-	-	17,500	17,500
- Seed	-	-	17,500	17,500
- Yee Fong Hung	-	-	8,750	8,750
- Mikihouse	-	-	8,750	8,750

Notes to the Financial Statements (cont'd)

- 30 June 2006

28. SIGNIFICANT RELATED PARTY DISCLOSURES (Cont'd)

(ii) Significant related party transactions (Cont'd)

In the normal course of business, the Company undertakes on agreed terms and prices, the following transactions with its related parties as follows:-

	Group		Company	
	2006	2005	2006	2005
Transactions entered into with subsidiary companies	RM	RM	RM	RM
Rental income received from				
- Vincci	-	-	169,704	169,704
- Padini Corporation	-	-	169,704	169,704
- Seed	-	-	169,704	169,704
- Yee Fong Hung	-	-	84,852	84,852
- Mikihouse	-	-	84,852	84,852
Subscription of shares in				
- Mikihouse	-	-	-	2,000,000
- The New World Garment	-	-	-	300,000
- Padini Dot Com	-	-	1,800,000	-
Advance to				
- Padini Corporation	-	-	3,850,000	-
- Yee Fong Hung	-	-	400,000	-
- Mikihouse	-	-	3,450,000	760,000
- Padini Dot Com	-	-	400,000	-
Repayment of advance from				
- Mikihouse	-	-	350,000	-
Rental paid to				
- Yee Fong Hung	-	-	15,900	-
Transactions entered into with related parties				
Dividend paid to YPC	2,916,043	1,944,029	2,916,043	1,944,029
Sale of goods to Dat Hin	21,406	-	-	-
Purchase of goods from Dat Hin	11,530	2,970	-	-

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

29. COMMITMENTS

(i) Capital commitment

Capital commitments at the end of the financial year are as follows:

	Group/Company	
	2006	2005
	RM	RM
Contracted but not provided for		
- Capital expenditure in relation to property, plant and equipment	6,632,188	8,463,000

(ii) Non-cancellable lease commitment

As at the end of the financial year, non-cancellable long-term lease commitments pertaining to the Group in respect of rental of premises are as follows:-

	Group	
	2006	2005
	RM	RM
Years ending 30 June		
2006	-	24,218,646
2007	24,951,790	16,021,992
2008	18,695,221	7,136,452
2009	9,095,380	1,654,801
2010	3,886,110	-
2011	519,168	-
	57,147,669	49,031,891

30. CONTINGENT LIABILITIES

(i) Corporate guarantee

	Company	
	2006	2005
	RM	RM
Secured		
Freehold land and building pledged to bank for banking facilities		
- Facility approved	7,200,000	7,200,000
- Amount utilised	6,782,620	2,109,014
Unsecured		
Corporate guarantee to banks and financial institutions for banking facilities granted to certain subsidiary companies		
- In Ringgit Malaysia	47,254,000	36,354,448
- In United State Dollar	6,000,000	-
Amount utilised		
- In Ringgit Malaysia	627,000	2,381,501

- (ii) A letter of guarantee and indemnity was issued by the Company to the landlord of a subsidiary company pertaining to its non-cancellable lease commitment of RM9,345,024.

31. FINANCIAL INSTRUMENTS

(i) Credit risk

Receivables

The Group's normal trade receivables credit period ranging from 2 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group is exposed to a significant concentration of credit risk, Aeon Co. (M) Berhad, whose outstanding balance owing to the Group as at 30 June 2006 represents approximately 14.55% of the net trade receivables.

Payables

The normal trade credit period granted to the Group ranging from 30 to 90 days or such other period as negotiated with the suppliers.

(ii) Interest rate risk

	Effective interest yield	Maturity period
Short term investment	4%	No fixed terms
Fixed deposits with licensed banks	3.3 - 3.7%	365 days

(iii) Fair values

The following methods and assumptions are used to determine the fair value of each of the financial assets or liabilities for which it is practicable to estimate their values:

Cash and cash equivalents, other receivables, other payables and short term borrowings

The carrying amounts of these amounts approximate their fair values due to their short term nature.

