# PADINI HOLDINGS BERHAD

(50202-A)
(Incorporated in Malaysia)

Annual Report 2014

# vision

To Be The
Best Fashion Company
Ever

# mission

To Exceed
Customers' Expectations
And
Our Brands' Promise

# core value

PADINI

caring from the heart

**NOTICE IS HEREBY GIVEN** that the Thirty Third Annual General Meeting of the Company will be held at No. 19 Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on 12 December 2014 at 10:00 a.m. for the following purposes:-

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2014 together with the Reports of the Directors and Auditors thereon. *(Ordinary Resolution 1)*

2. To approve payment of Directors' fee of RM197,000.00 in respect of the financial year ended 30 June 2014 (2013 : RM135,000.00). *(Ordinary Resolution 2)*

3. To re-elect the following Directors who are retiring in accordance with Article 102(1) of the Company's Articles of Association:-

   (i) Mr. Yong Pang Chaun *(Ordinary Resolution 3)*

   (ii) Mr. Chan Kwai Heng *(Ordinary Resolution 4)*

4. To re-elect the following Directors who are retiring in accordance with Article 109 of the Company's Articles of Association:-

   (i) Mr. Lee Peng Khoon *(Ordinary Resolution 5)*

   (ii) Mr. Chia Swee Yuen *(Ordinary Resolution 6)*

   (iii) Ms. Yeo Sok Hiang *(Ordinary Resolution 7)*

5. To re-appoint Messrs BDO as the Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 8)*

**Special Business**

6. To consider and, if thought fit, to pass, with or without modifications, the following as an ordinary resolution :

   **Proposed Renewal of the Authority for Padini to purchase up to Ten Percent (10%) of its Issued and Paid-up Share Capital ("Proposed Share Buy-Back")**

   "THAT, subject to the Companies Act, 1965, the Articles of Association of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approval of such relevant government and/or regulatory authorities where necessary, the Company be and is hereby authorised to purchase its own ordinary shares ("Shares") on the Bursa Securities ("Proposed Share Buy-Back") at any time, upon such terms and conditions as the Directors shall in their discretion deem fit and expedient in the best interest of the Company provided that:-

   (a) The aggregate number of Shares in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the prevailing issued and paid-up share capital of the Company at the time of purchase and the compliance with the public shareholding spread requirements as stipulated in Paragraph 8.02(1) of the Listing Requirements or such other requirements as may be determined by Bursa Securities from time to time;

   (b) The maximum funds to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the audited retained profits and/or share premium accounts of the Company of RM247.537 million and RM3.772 million, respectively as at 30 June 2014;

(c) The authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first; and

(d) Upon the purchase by the Company of its own Shares, the Board of Directors ("Board") be and is hereby authorised to:-

(i) cancel all or part of the Shares purchased pursuant to the Proposed Share Buy-Back ("Purchased Shares"); and/or

(ii) retain all or part of the Purchased Shares as Treasury Shares; and/or

(iii) distribute the Treasury Shares as share dividends to the Company's shareholders for the time being; and/or

(iv) resell the Treasury Shares on Bursa Securities.

AND that authority be and is hereby given to the Board to take all such steps as necessary to implement, finalise and give full effect to and to implement the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time and to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company." *(Ordinary Resolution 9)*

7. To transact any other business for which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Thirty Third Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Article 67B of the Company's Articles of Association and Section 34 (1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 5 December 2014. Only a depositor whose name appears on the Record of Depositors as at 5 December 2014 shall be entitled to attend the said meeting or appoint proxy/proxies to attend and/or vote on his behalf.

**BY ORDER OF THE BOARD**

HO MUN YEE (MAICSA 0877877)
TAM FONG YING (MAICSA 7007857)
Company Secretaries

Selangor
20 November 2014

***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 appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
*(iv) The instrument appointing a proxy must be completed and deposited at the registered office of the Company at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur 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).*

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. **Proposed Share Buy-Back**

The Ordinary Resolution, if passed, will provide mandate for the Company to buy-back its own shares up to a limit of 10% of the existing issued and paid-up share capital of the Company. Further explanatory notes on Ordinary Resolution 9 is set out in the Share Buy-Back Statement dated 20 November 2014 despatched together with the Annual Report.

**STATEMENT ACCOMPANYING THE NOTICE OF THE 33RD ANNUAL GENERAL MEETING**

**Further details of Directors who are standing for re-election as Directors**

The profiles of the Directors who are standing for re-election at the 33rd Annual General Meeting are set out in the Board of Directors' Profile on pages 28 to 33 of the Annual Report. Their shareholdings in the Company are set out in the section entitled "Directors' Shareholdings and Interest" on page 118 of the Annual Report.

No individual other than the retiring Directors are seeking election as a Director at the 33rd Annual General Meeting.

| | |
|---|---|
| **CHAIRMAN** | Chia Swee Yuen (appointed w.e.f. 02/05/2014) |
| **MANAGING DIRECTOR** | Yong Pang Chaun |
| **DIRECTORS** | Chan Kwai Heng<br>Yong Lai Wah<br>Chong Chin Lin<br>Cheong Chung Yet<br>Foo Kee Fatt<br>Lee Peng Khoon (appointed w.e.f. 06/01/2014)<br>Andrew Yong Tze How (appointed w.e.f. 06/01/2014)<br>*(Alternate to Madam Chong Chin Lin)*<br>Yeo Sok Hiang (appointed w.e.f. 01/07/2014)<br>Yeap Tien Ching (resigned w.e.f 30/04/2014) |
| **COMPANY SECRETARIES** | Ho Mun Yee (MAICSA 0877877)<br>Tam Fong Ying (MAICSA 7007857) |
| **AUDITORS** | BDO<br>Chartered Accountants |
| **PRINCIPAL BANKERS** | OCBC Al–Amin Bank Berhad<br>The Bank of Nova Scotia Berhad |
| **REGISTERED OFFICE** | 3rd Floor, No.17<br>Jalan Ipoh Kecil<br>50350 Kuala Lumpur<br>Tel : 03 – 40443235<br>Fax : 03 – 40413959 |
| **PRINCIPAL PLACE OF BUSINESS** | No. 19, Lot 115, Jalan U1/20<br>Hicom Glenmarie Industrial Park<br>40150 Shah Alam<br>Selangor Darul Ehsan<br>Tel : 03 – 51233633<br>Fax : 03 – 78051066 |
| **SHARE REGISTRAR** | Tricor Investor Services Sdn. Bhd.<br>Level 17, The Gardens North Tower<br>Mid Valley City Lingkaran Syed Putra<br>59200 Kuala Lumpur<br>Tel : 03 – 22643883<br>Fax : 03 – 22821886 |
| **STOCK EXCHANGE LISTING** | Main Market<br>Bursa Malaysia Securities Berhad |

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) SDN. BHD.** (15011-U)

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

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

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

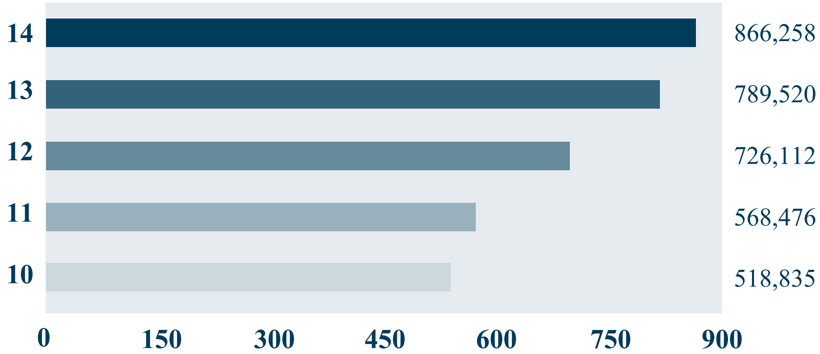
**100%**
**THE NEW WORLD GARMENT MANUFACTURERS SDN. BHD.** (80490-U)

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

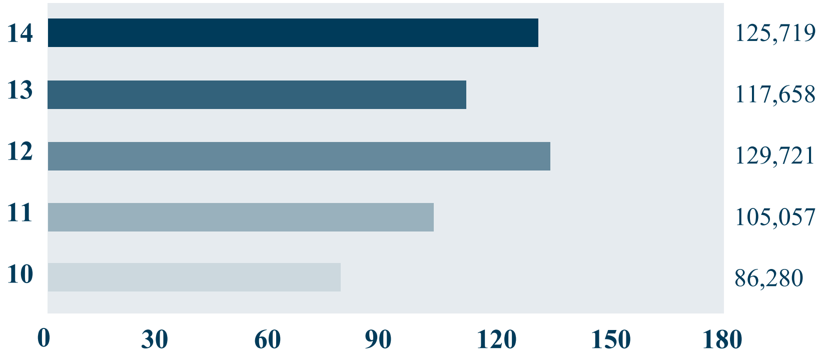
| | 2010 RM '000 | 2011 RM '000 | Restated 2012# RM '000 | 2013 RM '000 | 2014 RM '000 |
|---|---|---|---|---|---|
| Revenue | 518,835 | 568,476 | 726,112 | 789,520 | 866,258 |
| Profit before taxation | 86,280 | 105,057 | 129,721 | 117,658 | 125,719 |
| Profit attributable to equity holders of the Company | 60,974 | 75,694 | 95,305 | 85,393 | 90,913 |
| Basic earnings per share (sen) based on profit attributable to equity shareholders* | 9.27 | 11.51 | 14.49 | 12.98 | 13.82 |
| Net assets | 234,332 | 282,677 | 339,413 | 372,226 | 387,664 |
| Net assets per share (sen) * | 35.6 | 43.0 | 51.6 | 56.6 | 58.9 |
| Dividend per share (sen) ^ | 4.5 sen | 4 sen | 6 sen | 8 sen | 11.5 sen |

* Based on ordinary shares of RM0.10 each.
^ For year 2010, the figures have been restated to take into account the share split.
# The figures for financial year ended 30 June 2012 have been restated to reflect the Group's transition from the FRS to the MFRS framework during the financial year ended 30 June 2013.