Investment

The fair value of quoted shares is its market value at the balance sheet date as disclosed in Note 7.

Short term investment

The fair value of unit trusts is its market value at the balance sheet date as disclosed in Note 13.

Investment in subsidiary companies

Investment in subsidiary companies is valued by the Directors based on their underlying net tangible assets.

Trade receivables and payables

The carrying values of these amounts approximate their fair values because these are subject to normal trade credit terms and their short term nature.

Amount due from/ (to) subsidiary companies

No disclosure of fair value is made for amount due from/(to) subsidiary companies as it is not practicable to determine its fair values with sufficient reliability given these balances have no fixed terms of repayment. However, the Directors do not anticipate the carrying value recorded at the balance sheet date to be significantly different from the amount which would eventually be settled as disclosed in Note 11 and Note 15 respectively.

Borrowings

The fair value of long-term borrowings is estimated based on the current rates available for borrowings with the similar maturity profile. The carrying amount of the long-term borrowings at balance sheet date approximates their fair values.

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

32. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical segment. The segment operates in two principal geographical areas, Malaysia and Hong Kong.

Primary reporting format-geographical segments by location of assets

Group 2006	Malaysia RM	Hong Kong RM	Elimination RM	Consolidated RM
Revenue				
Revenue from external customers	277,267,877	8,838,947	-	286,106,824
Inter-segment revenue	1,667,576	13,017	(1,680,593)	-
	<u>278,935,453</u>	<u>8,851,964</u>	<u>(1,680,593)</u>	<u>286,106,824</u>
Results				
Segment results	37,973,759	1,822,577	-	39,796,336
Finance cost				(172,243)
Share of results of associated company	-	(63,346)	-	(63,346)
Taxation				(11,779,109)
Minority interest				(49,303)
Net profit for the financial year				<u>27,732,335</u>
Assets				
Segment assets	150,229,167	5,747,329	-	<u>155,976,496</u>
Liabilities				
Segment liabilities	20,898,491	1,606,764	-	22,505,255
Borrowings				7,287,835
Others				155,186
Total segment liabilities				<u>29,948,276</u>
Others				
Capital expenditure	14,615,593	1,254	-	14,616,847
Non-cash items				
Allowance for doubtful debts	271,523	-	-	271,523
Amortisation of intangible assets	469,143	-	-	469,143
Amortisation of negative goodwill	(51,728)	-	-	(51,728)
Bad debts written off	2,939	-	-	2,939
Depreciation of property, plant and equipment	7,601,119	22,675	-	7,623,794
Impairment loss on investment	46,805	-	-	46,805
Inventories written down to net realisable value	295,429	-	-	295,429
Profit on disposal of property, plant and equipment	(243,468)	-	-	(243,468)
Property, plant and equipment written off	31,137	-	-	31,137
Unrealised gain on foreign exchange	(50,566)	-	-	(50,566)

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

32. SEGMENTAL INFORMATION (Cont'd)

Primary reporting format-geographical segments by location of assets (Cont'd)

Group 2005	Malaysia RM	Hong Kong RM	Elimination RM	Consolidated RM
Revenue				
Revenue from external customers	236,285,758	6,977,405	-	243,263,163
Inter-segment revenue	1,817,221	34,413	(1,851,634)	-
	<u>238,102,979</u>	<u>7,011,818</u>	<u>(1,851,634)</u>	<u>243,263,163</u>
Results				
Segment results	24,920,772	990,830	-	25,911,602
Finance cost				(310,385)
Share of results of associated company	-	(27,905)	-	(27,905)
Taxation				(7,389,291)
Minority interest				(104,750)
Net profit for the financial year				<u>18,079,271</u>
Assets				
Segment assets	124,248,612	4,010,613	-	<u>128,259,225</u>
Liabilities				
Segment liabilities	22,646,977	1,342,348	-	23,989,325
Borrowings				2,495,526
Others				206,914
Total segment liabilities				<u>26,691,765</u>
Others				
Capital expenditure	8,196,819	31,058	-	8,227,877
Non-cash items				
Amortisation of intangible asset	395,186	-	-	395,186
Amortisation of negative goodwill	(51,728)	-	-	(51,728)
Depreciation of property, plant and equipment	8,493,628	16,518	-	8,510,146
Inventories written down to net realisable value	599,166	-	-	599,166
Profit on disposal of property, plant and equipment	<u>(2,064,776)</u>	<u>-</u>	<u>-</u>	<u>(2,064,776)</u>

Segment revenue and results include transfer between geographical segments. Such transfers are accounted for at agreed terms and prices. These transfers are eliminated on consolidation.

These notes form part of the financial statements.

Notes to the Financial Statements (cont'd)

- 30 June 2006

32. SEGMENTAL INFORMATION (Cont'd)

Secondary reporting format-geographical segment by location of customers

	2006 RM	Group 2005 RM
Revenue		
Malaysia	244,382,079	217,030,113
Other Asia Pacific countries	16,624,972	12,792,983
Middle East countries	25,099,773	13,440,067
	<u>286,106,824</u>	<u>243,263,163</u>

The Group operates principally in retail industry and therefore information by business segments is not applicable.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- On 3 March 2006, the associated company has been de-registered pursuant to Section 291 AA (9) of the Companies Ordinance in Hong Kong and the capital amounted to RM1,424,323 (HKD2,948,910) has been returned to the Company.
- On 24 March 2006, the Company entered into a Sale and Purchase Agreement ("SAP") to purchase a piece of industrial land for a total cash consideration of RM4,725,200.

The completion of the proposed acquisition is dependent upon the fulfilment of certain terms and conditions in the SAP.

34. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise indicated.

35. PRIOR YEAR ADJUSTMENT

Interim dividend declared during the financial year ended 30 June 2005, paid on 23 August 2005, as disclosed in Note 25 but not appropriated from the retained earnings as dividend payable is now restated.

Balance Sheet 2005	Group		Company	
	As previously reported RM	As restated RM	As previously reported RM	As restated RM
Payables	23,989,325	26,236,289	969,883	3,216,847
Reserves	38,604,251	36,357,287	37,713,674	35,466,710
Statement of changes in equity				
For the financial year ended 30 June 2005				
Dividend				
- interim	2,242,424	4,489,388	2,242,424	4,489,388

The restatement has no impact to the net profit attributable to the shareholders.

These notes form part of the financial statements.

Recurrent Related Party Transactions

of a Revenue or Trading Nature

Recurrent related party transactions of a revenue nature conducted pursuant to the shareholders' mandate during the financial year ended 30 June 2006 are as set out below:

Company in the Padini Group Involved	Interested Related Party	Related Party	Relationship	Nature of Transaction	Value approved in the Circular (RM)	Aggregate value of transactions (RM)
Padini Holdings Berhad ("Padini")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies Specialties' Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Rental from VL	169,704	169,704
Padini Holdings Berhad ("Padini")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies Specialties' Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Management Fees from VL	17,500	17,500

Recurrent Related Party Transactions (cont'd)

of a Revenue or Trading Nature

Company in the Padini Group Involved	Interested Related Party	Related Party	Relationship	Nature of Transaction	Value approved in the Circular (RM)	Aggregate value of transactions (RM)
Padini Corporation Sdn Bhd ("PC")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies Specialties' Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Rental of 2 adjoining retail outlets located at Sungei Wang Plaza (1,455 sq. ft.) by VL	785,700	611,100
Seed Corporation Sdn Bhd ("SC")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies Specialties' Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Purchases from SC	15,000	13