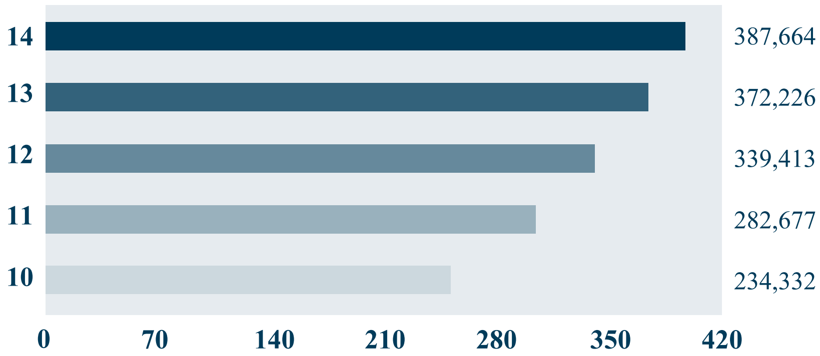
**Revenue** (RM Thousand)



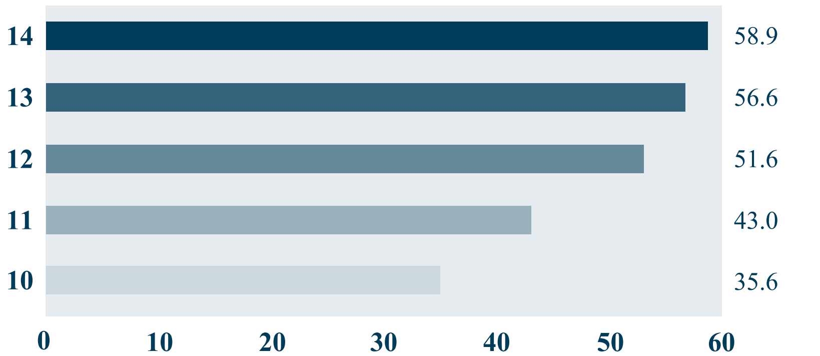

**Profit before tax** (RM Thousand)




**Net assets** (RM Thousand)




**Net assets per share** (sen)



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 30th June 2014.

**INDUSTRY TREND AND DEVELOPMENT**

In the last twenty years, the retail industry in Malaysia has shown itself to be extremely resilient, dynamic, vibrant and always keeping in step with changing times and demands. The continuous urbanization of the population and growth in the size of the middle class have provided wide-ranging opportunities for the development of the retail industry. Despite the fact that as far back as the late 1990s there was already the lament that the country was having too many square feet of retail space per capita, the reality was that since then, many more iconic and world-class malls have been built and have turned out to be successful. The many retail REITs now listed on the Bursa Malaysia clearly bear testimony to that. And though the Malaysian retail market may be small, it has also not discouraged major international brands from coming and establishing themselves here in ever greater numbers. All these developments are a clear reflection of the viability of the retail industry.

In the past, developers built the structure and then sold it for profit; today, property-based businesses built the malls and then rented them out to brand owners and retailers. That has changed everything. While the former saw the mall as a golden egg to be sold for profit, the latter viewed the mall as a goose that lays the golden eggs, and as such modern-day mall owners and operators do all that is needed to ensure that the malls they run or own stay as relevant and as attractive as possible. The result from this change in perspective meant that our malls today benchmark against the best in the world. Instead of just a place to which we will go when we want to buy some stuff, the mall today is a lifestyle destination, and in most instances, that destination is filled with a wondrous and bewildering array of offerings which keeps the visitor continually enthralled and keeps the visitor always wanting to go back again and again for more.

We just love going to the malls.

**FINANCIAL RESULTS**

For the financial year under review, the Group achieved consolidated revenues of RM866.3 million, a growth of 9.7% over the previous year's amount of RM789.5 million. Following an increase in gross profits of 8.5% over the same period, profit before taxation climbed by 6.8%, from RM117.7 million achieved in the previous year to RM125.7 million in the current financial year. Total comprehensive income for the financial year attributable to the owners of the Company also rose 6.6% to RM91.1 million when compared to the amount of RM85.4 million achieved during the previous financial year.

**DIVIDENDS**

In respect of the financial year under review, the following dividends were declared and paid:

- a first interim dividend of 2.5 sen per share (single tier), amounting to RM16,447,737 declared on 28th August 2013 was paid on 27th September 2013;
- a second interim dividend of 2.5 sen per share (single tier), amounting to RM16,447,737 declared on 25th November 2013 was paid on 27th December 2013;
- a special dividend of 1.5 sen per share (single tier), amounting to RM9,868,642 declared on 25th November 2013 was paid on 27th December 2013;
- a third interim dividend of 2.5 sen per share (single tier), amounting to RM16,447,737 declared on 26th February 2014 was paid on 28th March 2014, and
- a fourth interim dividend of 2.5 sen per share (single tier), amounting to RM16,447,737 declared on 28th May 2014 was paid on 27th June 2014.

**BUSINESS REVIEW**

The Group's domestic operations had continued to be the main driver of its revenues and profits, and 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. There are also several Vincci and PDI franchise stores in the smaller towns of Malaysia.

In markets abroad, the products are sold mostly through retail stores managed by licensees and dealers.

**BUSINESS REVIEW (cont'd)**

In the multi-brand Padini Concept Stores and single-brand stores, our products are carried under the following brand names; Vincci, Vincci Accessories, Tizio, Padini Authentics, PDI, Padini, Seed, Miki, and P&Co, all of which are owned by the Group. Except for the Tizio label which was introduced in November of 2012, all the aforementioned brands are widely known by Malaysian consumers and are easily available in the major urban shopping malls of Malaysia. In addition to those, the Group also utilizes a great number of lesser known house brands to market the value-for-money merchandise that it offers for sale in its Brands Outlet stores.

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

| Brands – Domestic Market | As at 30.6.2012 | As at 30.6.2013 | As at 30.6.2014 |
|---|---|---|---|
| **Vincci, Vincci+, Vincci Accessories** | | | |
| Free-standing stores | 20 | 17 | 16 |
| Consignment counters | 1 | 1 | 1 |
| Franchise stores | 14 | 14 | 13 |
| **Seed** | | | |
| Free-standing stores | 4 | 3 | 2 |
| Consignment counters | 54 | 55 | 48 |
| **Padini Authentics** | | | |
| Free-standing stores | 8 | 8 | 7 |
| Consignment counters | 29 | 28 | 27 |
| **PDI** | | | |
| Free-standing stores | 13 | 13 | 13 |
| Franchise stores | 1 | 1 | 1 |
| **Padini** | | | |
| Free-standing stores | 2 | 2 | 2 |
| Consignment counters | 37 | 37 | 34 |
| **P&Co** | | | |
| Free-standing stores | 1 | 1 | 1 |
| **Miki Kids** | | | |
| Consignment counters | 30 | 29 | 29 |
| **Miki Baby** | | | |
| Consignment counters | – | – | 28 |
| **Miki Mom** | | | |
| Consignment counters | 4 | – | – |
| **Tizio** | | | |
| Free-standing stores | – | 2 | 3 |
| **Brands Outlet** | | | |
| Free-standing stores | 19 | 20 | 27 |
| **Multi-brands** | | | |
| Free-standing stores * | 26 | 25 | 29 |
| **Total** | 263 | 256 | 281 |

* the 29 multi-brand stores as at 30th June 2014 contain a total of 206 stores-within-store (177 as at 30th June 2013) showcasing the various brands of the Padini Group

| Brands – Foreign Market | Locations | As at 30.6.2012 | As at 30.6.2013 | As at 30.6.2014 |
|---|---|---|---|---|
| **Vincci/VNC** | | | | |
| Franchise Stores | ASEAN | 14 | 9 | 11 |
| | Saudi Arabia | 24 | 24 | 23 |
| | UAE | 13 | 15 | 18 |
| | Oman | 2 | 2 | 2 |
| | Syria | 3 | 3 | 3 |
| | Qatar | 2 | 2 | 2 |
| | Bahrain | 2 | 2 | 2 |
| | Pakistan | 2 | 3 | 4 |
| | Egypt | 1 | 2 | 2 |
| | Morocco | 2 | 2 | 2 |
| | Kuwait | – | 1 | 1 |
| Dealer Stores | Thailand | 16 | 15 | 15 |
| **Total** | | 81 | 80 | 85 |

**Retailing – Domestic and Abroad**

For the year under review, domestic operations accounted for nearly 93.9% or RM813.2 million of the Group's consolidated revenues. For the previous year, the domestic portion was at RM736.3 million, which was approximately 93.2% of that year's total revenues. In absolute value terms, exports fell by about 0.6% or RM0.3 million from that recorded in the 2013 financial year to RM53.1 million for the year under review.

In the domestic sector, we have 13 Vincci stores and 1 PDI store that are operated and run by franchisees. Of the 13 Vincci franchise stores, 9 are located in Peninsular Malaysia, while Miri, Kota Kinabalu, Sibu and Tawau have 1 each. The sole PDI franchise store is located in Langkawi. As for the 100 retail stores operated by the Group, all are located in the Peninsula except for 4 of the Padini Concept Stores and 4 of the Brands Outlets which are located in Sabah and Sarawak.

The financial year under review has been one of intense activity where the expansion of our distribution network was concerned. Besides opening 5 Padini Concept Stores and 7 Brands Outlet stores, there were also 6 additions to our chain of single-brand stores. The new store openings in the 2014 financial year were special; of the 12 large-format stores opened, half of them were in towns where we previously did not have any presence. This development has allowed us improved access to markets not thoroughly familiar with our brands and store experience, and in the process has provided us with opportunities to drive greater brand awareness in the country. The resulting enlarged and more geographically-dispersed distribution network further strengthens our presence in the retail industry and will surely improve our standing among the mall owners and operators.

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

| Company | FYE 30.6.2013 | FYE 30.6.2014 |
|---|---|---|
| **Vincci Ladies' Specialties Centre SB** | | |
| Revenues | RM223.7 million | RM206.1 million |
| Profit before Taxation | RM 29.5 million | RM 17.6 million |
| **Padini Corporation SB** | | |
| Revenues | RM245.8 million | RM273.4 million |
| Profit before Taxation | RM 40.7 million | RM 43.2 million |
| **Seed Corporation SB** | | |
| Revenues | RM87.0 million | RM91.4 million |
| Profit before Taxation | RM 3.1 million | RM 8.3 million |
| **Yee Fong Hung (Malaysia) SB** | | |
| Revenues | RM194.8 million | RM253.3 million |
| Profit before Taxation | RM 33.1 million | RM 44.0 million |
| **Mikihouse Children's Wear SB** | | |
| Revenues | RM27.9 million | RM29.1million |
| Profit before Taxation | RM 3.0 million | RM 3.1 million |

As can be seen from the above table, all the trading subsidiaries except Vincci have improved upon their performances. A drop in Vincci sales at home plus the cessation of the operations of the V+ stores have caused revenues to contract by about RM17.6 million; coupled with a 2% decline in gross margins earned, its profit before taxation fell considerably. Though an analysis of the situation had pointed to several factors, the main problem here was that the general level of design and quality of the merchandise offered for sale had over the years remained unchanged and had not kept in step with the changing preferences of the market. While actions have been taken to address this deficiency, the scale of Vincci's operations will mean that it may take some time before the decline can be reversed.

**Cafe Operations**

We are still operating two cafes, one at the Mid Valley Megamall and the other at our office in Shah Alam. Our single-brand stores in Mid Valley are scheduled for closing after we have opened the larger format Padini Concept Store there, and with that we will cease operations of the café in Mid Valley for good. The café at our Shah Alam head office will however continue with its operations, primarily as a service for our staff and also for company functions. For the 2014 financial year, café operations had incurred a loss of RM535,000.

**Future Outlook**

Following the dip last year, we have recovered somewhat. Profit after taxation have risen from those achieved in the 2013 financial year. But the recent years have indeed been trying times.

At the time of writing this statement, fuel prices have just increased (with the attendant inflationary effects), and the implementation of GST is a short five months away. Whatever may be said about the economic impact that these events will have on consumption and ultimately on the retail industry, one thing is quite certain, business will still have to continue. To deal with the changing market conditions and to remain relevant to our consumers as they drove the change, we will definitely have to keep an open mind and to be courageous enough to craft strategies or to adopt decisions which may not sit well with some stakeholders in the short-term but which will be beneficial for the Group over the long run.

The whole issue about the GST is not so much that our costs will rise but more as to how much it will affect the consumers psychologically. Following the implementation on 1st April 2015, we are of the opinion that the immediate retail sentiment will dampen and would probably recover only toward the end of the year when the Christmas festivities return. What we do not know however is the size of the contraction in consumer demand that will result from the imposition of the GST. We are of course hopeful that the measures announced in the recent budget will bring about the expected positives, and that black swan events, especially within the Malaysian context, will not spring anymore unpleasant surprises in the year ahead.

Be that as it may, we are hopeful that the 12 large-format stores that we have opened during the 2014 financial year will help moderate the impact of any slowdown in consumer spending brought about by the imposition of the GST. Furthermore we have also planned for an additional 6 Padini Concept Store and 6 Brands Outlet stores in the 2015 financial year and we expect that these new stores will further enhance both the Group's standing and profile besides contributing to its revenues and bottom line.

**ACKNOWLEDGEMENT**

On behalf of the Board, I would like to extend my appreciation and thanks to one of our Board members, Ms Yeap Tien Ching, who had resigned from the Board on the 30th April 2014.

Other than that, appreciation and thanks also go to our management and our staff at all levels and positions for their contributions and efforts in driving the Group forward. The Board and the Padini Group would also like to 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 interested parties concerned.

**Chia Swee Yuen**
Chairman
Date: 31 October 2014

The scope of CSR is very wide and encompasses the economic, environmental and social dimensions; however, no matter the width of its embrace, the whole of CSR is ultimately aimed towards the improvement of the human condition.

But then it has often been mentioned that CSR initiatives should not be about philanthropy per se but that such initiatives should be embedded into the business process so that they become a regular part of business strategies.

**Education and Training**

For Padini Holdings Berhad, we have chosen to focus the main thrust of our CSR activities on the area of education and practical training. On one hand, we wish to address, in part at least, the pressing issue of unemployable graduates, and on the other, we hope that by providing practical pre-job training, we can over time build up a labour resource from which we may select suitable candidates to fill executive-level vacancies available in Padini.

To achieve that, our Human Resource and Training Department set up the following 2 programmes :

1. Retail Trainee Programme : This programme was started towards the end of the 2010 financial year with the objective of replacing the Management Trainee learning Programme which was introduced two years earlier. This month-long programme is opened to fresh graduates interested in pursuing a career in retail, and it covers both classroom and on-the-job training. While the classroom training imparts skills required to manage a retail shop, and informs about the prospects and rewards of such a career, the on-the-job training exposes the participants to the rigours and demands of the job. During the financial year under review, only one session of this programme was conducted and a sum of RM6,400.00 was incurred for the payment of wages for the trainees.

2. Graduate Retail Internship Programme : This programme was introduced in the 2012 financial year to replace an earlier internship programme. While the latter stressed on exposing the participants to the more general aspects of working life, the new programme has been expanded in the 2014 financial year to cover not just the work environment of the retail shop but also to the activities of the departments that exist to provide support to the retail outlets. Participants who must be existing undergraduate students spend the entire duration of the programme rotated among the various departments at both the outlets and at the head office. This programme which runs over a 3 to 6 month duration depending on the policies of the universities from which the participants were selected, endeavours to expose the intern to the activities and work processes that a brand-owner retailer does. In the year concerned, 17 students were enrolled in this programme and a total of nearly RM25,000.00 was spent to conduct it.

Besides the above initiatives, we also have an industry-academic partnership with Inti Universal Holdings Berhad, which works towards improving the quality and hence employability of our graduates. Besides developing business school graduates that are more business-savvy and whose thinking processes are expanded by real-life examples, we also hoped that by directly engaging with an institute of higher learning, we will be able to provide different perspectives and insights to educators and academicians when it came to interpreting and teaching the so many disciplines of business, marketing and management. During the year reviewed, the partnership had started on a classroom project involving 2 classes. Generally the classroom project mimics consultancy work. Students are given a real-life problem that Padini faces and the students will through various activities attempt to deliver a solution. Covering about 14 weeks, the classroom project will involve collection of data, analyzing the data, drawing conclusions and then presenting the outcomes.

**CSR Activities – Other Aspects**

**Employees**

- Insurance & Welfare: All our full-time employees are provided at the Group's costs, with Personal Accidents, Hospitalisation & Surgery, and Term Life insurance cover. The purpose of these insurance covers is to ensure that in the event of illnesses, injury, disablement, or even death, a reasonably-sized financial cushion is made available to the affected employee to help reduce the trauma of the unforeseen situations.

- Education and Training: During the 2014 financial year, the Group spent about RM193,000.00 on 215 sessions for in-house education and external training programmes for its employees. Training mostly covered job-specific topics as well as general matters such effective communication, coaching skills, leadership, etc. A total of nearly RM8,000.00 was also spent on external training and certification. Over the year and across the Group, each eligible employee received an average of about 8.15 hours of training. As per Company's practice, leaves were extended to those sitting for professional and other examinations.

- Discounts: Generous discounts, ranging from 20 to 40% for the purchase of the Group's products are also made available to all confirmed employees.

- Labour – Management relations: Our Group promotes and practices open communications across all levels of staff and departments and all employees are aware that they can bring their work-related grievances, complaints, etc., directly to the attention of an Executive Director of the Group.

- Others: Talks on matters of health were conducted for employees to attend during normal office hours; awards were given to employees for long service and for outstanding performance. From time to time, staff from our HRT department was also given time off from work to attend talks and seminars conducted by the Malaysian Federation of Employers.

**Customers**

- 14-day exchange policy for merchandise bought from our stores when accompanied by original receipts.

**Philanthropy**

During the year, employees from the Group visited the following homes, expending a total of 437.5 man-hours in the process:

- Rumah Kebajikan Anak Yatim dan Miskin Al-Munirah, Klang
- Teratak Nur Barakah, Shah Alam
- Kampung Chawan, Kuching
- Sarawak Children's Cancer Society, Kuching
- Persatuan Kebajikan Ci Hang-Chempaka Selangor
- House of Love, Klang
- Persatuan Kebajikan Warga Tua Seri Bahagia, Ipoh

Besides engaging and interacting with the residents of the various Homes, the employees involved in the visits also performed for the residents. Donations both monetary and in kind were also made from proceeds derived from a variety of fund-raising activities conducted by the Kelab Kebajikan Syarikat Padini Holdings Berhad (formerly Caring From The Heart) committee, a group consisting of employee volunteers from Padini. A total of RM20,000.00 in cash and kind were donated to the homes mentioned.

Besides the above, the Group also donated clothings and umbrellas to various charities.

An in-house blood donation campaign which attracted 63 successful donations was organized by the Group HRT department in collaboration with Pusat Darah Negara.

We sponsored 72 employees for a Lifecheck programme conducted by the National Kidney Foundation and made a RM500.00 cash contribution to the Foundation to fund the operating cost of the Lifecheck Programme.

RM2,860.00 was also donated through UNICEF to the victims of typhoon Haiyan.

**Environment**

During the 2014 financial year, we had collected and sold for recycling a total of 2.06 tonnes of used paper and paper products; the proceeds amounting to some RM550.00, while negligible, were used in part to fund some of the Group's philanthropic activities.

Although the above are but tiny steps, the Group is committed to doing more for the good of the environment.

The Board fully recognises that its primary role as stewards of the Group must of necessity require it to dutifully act always in the best interests, firstly of the Group and then of its shareholders. At the same time however, the Board is also cognisant of the need to strike a proper balance between enhancing shareholders' value and giving due consideration to the interests of other stakeholders.

Chapter 15, Part E, Paragraph 15.25 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements have been amended to take cognisance of the new Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), and the following presents a narrative statement provided by the Board describing how the Group has applied the Principles and their corresponding Recommendations as set out in the MCCG 2012. Where the Recommendations relating to any one Principle have not been followed, the position is clearly stated and if there are reasons for non-compliance, the reasons are also given. However if alternatives have been adopted, they are also reported upon.