Recurrent Related Party Transactions (cont'd)

of a Revenue or Trading Nature

Company in the Padini Group Involved	Interested Related Party	Related Party	Relationship	Nature of Transaction	Value approved in the Circular (RM)	Aggregate value of transactions (RM)
Padini Corporation Sdn Bhd ("PC")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies Specialties' Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Purchases from PC	15,000	-
Padini Corporation Sdn Bhd ("PC")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Dat Hin Garment Manufacturing Sdn Bhd ("Dat Hin")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Sales to Dat Hin Purchases from Dat Hin	60,000 150,000	21,406 11,530

Recurrent Related Party Transactions of a Revenue or Trading Nature

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Recurrent Related Party Transactions (cont'd)

of a Revenue or Trading Nature

Company in the Padini Group Involved	Interested Related Party	Related Party	Relationship	Nature of Transaction	Value approved in the Circular (RM)	Aggregate value of transactions (RM)
Yee Fong Hung (M) Sdn Bhd ("YFH")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies' Specialties Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Financial Assistance to YFH	2,000,000	-
Seed Corporation Sdn Bhd ("SC")	Yong Lai Wah Yong Pang Chaun Chong Chin Lin	Vincci Ladies' Specialties Centre Sdn Bhd ("VL")	Yong Lai Wah - Director and Indirect substantial shareholder of Padini. - Shareholder of VL Yong Pang Chaun - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL Chong Chin Lin - Director, Shareholder and indirect substantial shareholder of Padini - Director of VL	Financial Assistance to SC	1,200,000	-

Directors' Shareholdings and Interests

As at 3 November 2006

DIRECTORS' SHAREHOLDINGS AS AT 3 NOVEMBER 2006

Shareholdings in the Company

Director	No. of Shares Held			
	Indirect	%	Direct	%
DATUK DR ABDULLAH BIN ABDUL RAHMAN	NIL	NIL	NIL	NIL
DATO' ZULKIFLI BIN ABDUL RAHMAN	NIL	NIL	NIL	NIL
YONG PANG CHAUN	27,176,400 *	42.21	124,000	0.19
CHAN KWAI HENG	NIL	NIL	88,400	0.14
CHEONG CHUNG YET	NIL	NIL	101,499	0.16
CHONG CHIN LIN	27,124,401 **	42.13	175,999	0.27
YONG LAI WAH	27,000,401 ^	41.93	9,200	0.01
SAHID BIN MOHAMED YASIN	NIL	NIL	NIL	NIL

Shareholdings in a subsidiary company - Vincci Ladies' Specialties Centre Sdn Bhd

Director	No. of Shares Held			
	Indirect	%	Direct	%
YONG LAI WAH	NIL	NIL	5,000	0.31

In addition to the direct/indirect interests disclosed above, Yong Pang Chaun, Yong Lai Wah 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 is held via Yong Pang Chaun Holdings Sdn. Bhd. (By virtue of her shareholding and her brother, Mr. Yong Pang Chaun's shareholdings in Yong Pang Chaun Holdings Sdn. Bhd.)

Analysis of Shareholdings

As at 3 November 2006

Authorised Share Capital	:	RM100,000,000-00
Issued and Paid-up Capital	:	RM64,389,300
Class of Shares	:	Ordinary Shares of RM1-00 each
Voting rights	:	One vote per Ordinary share
No. of shareholders	:	1,339

DISTRIBUTION SCHEDULE - ORDINARY SHAREHOLDERS AS AT 3 NOVEMBER 2006

No. of Holders	Holdings	Total Holdings	%
134	less than 100	7,501	0.01
642	100 - 1,000	173,033	0.27
436	1,001 - 10,000	1,432,944	2.23
93	10,001 - 100,000	2,485,782	3.86
31	100,001 - 3,219,464	15,389,639	23.90
3	3,219,465 and above	44,900,401	69.73
1,339	TOTAL	64,389,300	100.00

Analysis of Shareholdings (cont'd)

As at 3 November 2006

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 3 NOVEMBER 2006

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.	27,000,401	-	41.93	-
2	Puncak Bestari Sdn. Bhd.	Incorporated in Malaysia	-EB Nominees (Tempatan) Sdn. Bhd. -RHB Capital Nominees (Tempatan) Sdn. Bhd. -Puncak Bestari Sdn. Bhd.	13,500,000 4,400,000 25,998	- - -	20.97 6.83 0.04	- - -
3	Yong Pang Chaun **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Chong Chin Lin # -Yong Pang Chaun	- - 124,000	27,000,401 175,999 -	- - 0.19	41.93 0.27 -
4	Chong Chin Lin **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Yong Pang Chaun * -Chong Chin Lin	- - 175,999	27,000,401 124,000 -	- - 0.27	41.93 0.19 -
5	Yong Lai Wah **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Yong Lai Wah	- 9,200	27,000,401 -	- 0.01	41.93 -
6	Yong Lee Peng **	Malaysian	-Yong Pang Chaun Holdings Sdn. Bhd. -Yong Lee Peng	- 60,000	27,000,401 -	- 0.09	41.93 -

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 6A(4)(c) of the Companies Act, 1965.

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)

As at 3 November 2006

LIST OF TOP 30 SHAREHOLDERS AS AT 3 NOVEMBER 2006

(As per the Record of Depositors)

No.	Name	No. of Shares	%
1	Yong Pang Chaun Holdings Sdn. Bhd.	27,000,401	41.93
2	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Puncak Bestari Sdn Bhd (KLM)	13,500,000	20.97
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Puncak Bestari Sdn Bhd (ITSB IB1002)	4,400,000	6.83
4	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Icapital.Biz Berhad	2,270,000	3.53
5	Thian Yee Chin	1,428,900	2.22
6	Shia Yoon @ Chia Win Thy	1,258,999	1.96
7	Seo Cheng Gaok	969,999	1.51
8	HLG Nominee (Tempatan) Sdn Bhd HLG Asset Management Sdn Bhd for Pertubuhan Keselamatan Sosial (2050)	766,400	1.19
9	Yong Yee Ching	758,997	1.18
10	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	748,700	1.16
11	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Dividend Fund	722,600	1.12
12	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	682,700	1.06
13	Ho Kok Keong	626,650	0.97
14	HLG Nominee (Tempatan) Sdn Bhd PB Trustee Services Berhad for HLG Growth Fund	500,000	0.78
15	Soo Tuck Koow	470,000	0.73
16	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yip Swee Kian (CEB)	468,700	0.73
17	Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	447,100	0.69
18	Universal Trustee (Malaysia) Berhad SBB Dana Al-Azam	297,500	0.46
19	Yee Man	240,750	0.37
20	A.A. Anthony Securities Sdn Bhd IVT (CI001)	238,500	0.37
21	Min Seng Realty Sdn Bhd	210,300	0.33
22	Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soon Peng Len	200,000	0.31
23	Kwong Fatt Textiles Sdn Berhad	195,300	0.30
24	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Hidden Treasures Fund (240218)	181,200	0.28
25	Soo Tuck Koow	178,750	0.28
26	Chong Chin Lin	175,999	0.27
27	Sik Gim Keat	170,900	0.27
28	Thian Min Yang	162,000	0.25
29	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Kok Keong (CEB)	156,098	0.24
30	Yong Lai Ang	155,399	0.24
	TOTAL	59,582,842	92.54