**Principle 1 – Establish clear roles and responsibilities**

Recommendation 1.1

As the Board is made up of both non-independent executive directors (which include among them, the Managing Director or the CEO) and independent non-executive directors, the practice has been for the former, in their role as management, to present strategic plans and objectives which they have prepared, in the various meetings of the Board so that the non-executives can review, provide inputs, and subsequently participate in making an informed collective decision to either adopt the original or an amended plan.

Although it can be claimed that the executives perform a dual role of being both members of the Board as well as of senior management, their responsibilities as management relate mostly to providing leadership to the managers who are tasked with doing the necessary on day-to-day basis to ensure achievement of the plan handed down by the Board.

The Board Charter, available on the Group's website (www.padini.com), spells out in greater detail the responsibilities of the Board as a whole and that of the Chairman and the CEO in particular. It also spells out matters that are reserved specifically for its decision for approval and change.

Recommendation 1.2

It has long been recognised that both the Chairman of the Board who is an independent non-executive director, and the Managing Director who is the de facto CEO of the Group, will play important leadership roles. The former leads the Board, promotes objectivity in board deliberations and oversees how the Board conducts its relationships with management while the latter provides leadership more specifically to the managers responsible for performance and profits.

In discharging its fiduciary functions, the Board has been guided primarily by the fact that the interests of the Company and by extension, the subsidiaries that it owns, must always come first. Since the executive directors oversee the day-to-day running of the Group's activities and would have pertinent information relating to the Group's business as a whole, they become the ones primarily responsible for raising issues needed to ensure the Group's sustainability. The Board on the other hand questions whether the strategic plans that management proposes are appropriate for the Group taking into consideration the competitive landscape in which the business operates; it also seeks assurance from management as to whether the business of the Group has been properly managed to meet objectives that have been set. To ensure that assessment of management's performance can be done objectively, the Board has decided to adopt KPIs for all senior managers. To utilise the KPI system fairly and to its full advantage, an experienced external trainer and facilitator have been contracted to conduct the necessary training programme. The Board's objective is not only to equip managers with the skills needed to craft meaningful KPIs but more so to inculcate in the managers the right attitudes relating to the goals and objectives of the business.

In its engagement with both the internal and external auditors, the Board is constantly reminded of the risks faced by the Group when conducting its business. The Board is also cognisant of the fact that in business a certain amount of risks will have to be taken. The main thing here is that a right balance needs to be struck between risks and gains. In furtherance of this role, the Board has put in place a proper framework to identify, review, manage and report on both operational and financial risks.

While the current cohort of senior managers have shown themselves competent for the roles and responsibilities entrusted to them, the Board is aware that a formal and comprehensive programme that caters for identifying or recruiting suitable candidates for succession is still not in place. This the Board understands is mainly due to the fact that currently the scale of operations of the Group is still not sufficiently large enough for this issue to be dealt with in a meaningful and economically efficient manner.

Where communication is concerned, the Group has a website (www.padini.com) and under the heading of "Investor Relations" on the home page, a user can easily access any of the announcements, circulars, reports, etc., that the Company has provided to Bursa Malaysia Securities Berhad ("Bursa Malaysia"). There is also an e-mail address under the same heading for interested parties to contact us directly, and for social media and engagement, the Group also maintains a Facebook page.

For shareholders and other parties interested in the business and development of the Group, we have an executive director who is responsible for conducting the relevant investor-relations activities, and who actively engages with the investment community on a regular basis.

In reviewing the adequacy and the integrity of the management information and internal controls system of the business, the Audit Committee plays a pivotal role. Guided by the feedback and recommendations given by the internal and external auditors, the Audit Committee engages regularly with the Board to ensure proper compliance with standards, legal provisions and regulatory requirements. Our current Audit Committee is made up of three independent non-executivedirectors, all of whom are Chartered Accountants with experience in auditing, industry and commerce and banking.

Recommendation 1.3

Ethical behaviour within the Group is promoted and governed within the Group by a formalised code of conduct that is contained in the Group's Employment Manual. This code provides the parameters governing appropriate behaviours that promote honesty and integrity and covers engagement with both employees and with third party stakeholders. It is to be noted that since executive directors are bound to the Group by their respective contracts of service, they would also be treated for the purposes of the code as employees and hence subject to the penalties stated for breaching of the code. At the time of writing the Manual is in the final stages of update to accommodate new issues as well as to insert a new section on procedures that guide whistleblowing activities. Upon completion of the Manual, a summary of the code of conduct and the section on whistleblowing will be uploaded onto the Group's website as soon as possible.

In addition to the code contained in the Group's Employment Manual, the Board is also bound by a code of conduct for its members, the details for which can be found on the Group's website.

Recommendation 1.4

On strategies to promote sustainability, they are viewed from the environmental, social and governance aspects.

Any form of economic activity is bound to impact upon the environment and the considerably lower prices that we pay today for the products we use have been made possible by modern day production methods which operates on the principle of division of labour. As such, while we sell apparels, we do not grow the cotton nor do we weave it into fabrics or dye the fabrics into the colours we want. With OEM, we do not even manufacture the garment anymore. And after the manufacturing, copious amounts of paper and plastics products are used in the transport and packaging of the finished item just so they look presentable and appealing when they reach the stores. Considerable amounts of resources are consumed and a fair bit of pollution is generated in the process of bringing the product to the market-place but there is no guarantee that all that has been produced will be bought and consumed efficiently. Yes, we do give away unsold items but even before that, all the packaging materials would already have been discarded (adding to rubbish)and the resources that went into making them would have gone to waste. The very many activities that surround the apparels and footwear retail trade have considerable impact on the environment but there is very little that can be done in the way of greening the activities mentioned without raising costs considerably or without facing a very real prospect of a greatly reduced business. As such from the environmental standpoint, there has not been a lot that we can do to promote environmental sustainability. Yes we now only use bio-degradable plastic bags, we recycle paper products and try to use energy-efficient lighting wherever possible, but these pale in comparison to the impact that the apparels trade has on the environment.

As social concerns go, our engagements with stakeholders are considerably better. This is primarily due to the fact that especially in relation to the shareholder and to the employees, numerous statutory provisions are already in place that seek to protect the rights of these two parties. For the shareholders, a large part of their rights are protected by the provisions of the Companies Act and the Listing Requirements while employees are protected by the various labour ordinances, industrial relations statutes as well as by numerous acts promoting their welfare and safety.

For the shareholders who wish to engage directly with the Group, the Group's website lists the name of a director responsible for investor-related matters, together with an e-mail address and a telephone number. The statutes notwithstanding, our policies relating to recruitment, career prospects, and rewards being merit-based, strengthen further the welfare of the employees. Discrimination if any exists is dealt with as they surface and continually, employment policies are amended to make the workplace more inclusive and diversified. The Group has also in place various insurance policies extended to all full-time employees covering accidents, health and even death.

Where our products are concerned, our sourcing team vets and monitors manufacturers to ensure that manufacturers do not employ child labour or operate under sweat shop conditions, and while we do not conduct official audits to verify these, our staff do visit the manufacturers regularly to confirm that such practices are not carried out by our manufacturers. For the consumers, the Group maintains a liberal return policy. Even our debtors and creditors are protected by the provisions in the Group's code of conduct for its employees.

As for the governance aspects of business, the Board will be guided by the recommendations of the MCCG 2012 and actively strives to comply with the recommendations as far as practicable. As have been mentioned, issues relating to sustainability and the impact of the Group's activities on the environment will be especially difficult seeing how the products that we acquire are the end results of a long chain of economic activities over which the Group have very little control.

Recommendation 1.5

As practised already, Board members are provided with information such as minutes of previous meetings, financial reports, one week before a meeting so that each one will have sufficient time to review the information provided to facilitate decision-making at the meetings.

Board members are also aware that in performing their duties, they have a right to access to any information about the Group, access to advice and to service of the Company Secretary, and also, at the Company's costs, right to obtain independent professional advice where required.

However, the above rights are tempered by the fact that any information obtained must be kept confidential, both in compliance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements and also with the Personal Data Protection Act of Malaysia 2010.

Recommendation 1.6

We have access to the services of two Company Secretaries, all of whom are members of the Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"), and from the Board's experience with them, the Board is confident of their competence. Besides the routine secretarial functions pertaining to the correct procedures that the Board members need to abide with when conducting the business of the Board, the Company Secretaries also provide the Board with updates on regulatory requirements and do the needful so that Board members are in compliance with the current policies and practices mandated by the authorities that regulate the affairs of a listed corporate. On occasions, the Secretaries also provide inputs and advice pertaining to certain best practices that they come across while serving as Secretaries for other listed corporate, and also from recommendations put forth by their professional associations. In so doing, the Secretaries enable the Board members to carry out their duties and responsibilities with improved clarity of the regulatory environment.

Recommendation 1.7

A Board Charter that formally spells out the structure and composition, responsibilities, rights and procedures of the Board is available for public viewing in the Group's website. The charter also contains details pertaining to the positions of the Chairman and the Chief Executive Officer and the responsibilities assigned to them. Besides that the responsibilities of the various board committees, and the manner in which the relationship between the Board and management is also stated.

**Principle 2 – Strengthen Composition**

Recommendation 2.1

A Nominating Committee comprised of 3 independent non-executive directors was established following a Board meeting held on the 26th of February 2013. A Nominating Committee Charter is also available for viewing on the Group's website. In the charter, the composition, duties and authority of the committee are disclosed. A statement outlining the activities of the Nominating Committee for the 2014 financial year is contained in a separate section of the Annual Report.

Recommendation 2.2

The Committee had decided that the current Board size is to be maintained and that for the time being no new appointments will be made. Instead it proposed the appointment of alternates, mainly to the Executive Directors, so that successors will be given the requisite exposure as to the workings of the Board. As such, the Committee has yet to establish any policies tied to the process of nomination, election of new board members or how new members were to be inducted. Once such policies are formed, they would be disclosed in this statement in future annual reports.

Where training is concerned, the Committee clarified that training can be in any field so long as it is relevant to a particular director's job requirements, especially where such directors also serve in an executive capacity. The Board had requested the Committee to look into the training needs of the directors especially since the Committee has indicated that it will conduct an annual assessment of the Board as a whole as well as a review of the individual director's performance.

The Committee has decided that the assessment undertaken with respect to the Board and the various committees would focus on the overall structure and the ability to do the work entrusted to them, on handling issues related to corporate strategy and planning and to managing risks and internal control. As for the individual board members, assessment would focus on each director's performance in relation to the time commitment, understanding of the Group's business and of the roles and responsibilities of a director. For the 2014 financial year, a summary of the assessment has been tabled to the Nominating Committee for analysis and further action.

As regards gender diversity in the Board, the Board Charter states that at least 2 or 1/3 of its members must be females, and the Board is currently in compliance with that.

Recommendation 2.3

To complement the activities of the Nominating Committee, a Remuneration Committee was also established on the 26th of February 2013, comprised of 2 independent non-executive directors and 1 non-independent executive director. A Remuneration Committee Charter is available for public viewing on the Group's website. In the charter, the composition, duties and authority of the committee are disclosed.

Besides guiding and reviewing the design of remuneration packages to attract, retain and motivate directors, the Committee was also tasked with doing the same for the Group's senior management staff. The Committee's first job would be the setting up of KPIs for all officers coming under its purview. To that end, a relevant professional facilitator has been appointed and consulting work has already begun with members of the Remuneration Committee having met with him to inform about the deliverables and desired objectives of the KPI programme. Once the KPIs have been set, the Committee will be better prepared to establish the policies and procedures that guide the design of remuneration packages and contracts of appointments for both board members and senior managers. Upon establishing the policies that will shape remuneration, these will be disclosed in this statement.

**Principle 3 – Reinforce Independence**

Recommendation 3.1

The independence of our independent directors was something that has always been perceived as a given; the belief was that there were no reasons for the independent directors not to act objectively during board deliberations. As such, the Board has never thought it fit to assess their independence.

However in view of this recommendation, the Board will have the Nominating Committee develop the criteria to assess the independence of these directors on an annual basis and when occasions arise that require such assessment. Furthermore, the Board will also disclose that it has conducted such assessment in future annual reports and in any notice convening a general meeting for the appointment or re-appointment of independent directors.

Recommendation 3.2 and 3.3

The Board currently does not have any independent director whose tenure has exceeded nine years, calculated consecutively or cumulatively.

Recommendation 3.4 and 3.5

The positions of chairman and CEO have always been held by different individuals, with the former held by an independent non-executive director. Currently the Board is comprised of a majority of non-independent executive directors.

**Principle 4 – Foster Commitment**

Recommendation 4.1 and 4.2

The Board has never set out expectations on time commitment for its members nor has it established any protocols to guide their acceptance of new directorships.

While it was mentioned previously that the Board would obtain from its directors their commitment to devote sufficient time to carry out their responsibilities as directors, the task was not completed during the 2014 financial year. The Nominating Committee has assumed responsibility for this task and begun the process during the 2015 financial year, including establishing protocols for its members in relation to the assuming of new directorships.

As for ensuring that Board members have access to appropriate continuing education programmes, the Nominating Committee will propose guidelines for the type of training, the frequency and duration of training for adoption by the Board in the 2015 financial year. The Committee has also deliberated on a proposed induction programme for new directors and will also table the same for adoption during the 2015 financial year.

For the 2014 financial year, the actual training received by the directors is reported under the heading "Other Information" of the Profile of Directors section.

**Principle 5 - Uphold Integrity in Financial Reporting**

Recommendation 5.1

The 3 independent non-executive directors who comprised the Audit Committee are all Chartered Accountants with extensive experience in auditing, commerce and industry and in banking. The Chairman of the Committee is a practising accountant who ensures that the Committee reviews the financial statements based upon applicable financial reporting standards. Not only does this enhance the reliability of the financial reports prepared by management, it also promotes meaningful discourse whenever the Audit Committee engages with the internal auditors and the external auditor. Executive members of the Board do not participate in the meetings of the Audit Committee except by invitation from the Audit Committee.

Recommendation 5.2

The external auditors, BDO were first appointed during the Company's 31st AGM held in December of 2012 and were subsequently re-appointed in the following year's AGM. As the initial intention was for the external auditors to provide only audit services to the Company, the Audit Committee has not established any policies to govern those circumstances under which contracts for the provision of non-audit services to the Company can be entered into. However following the need to prepare our operating and accounting processes to comply with the legal requirements necessitated by the pending imposition of the GST in April of 2015, it was decided to engage BDO Tax Services to assist the Group in the implementation process. This decision was made after considering several other providers as regards their fees, their pedigree and their commitment to provide the required talents to do the job within the time-frame set. The appointment was made in January 2014 and the value of the contract excluding out-of-pocket expenses and the 6% service tax was about 15% more than the fees charged by BDO for the financial audit of the Group's accounts for the 2014 financial year. The Board would like to state here that this engagement with BDO Tax Services has arisen because of the urgent need to get the Group GST-ready and as such represented an isolated case. The Board believes that further engagements with BDO for non-audit services remain remote. That said, the Audit Committee would in the 2015 financial year proceed to establish policies to govern any such type of engagements with the external auditors.

The Committee has requested and obtained a written assurance from the Company's external auditors confirming their independence in accordance with existing regulatory requirements.

**Principle 6 - Recognise and Manage Risks**

Recommendation 6.1 and 6.2

Compliance relating to this principle is described in a narrative statement on Risk Management & Internal Control disclosed separately in the annual report.

**Principle 7 – Ensure Timely And High Quality Disclosure**

Recommendation 7.1

The Group's code of conduct contains clauses that state that any unauthorised public statement or involvement in any unauthorised publication on matters relating to an employee's employment, and to the business activities and affairs of the Group constitutes an act of misconduct. This was put in place to ensure that corporate disclosures do not breach Bursa Malaysia Securities Berhad's Main Market Listing Requirements. Authority for corporate disclosures comes from the Board and would be made by the Company and/or Company Secretary via public announcements. It has always been the intention and practice of the Board to provide disclosures that are accurate and timely in nature.

Recommendation 7.2

Stakeholders can access information about the Group via the Company's website. Available also on the website (www.padini.com) under the heading of "Investor Relations" are various direct links to announcements made and reports submitted to Bursa Malaysia. The Board Charter and the charters for the various committees of the Board together with the code of conduct for the Board can also be found under the same heading.

**Principle 8 – Strengthen Relationship between Company and Shareholders**

Recommendation 8.1 & 8.2

The Board is of the opinion that it already engages actively with the Company's shareholders at a level that promotes shareholder participation. At the Company's general meetings, shareholders have always been given sufficient time and opportunity to raise issues and questions and the Board has always responded to the queries to the best of its abilities and to the satisfaction of the shareholders present. Where questions do not require the disclosure of material or price-sensitive information, the Board has always provided all information relevant to the questions raised at the general meetings. While the Board is not considering to adopt electronic voting in the near future, it intends to ensure that notices for meetings are served early and that shareholders are informed at the start of the general meeting about their right to demand a poll vote.

Recommendation 8.3

Direct engagement with shareholders is conducted by an executive member of the Board to ensure that shareholders, big or small, private or corporate, are given all information needed for them to make a proper evaluation about the prospects of the Group. In the Chairman's statement in the Company's annual report, comprehensive information has been provided regularly about the developments taking place in the industry, the performances achieved by the Group's subsidiaries, a snapshot of the Group's businesses, and a candid summary about the prospects for the year ahead.

The Board of Directors of Padini Holdings Berhad is pleased to present the Audit Committee Report of the Board for the financial year ended 30 June 2014.

**Composition of the Audit Committee**

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

i. Mr Foo Kee Fatt (Independent Non-Executive Director; Chairman)
ii. Mr Lee Peng Khoon (Independent Non-Executive Director; Member) (appointed w.e.f. 6 January 2014)
iii. Mr Chia Swee Yuen (Independent Non-Executive Director; Member) (appointed w.e.f. 2 May 2014)

Ms Yeap Tien Ching ceased as Member of the Audit Committee following her resignation as a Director of the Company on 30 April 2014.

**Terms of Reference of Audit Committee**

**(A) 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 all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman, who shall be elected by the Audit Committee, must be an Independent Director.

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.

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

**(B) Meetings and Quorum of the Audit Committee**

A quorum shall be 2 members. 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 2014. 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.

In the Audit Committee Meeting held on 29 October 2013, the Audit Committee had met with the representatives from the external auditors without executive Board Member and the Group's Financial Controller's presence. In all the other four meetings, the Group Financial Controller 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 these 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.

**(C) 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 Group, 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, competency 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; and

xi. To consider other topics as defined by the Board.

**(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 Company;

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, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

**(E) 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.

**(F) 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 Company had issued the relevant performance evaluation forms for the respective Audit Committee Member and Directors for their feedback/comments. Based on the performance evaluation conducted, the Board members were satisfied with the performance of the Audit Committee.

**(G) 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 2014 are as follows:-

| Directors | Meetings attended by the Directors/Total Number of Meetings held during the financial year ended 30 June 2014 | % of Attendance |
|---|---|---|
| Mr Foo Kee Fatt | 5/5 | 100% |
| Mr Lee Peng Khoon (appointed w.e.f. 6 January 2014) | 2/2 | 100% |
| Mr Chia Swee Yuen (appointed w.e.f. 2 May 2014) | 1/1 | 100% |
| Ms Yeap Tien Ching (ceased w.e.f. 30 April 2014) | 4/4 | 100% |

**(H) Summaries of Activities of the Audit Committee**

During the financial year up to the date of this Report, the Audit Committee carried out the following activities in discharging their duties and responsibilities:

**i. Internal Control**

- Evaluated the overall effectiveness of the system of internal control through the review of the results of work performed by the internal and external auditors and discussions with key management.

**ii. Financial Results**

- Reviewed the quarterly results and audited annual financial statements of the Group and Company before recommending to the Board for release to Bursa Malaysia Securities Berhad ("Bursa Securities"). The review focussed primarily on:

  a) major judgmental areas, significant and unusual events;
  b) significant adjustments resulting from audit;
  c) the going concern assumptions;
  d) compliance with applicable approved accounting standards in Malaysia; and
  e) compliance with Listing Requirements of Bursa Securities, MFRS and other regulatory requirements.