List of Group Properties

As at 30 June 2006

Location	Description / Existing Use	LandArea/ Built-up Area (sq. ft.)	Tenure	Approximate Age of Buildings	Net Carrying Amount @ 30.06.2006 (RM)
No. 21, Lot 116, Jalan U1/20 Glenmarie Industrial Park 40000 Shah Alam Date of acquisition: 11 June 1998	Office cum 2-storey warehouse: Corporate Headquarters & central warehouse	45,962 / 56,568	Freehold	10.5 years	7,119,963
Lot 115, Jalan U1/20 Glenmarie Industrial Park 40000 Shah Alam Date of acquisition: 08 August 2003	Industrial land and construction of additional premises for the company in progress	45,962	Freehold	Not applicable	14,600,688
Lots LG 028 & 044 Lower Ground Floor Sungei Wang Plaza Kuala Lumpur Date of last revaluation: 1982	Retail shoplots: utilised by a subsidiary as a free-standing retail outlet	1455 / 1455	Freehold	33 years	861,360
No. 1, Lorong 6E/91 Taman Shamelin Perkasa Batu 3 1/2, Jalan Cheras 56100 Kuala Lumpur Date of acquisition: 08 March 1990	4-storey shophouse: partly rented out and partly used for in-house manufacturing	2208 / 7552	Leasehold - 99 years expiring on 11.09.2082	16 years	584,241
No. 3, Lorong 6E/91 Taman Shamelin Perkasa Batu 3 1/2, Jalan Cheras 56100 Kuala Lumpur Date of acquisition: 08 March 1990	4-storey shophouse: partly rented out and partly used for in-house manufacturing	1760 / 6135	Leasehold - 99 years expiring on 11.09.2082	16 years	601,942
No. 29, Lorong 6E/91 Taman Shamelin Perkasa Batu 3 1/2, Jalan Cheras 56100 Kuala Lumpur Date of acquisition: 23 May 1984	4-storey shophouse: Rented out	1760 / 6135	Leasehold - 99 years expiring on 11.09.2082	16 years	589,124

Statement Regarding Revaluation Policy

As at 30 June 2006

In 1982, two items consisting of two retail shoplots located in Sungei Wang Plaza (freehold) owned by subsidiary Padini Corporation Sdn Bhd, was revalued based on the open market value method of valuation.

Since then, none of the landed properties owned by the Company and its subsidiary companies had been revalued.

As for the revaluation done in 1982, the Directors have adopted the transitional provision as allowed by the Malaysian Accounting Standards Board, and the Company has retained that revaluation subject to the continuing application of the current depreciation policy.

Form of Proxy

I/We _____ of _____
_____ being a member/members of Padini Holdings Berhad

('the Company') hereby appoint _____

of _____

or failing him/her, _____

of _____

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the Twenty-Fifth Annual General Meeting of the Company to be held at No. 21, Jalan U1/20, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan on 20 December 2006 at 10:00 a.m. or at any adjournment thereof.

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

		FOR	AGAINST
Resolution 1	Reports and Audited Financial Statements		
Resolution 2	Declaration of Final Dividend		
Resolution 3	Directors' fee		
Resolution 4	Re-appointment of Dato' Zulkifli Bin Abdul Rahman		
Resolution 5	Re-election of Mr Chan Kwai Heng		
Resolution 6	Re-election of Mr Cheong Chung Yet		
Resolution 7	Re-election of En. Sahid Bin Mohamed Yasin		
Resolution 8	To appoint Messrs BKR Peter Chong as Auditors		
Resolution 9	Proposed Renewal of and New Shareholders' Mandates for RRPT and Provision of Financial Assistance		
Resolution 10	Approval pursuant to Section 132D		

Dated this _____ day of _____ 2006

No. of ordinary shares held

Signature of Member / Common Seal

Notes:

- 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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointer 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.
- The instrument appointing a proxy must be completed and deposited at the registered office of the Company at No.21 Lot 116, Jalan U1/20, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan, 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).

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The Secretary
PADINI HOLDINGS BERHAD
(Company No: 50202-A)

No.21, Lot 116, Jalan U1/20
Hicom Glenmarie Industrial Park
40000 Shah Alam, Selangor Darul Ehsan

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