**iii. External Audit**

- Reviewed with the external auditor, their audit plan for the financial year ended 30 June 2014 to ensure that their scope of work adequately covers the activities of the Group;

- Reviewed the results and issues arising from their audit of the annual financial statements and their resolution of such issues as highlighted in their report to the Committee; and

- Reviewed their performance and independence before recommending to the Board their reappointment and remuneration.

**iv. Internal Audit**

- Reviewed the recommendations by internal auditor, representations made and corrective actions taken by the management in addressing and resolving issues as well as ensuring that all issues were adequately addressed on a timely basis; and

- Reviewed the competencies and performance of the internal auditors to execute the plan, the audit programs used in the execution of the internal audit work and results of their work.

Internal audit reports on the following areas had been tabled to the Audit Committee for the financial year ended 30 June 2014 :

- Merchandising and Design Function for Vincci
- Sales and Operation Function for Brands Outlet
- Human Resource Management and Payroll Function
- Stock Loss Controls

The Group has outsourced its internal audit function to an external party, Baker Tilly Monteiro Heng Governance Sdn. Bhd. which is independent of the activities it audits.

The Group's annual professional fee for services by the outsourced internal auditor to manage the internal audit function is RM56,000.00.

# Nominating Committee Statement

For the financial year ended 30 June 2014

During the financial year ended 30th June 2014, the Nominating Committee had met only twice, i.e., on the 29th of Oct 2013 and 28th of May 2014, during which the following business were transacted.

It must be noted here that although a Nominating Committee comprising of 3 independent non-executive directors had been established in February of 2013, the subsequent unfortunate demise of the Chairman of the Committee in October of 2013 had caused a disruption in the activities that the Committee had set out to do. It was only following the appointment of a new independent non-executive director in January of 2014 that the vacancy was filled thus enabling the Committee to resume its functions in a more meaningful manner.

During the first meeting for the 2014 financial year, the Committee tabled for discussion a charter for the Committee. After due deliberation the charter was subsequently confirmed, accepted and adopted. This charter which replaced the terms of reference for the Committee is available for public viewing at the Company's website, www.padini.com. On the matter of an induction programme for newly-appointed directors, the Committee decided to seek further viewpoints from the Board before proceeding to develop one. A new performance evaluation form was also tabled for discussion and adoption to facilitate the annual assessment of the Board and its members. It was specifically proposed that no self-evaluation will be allowed.

In the second meeting of the Committee for the year, the members decided that where the training needs of the directors as well as the induction programme for new directors were concerned, these matters should be best deferred till a new member for the Committee was appointed. The Committee also deliberated on a proposal from one of the Board's executive members to elevate the Group's current financial controller to the position of Chief Financial Officer for the Group and to appoint the same to the Board of Directors of the company in accordance to the Board Charter. This is also to strengthen gender diversity, facilitate succession planning and ensuring necessary inputs and viewpoints are made at Board level to facilitate decision making.

During the same meeting, the Committee also noted that the resignation of one of the independent directors had necessitated the appointment of another director to fill the positions left vacant by the resignation. After due deliberations, a candidate for directorship was agreed upon and a recommendation was made to the Board. It was also recommended that the incoming director would also assume the positions of chairperson for the Remuneration Committee and a member of the Nominating Committee.

Due to the numerous changes in the membership of the Nominating Committee during the 2014 financial year, the Committee has not been able to complete all the assigned tasks comprehensively within the financial year. Any gaps identified will be completed within the next financial year.

# Statement on Risk Management and Internal Control

For the financial year ended 30 June 2014

The main features and the adequacy of the Padini Group's risk management and internal control system, hereinafter referred to as "the System", are primarily guided by the objective that the System is meant to accomplish, and that is to assure that the achievement of the Group's strategic and operational goals is done within an environment where losses and liabilities arising from risks, uncertainty and random events can be minimised, protected against and even avoided altogether.

To achieve the System's objective, a process has been started as far back as 2001, with the help of the Group's third-party internal auditors and with the collaboration of the Group's senior managers and officers, which carried out the following:

1. identified the risks related to all the possible business processes within the Group,

2. evaluated the relative relationship between the likelihood of a risk occurring for each of the business process and the impact that the actualisation of the risk will have on the business process and on the business itself,

3. analysed each of the business processes for the likelihood of the risk attached to it occurring and the consequent impact from that occurrence. Both the likelihood and the impact were each given a value from 1 to 10, with 10 being the most serious position. The two values given to each business process were plotted onto a Risk Scatter Diagram and all those business processes whose scores were located in the top-right quadrant, i.e., high risk and high impact, were considered of interest,

4. ranked the business processes considered to be of interest according to degree of significance, and

5. a 5-year audit plan was drafted which indicated the sequence in which the business processes would be audited, the frequency of an audit being done for any one business process over the plan, and the resources that should be applied to each audit.

The above had initially identified 21 business processes and 11 of those fell within the area of interest. In the first year of audit, 6 of the 11 processes were put through the audit. Over the initial 5-year plan, all the 21 processes identified had been audited at least once. Currently, the Group has revisited the internal audit plan and given the changes in the business environment, a new internal audit scope has been prepared and tabled to the Audit Committee by the internal auditor in the Revised Risk-based Internal Audit Plan 2012-2014.

As a matter of practice, the internal auditor engages with our managers and executives to find out about the policies and practices already in place for a selected process, performs tests, determines the adequacy and effectiveness of existing controls, and then presents a summary of observations requiring remedial measures together with recommendations for improvement to management for their response. After management has responded, an audit report is prepared and forwarded to the Audit Committee for consideration. At each meeting of the Audit Committee, the internal auditors will present the audit report concerned.

Acting on the audit report and the responses and opinions given by the internal auditor, the Audit Committee is then ready to bring the pertinent risk management or internal control issues to the Board itself for further consideration. Where the internal auditor's recommendations have not been adopted, the Board then seeks to satisfy itself that the alternative policies in practice are unavoidable for strategic reasons or that such policies are specific to the business activity in question, and that there is sufficient oversight over the alternatives used so that risks can be minimised. Where management agrees to implement the internal auditor's recommendations, the Audit Committee and the Board then seeks a time-line for adoption and keeps themselves apprised of the progress of the process of adoption.

On the matter of internal control, especially in relation to risks of financial loss arising from fraud, collusion and/or negligence, the Board wishes to inform that currently the activities of the Group, except the payroll function and the point-of-sale system, are controlled and monitored via an enterprise resource planning (ERP) solution provided by SAP. All activities involving the procurement of assets (whether for trade or otherwise), and contracting for services, are all documented and recorded according to the protocols of the said ERP, which in most cases involve various duties performed separately and in rigid sequence by several persons attached to various departments. The underlying principle at work here is that the party that initiates an order for procurement must not be the one who will receive the items later on directly from the suppliers. A disinterested third party is tasked to receive such items, acknowledge the receipt and proceed to record the transaction into the system. In addition to that, whenever circumstances permit, at least one more other party would be inserted between the one who initiated a procurement and the one who would receive the items procured.

At times, especially in the purchase of small non-trade items for use in the retail stores, and for purposes of expediency, the above procedure is not adhered too. Instead, the purchase is made, usually with an endorsement from a relevant manager, and then the claims are presented to the finance department for final approval before being presented to accounts payable for reimbursement. Where budgets for spending on an item or items have been prepared, discussed and approved beforehand, like in the budget for spending on advertising and promotions, procurement would also be made on a piecemeal basis without approval. This occurs frequently when the advertising and promotions department buys stuff for use in a large number of stores or across users of different subsidiaries; in such cases, the ones responsible for the purchases would have to inform the finance department of the various costs centres to which the amounts should go and this also acts as part of the controls.

In fact, for each expenditure initiated, the persons responsible will have to indicate to the finance department, the cost centre to which the expenditure will have to be assigned, and this provides for a very precise audit trail.

Overall, a review of the system of risk management and internal control already in place showed that it is both adequate and effective in managing the business risks faced as well as the risk of fraudulent behaviours. The internal audit function has always been properly instituted and is progressive in keeping with the developments and changing needs of the Group's business as it grows. The employees, including management, of the Group are exposed to the activities of the internal audit function and are aware of the objectives of the risk management and the need for the various checks and balances put in place to achieve effective internal control. The Group also has in place a formal code of conduct and whistle-blowing policy, both of which has been widely disseminated to the employees in general.

**Further Developments during the financial year under review**

To further improve upon the framework, the Group undertook the following activities during the financial year concerned:

1. Upgrading the payroll system: The payroll system upgrade whose implementation was begun in April of 2014 finally went live in September 2014, and is currently the system in use. The new payroll system was procured to further enhance the internal control processes that surround the payroll function. In the new system, particular attention was paid to separation of duties and to providing for a more comprehensive audit trail for activities carried out. The objective was to further strengthen the integrity of the inputs thereby ensuring that fraud be discouraged and minimised.

2. Minimising the incidence of intellectual property infringement: In June 2014, a memo was circulated internally to all employees which explicitly forbade the use of symbols and graphic representations of any sort that the Group did not have the legal rights to use. Included in the memo was information relating to the potential losses the Group may be exposed to if infringement occurred and also about the penalties that employees responsible may have to bear if they caused the infringement. Relevant personnel were required to sign an acknowledgement of their responsibility to avoid intellectual property infringement.

3. Establishment of Health & Safety Committees within the Group in compliance with the requirements of OSHA 1994. Training on awareness of, handling and compliance with health and safety issues at the workplace to promote a safer and healthier workplace is conducted regularly. Meetings of the various committees were also held periodically to deal with safety issues arising. Besides legal compliance, a safer workplace reduces risks of incidents that may lead to both physical and monetary loss.

**Comments from the Internal Auditors**

Our internal auditors reported that the internal audit review based on the Internal Audit Plan approved previously by the Audit Committee had been completed and that the results were satisfactory, having found no major control weaknesses which may pose major risk exposures to the Group's operations. They further mentioned that management have implemented improvements as recommended in their audit reports and that in their opinion there were no significant finding which required further expansion of the internal audit coverage and hence there was no cause to review the existing Internal Audit Plan previously approved by the Audit Committee.

**Review of the Statement on Risk Management and Internal Control by External Auditors**

As required by paragraph 15.23 of the Bursa Securities Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (Revised) ('RPG5 (Revised)') issued by the Malaysian Institute of Accountants (MIA) and procedures have been performed to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors have adopted.

RPG5 (Revised) does not require the External Auditors to consider whether this Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. Based on their procedures performed, the External Auditors have reported to the Board of Directors that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

**Conclusion**

The CEO and CFO have given the assurance to the Board that the risk management and internal control system currently in place is adequate and effective and meets with the requirements of the Group.

## Chia Swee Yuen

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

Aged 57 of Malaysian nationality, he was appointed to the Board on 2 May 2014.

He graduated from the University of Malaya with a Bachelor of Accounting (1st Class Hons). He is a member of Malaysian Institute of Accountants ("MIA") and the Examination Committee of the Certified Credit Professional (Business) of the Asian Institute of Chartered Bankers ("AICB") (formerly known as Institut Bank-Bank Malaysia). In recognition of his contributions and services rendered to AICB and the banking Industry, he was elected by the Council as an Associate Fellow of AICB.

He started his career in 1980 with SGV-Kassim Chan Sdn Bhd, a management consultancy firm, conducting financial feasibility and marketing studies, review of operational processes and financial training.

From 1984 to 1987, he was with Malaysian Resources Corporation Berhad, a diversified listed group with businesses in the manufacturing, trading, credit & leasing, credit card, construction and property development areas, in charge of the corporate planning, accounting and tax, information technology and general administration areas.

Since 1988, he has been with the banking sector, heading varied areas of marketing, branch management, credit evaluation, credit operations and risk management with Overseas Union Bank (M) Bhd and Ambank (M) Bhd. Customer segment handled is mainly in business banking.

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

For the financial year under review, he has attended 1 meeting of the Board of Directors.

## Yong Pang Chaun

(Managing Director and Member of Remuneration Committee)

Aged 63 of Malaysian nationality, he was appointed to the Board on 26 March 1992.

An entrepreneur with extensive hands–on experience in the textiles and apparel industry, he has been and still is primarily responsible for the achievements of the Group.

After completing his secondary education, he joined a textile merchant in Singapore where he gained considerable experience in the textile trade. Returning to Malaysia several years later, he set up the Company's first subsidiary in 1971 to manufacture ladies fashion. From there, other businesses were set up and since then he has always set the strategies for the development of the Group. The recent success of the Group's brands and the presence that the brands command in the domestic market today are attestations to his entrepreneurial skills. His ability to analyse fashion trends and to react quickly to take advantage of changes in market conditions and consumers' preferences, has resulted in the Group being provided with tremendous opportunities for continued growth. Today, he continues to manage the strategies and plans for the Group's future.

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

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

## Chan Kwai Heng
(Executive Director)

Aged 62 of Singaporean nationality, he was appointed to the Board on 29 March 1995.

He graduated from the University of Malaya in 1975 with a Bachelor for 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 was worked as a temporary teacher in SMJK Chi Wen, a school in Bahau, Negeri 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.

## Cheong Chung Yet
(Executive Director)

Aged 48 of Malaysian nationality, he was 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 department, 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 61 of Malaysian nationality, she was appointed to the Board on 29 March 1995.

While still in the second year of her sixth form education, she was called upon to help in the family business which dealt in the wholesale and retail of fashion accessories and costume jewellery. After three years and gaining considerable experience in the trade, she left and joined a boutique retailing ladies fashion. After Vincci Ladies' Specialities Centre Sdn Bhd got incorporated in 1981, she joined the company as a merchandiser for ladies fashion wear and accessories. Since then she has been with the Group and has contributed much to the development of the Group's major brands like Seed, Padini Authentics and Miki.

When she was merchandiser for ladies fashion, she got involved in garment manufacturing operations and was able to later use this experience to oversee the Group's garment manufacturing operations.

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

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

## Yong Lai Wah

(Executive Director)

Aged 64 of Malaysian nationality, she was 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 from 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 4 out of 5 meetings of the Board of Directors.

## Foo Kee Fatt

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

Aged 48 of Malaysian nationality, he was appointed to the Board on 2 January 2009.

He is a member of Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He is also an approved company auditor under Section 8 of the Malaysian Companies Act, 1965.

In 1987, he joined and served his articleship with one of the reputable international accounting firms. From 1993 to 2006, he was with a local accounting firm with international affiliation. He is currently in public practice.

Other than his directorship with Padini Holdings Berhad, he is also an independent non–executive director in:

1. Central Industrial Corporation Berhad, a company listed on the Main Market of Bursa Malaysia.
2. Tatt Giap Group Berhad, a company listed on the Main Market of Bursa Malaysia.

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

## Lee Peng Khoon

(Chairman of Nominating Committee, Member of the Audit Committee and Remuneration Committee, Independent Non-Executive Director)

Aged 61 of Malaysian nationality, he was appointed to the Board on 6 January 2014.

He qualified as a Chartered Accountant in 1978 in a London firm of chartered accountants. He is a member of the Malaysian Institute of Accountants, The Institute of Chartered Accountants in England & Wales and Chartered Tax Institute of Malaysia.

On his return to Malaysia in 1981, he joined a big four auditing firm as an audit senior and later audit manager. He then held senior management positions in private and public companies that were involved in plantation, property development, credit financing, manufacturing & trading, countertrade and trade financing, investment holding and chartering & engineering in the oil and gas sector.

He is presently a self-employed general consultant.

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

For the financial year under review, he has attended all 2 meetings of the Board of Directors.

## Andrew Yong Tze How
(Alternate Director to Mdm Chong Chin Lin)

Aged 33 of Malaysian nationality, he was appointed as Alternate Director to Mdm Chong Chin Lin on 6 January 2014.

He is the son of the Managing Director, Mr Yong Pang Chaun and the Executive Director, Mdm Chong Chin Lin.

He graduated from the California State University, Northridge, Los Angeles, California with a Bachelor's Degree in Computer Science. From April 2006 to May 2008, he worked as a AS400 programmer contracted to Patimas PSG and a system operator in Prudential services.

Currently he is the IT manager in Padini Dot Com Sdn Bhd managing all IT operations, system implementations and IT assets for Padini 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 2 meetings of the Board of Directors.

## Yeo Sok Hiang
(Executive Director)

Aged 40 of Malaysian nationality, she was appointed to the board on 1 July 2014.

She graduated from The Association of Chartered Certified Accountants (ACCA) in 1998 and was admitted as a member of the Malaysian Institute of Accountants (MIA) and a member of the Association of Chartered Certified Accountants (ACCA) in 2001. In 2006, she became a Fellow of the Association of Chartered Certified Accountants (FCCA).

Prior to joining Padini, she worked as a business support analyst in a multinational Information Technology Company, the Treasury Department of a public listed company in the construction and property industry and handled the financial reporting of a manufacturing subsidiary of another public listed company, where she has gained a diverse range of skills and knowledge.

She joined Padini in December 2001 as the Group's Finance Manager and was re-designated to the position of Group Financial Controller in March 2008. She is now the CFO of the Group and manages the financial operations, planning and reporting of the group's finances.

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

As she was appointed after the financial year end, she has not attended any of the meetings of the Board of Directors for the period under review.

## Other Information

(i) Family Relationship
Except for Yong Pang Chaun who is the spouse of Chong Chin Lin, and is also the brother of Yong Lai Wah and Andrew Yong Tze How who is the son of Yong Pang Chaun and Chong Chin Lin, 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 43.74% interest in the shares in the Company as at 30 June 2014.

(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) Materials Contracts
No materials contracts had been entered into for the financial year under review between the group and the directors and/or major shareholders.

(v) Remuneration Package

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

| | Executive Directors (RM) | Non-Executive Directors (RM) |
|---|---|---|
| Salaries | 2,142,286 | – |
| Fees & Allowances | 56,240 | 197,000 |
| Bonuses | 1,777,941 | – |
| Benefits-in-kind | 110,659 | – |
| Statutory Contributions | 477,408 | – |
| **Total** | **4,564,534** | **197,000** |

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 - 100,000 | – | 2 |
| RM100,001 - 150,000 | 1 | – |
| RM150,001 - 200,000 | 1 | – |
| RM800,001 - 850,000 | 1 | – |
| RM1,000,001 - 1,050,000 | 1 | – |
| RM1,150,001 - 1,200,000 | 1 | – |
| RM1,200,001 - 1,250,000 | 1 | – |

(vi) Director's Training

During the financial year ended 30 June 2014, members of the Board have attended the following training programmes and seminars:-

| | Name of Programme | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of Directors | **MIA** 2014 Budget Seminar - Key Budget Changes and their Implications | **CPA** Preparing for GST in Malaysia | **CTIM** Goods and Services Tax (GST) Training Course | **ICLIF** Board Chairman Series - The Role of the Chairman by Bursa | **Bursa** Advocacy Sessions on Corporate Disclosure for Directors | **In-House Program** Being Proactive | **In-House Program-SIDC** Corporate Governance Statement Reporting Workshop | **In-House Program**: KPI Management Training |
| Chia Swee Yuen | | | | √ | | | | |
| Yong Pang Chaun | | | | | | √ | √ | √ |
| Chan Kwai Heng | | | | | | √ | √ | √ |
| Cheong Chung Yet | | | | | | √ | √ | √ |
| Chong Chin Lin | | | | | | √ | √ | √ |
| Yong Lai Wah | | | | | | | √ | |
| Foo Kee Fatt | √ | √ | √ | | | | | |
| Lee Peng Khoon | | | | | √ | | √ | |
| Andrew Yong Tze How | | | | | √ | √ | √ | √ |

(vii) No. of board meetings held

Five (5) Board meetings were held during the financial year ended 30 June 2014.

(viii) Non-audit Fee

There was an interim fees of RM90,000.00 paid to BDO Tax Services as GST Consultant for the Group during the financial year.

Pursuant to paragraph 15.26 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and as required by Companies Act, 1965 in Malaysia the Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and its subsidiaries as at the end of the financial year, and of the financial performance and cash flows for the financial year ended.

In ensuring the preparation of these financial statements of Padini Holdings Berhad, the Directors have ensured the following:-

- Adopted suitable accounting policies and apply them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Making of judgments and estimates that are appropriate, reasonable and prudent.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy the financial position of the Company and ensuring that the financial statements comply with the provisions of the Companies Act, 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.

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | 90,913 | 2,158 |

## DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

| | Company RM'000 |
|---|---|
| In respect of financial year ended 30 June 2014: | |
| First interim single tier dividend of 2.5 sen per ordinary share, paid on 27 September 2013. | 16,448 |
| Second interim single tier dividend of 2.5 sen per ordinary share, paid on 27 December 2013. | 16,448 |
| Special single tier dividend of 1.5 sen per ordinary share, paid on 27 December 2013. | 9,868 |
| Third interim single tier dividend of 2.5 sen per ordinary share, paid on 28 March 2014. | 16,448 |
| Fourth interim single tier dividend of 2.5 sen per ordinary share, paid on 27 June 2014. | 16,448 |
| | 75,660 |

The Directors do not recommend the payment of any final dividend in respect of the current financial year. On 27 August 2014, the Directors declared a first interim single tier dividend of 2.5 sen per ordinary share amounting to RM16,448,000 in respect of the financial year ending 30 June 2015, which was paid on 29 September 2014.

## 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

The Company did not issue any new shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

**DIRECTORS**

The Directors who have held for office since the date of the last report are:

| | |
|---|---|
| Yong Pang Chaun | |
| Yong Lai Wah | |
| Chong Chin Lin | |
| Chan Kwai Heng | |
| Cheong Chung Yet | |
| Foo Kee Fatt | |
| Lee Peng Khoon | (appointed on 6 January 2014) |
| Andrew Yong Tze How | (Alternate Director to Mdm. Chong Chin Lin, appointed on 6 January 2014) |
| Chia Swee Yuen | (appointed on 2 May 2014) |
| Yeo Sok Hiang | (appointed on 1 July 2014) |
| Yeap Tien Ching | (resigned on 30 April 2014) |

In accordance with Article 102(1) of the Company's Articles of Association, Yong Pang Chaun and Chan Kwai Heng retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 109 of the Company's Articles of Association, Lee Peng Khoon, Chia Swee Yuen and Yeo Sok Hiang retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

| | **Number of ordinary shares of RM0.10 each** | | | |
|---|---|---|---|---|
| | **Balance as at 1.7.2013** | **Bought** | **Sold** | **Balance as at 30.6.2014** |
| Shares in the Company | | | | |
| **Direct interests** | | | | |
| Yong Pang Chaun | 1,500,000 | – | – | 1,500,000 |
| Chong Chin Lin | 2,019,990 | – | – | 2,019,990 |
| Chan Kwai Heng | 1,144,000 | – | – | 1,144,000 |
| Cheong Chung Yet | 1,173,990 | – | – | 1,173,990 |
| Shares in the Company | | | | |
| **Indirect interests** | | | | |
| Yong Pang Chaun | 289,783,490 | – | – | 289,783,490 |
| Chong Chin Lin | 289,263,500 | – | – | 289,263,500 |
| Yong Lai Wah | 287,763,500 | – | – | 287,763,500 |

By virtue of their interests in the ordinary shares of the Company, Yong Pang Chaun, Yong Lai Wah and Chong Chin Lin are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as Directors of the subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts and that provision need not be made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

### (III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant event subsequent to the end of the reporting period is disclosed in Note 36 to the financial statements.

**AUDITORS**

The auditors, BDO, have expressed their willingness to continue in office.

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

…………………………………………………………….

**Chan Kwai Heng**
**Director**

…………………………………………………………….

**Yong Pang Chaun**
**Director**

Kuala Lumpur
9 October 2014

# Statement by Directors

Pursuant to Section 169 (15) of the Companies Act, 1965 in Malaysia

In the opinion of the Directors, the financial statements set out on pages 43 to 116 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 37 to the financial statements on page 117 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

…………………………………………………….
**Chan Kwai Heng**
**Director**

…………………………………………………….
**Yong Pang Chaun**
**Director**

Kuala Lumpur
9 October 2014

# Statutory Declaration

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

I, Chan Kwai Heng, being the Director primarily responsible for the financial management of Padini Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

| | |
|---|---|
| Subscribed and solemnly declared by | ) |
| the abovenamed at Kuala Lumpur this | ) |
| 9 October 2014 | )……………...................... |
| | ) **Chan Kwai Heng** |

Before me

# Independent Auditors' Report to the Members

of Padini Holdings Berhad

**Report on the Financial Statements**

We have audited the financial statements of Padini Holdings Berhad, which comprise statements of financial position as at 30 June 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 116.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 10 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in Note 37 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**
AF : 0206
Chartered Accountants

**Tang Seng Choon**
2011/12/15 (J)
Chartered Accountant

Kuala Lumpur
9 October 2014

# Statements of Financial Position

As at 30 June 2014

| | Note | Group 2014 RM'000 | Group 2013 RM'000 | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 7 | 108,717 | 88,281 | 43,528 | 44,254 |
| Intangible assets | 8 | 6,267 | 6,673 | – | – |
| Investment property | 9 | 3,108 | 2,911 | – | – |
| Investments in subsidiaries | 10 | – | – | 248,087 | 248,087 |
| Other investments | 11 | 735 | 735 | 560 | 560 |
| Deferred tax assets | 12 | 648 | 1,306 | – | – |
| | | 119,475 | 99,906 | 292,175 | 292,901 |
| **Current assets** | | | | | |
| Inventories | 13 | 222,066 | 143,838 | – | – |
| Trade and other receivables | 14 | 55,157 | 49,609 | 10,252 | 70,621 |
| Current tax assets | | 949 | 443 | – | – |
| Other investments | 11 | 73,781 | 12,323 | 22,233 | 12,323 |
| Cash and bank balances | 15 | 97,462 | 206,226 | 3,880 | 39,926 |
| | | 449,415 | 412,439 | 36,365 | 122,870 |
| **TOTAL ASSETS** | | 568,890 | 512,345 | 328,540 | 415,771 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 16 | 65,791 | 65,791 | 65,791 | 65,791 |
| Reserves | 17 | 321,873 | 306,435 | 251,309 | 324,811 |
| **TOTAL EQUITY** | | 387,664 | 372,226 | 317,100 | 390,602 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 18 | 15,014 | 17,238 | 9,544 | 10,968 |
| Provision for restoration costs | 20 | 5,034 | 3,904 | – | – |
| Deferred tax liabilities | 12 | 2,353 | 2,359 | – | – |
| | | 22,401 | 23,501 | 9,544 | 10,968 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 113,861 | 88,973 | 298 | 12,801 |
| Borrowings | 18 | 37,193 | 18,726 | 1,435 | 1,372 |
| Provision for restoration costs | 20 | 293 | 481 | – | – |
| Current tax liabilities | | 7,478 | 8,438 | 163 | 28 |
| | | 158,825 | 116,618 | 1,896 | 14,201 |
| **TOTAL LIABILITIES** | | 181,226 | 140,119 | 11,440 | 25,169 |
| **TOTAL EQUITY AND LIABILITIES** | | 568,890 | 512,345 | 328,540 | 415,771 |

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

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2014

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 24 | 866,258 | 789,520 | 391 | 125,435 |
| Cost of sales | 25 | (466,224) | (420,932) | – | – |
| Gross profit | | 400,034 | 368,588 | 391 | 125,435 |
| Other income | | 9,299 | 7,758 | 5,280 | 5,063 |
| Selling and distribution costs | | (223,965) | (204,984) | – | – |
| Administrative expenses | | (57,433) | (51,732) | (1,892) | (1,888) |
| Profit from operations | | 127,935 | 119,630 | 3,779 | 128,610 |
| Finance costs | 26 | (2,216) | (1,972) | (531) | (587) |
| Profit before tax | 27 | 125,719 | 117,658 | 3,248 | 128,023 |
| Tax expense | 29 | (34,806) | (32,265) | (1,090) | (951) |
| Profit for the financial year attributable to owners of the parent | | 90,913 | 85,393 | 2,158 | 127,072 |
| **Other comprehensive income** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Fair value gains on available-for-sale financial assets | 29(d) | – | 55 | – | – |
| Foreign currency translations | 29(d) | 185 | (2) | – | – |
| Total other comprehensive income, net of tax | | 185 | 53 | – | – |
| Total comprehensive income attributable to owners of the parent | | 91,098 | 85,446 | 2,158 | 127,072 |
| Earnings per ordinary share attributable to equity holders of the Company (sen): | | | | | |
| - Basic | 31 | 13.82 | 12.98 | | |
| - Diluted | 31 | 13.82 | 12.98 | | |

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

| Group | Note | [------Non-distributable------ | | | ------] | Distributable | |
|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Share premium RM'000 | Available-for-sale reserve RM'000 | Exchange translation reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| Balance as at 1 July 2012 | | 65,791 | 3,772 | – | (1,234) | 271,084 | 339,413 |
| Profit for the financial year | | – | – | – | – | 85,393 | 85,393 |
| Fair value gains on available-for-sale financial assets, net of tax | | – | – | 55 | – | – | 55 |
| Foreign currency translations, net of tax | | – | – | – | (2) | – | (2) |
| Total comprehensive income | | – | – | 55 | (2) | 85,393 | 85,446 |
| **Transactions with owners** | | | | | | | |
| Dividends paid | 30 | – | – | – | – | (52,633) | (52,633) |
| Total transactions with owners | | – | – | – | – | (52,633) | (52,633) |
| Balance as at 30 June 2013 | | 65,791 | 3,772 | 55 | (1,236) | 303,844 | 372,226 |

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

# Consolidated Statement of Changes In Equity (cont'd)

For the financial year ended 30 June 2014

| Group | Note | Share capital RM'000 | Share premium RM'000 | Available-for-sale reserve RM'000 | Exchange translation reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|
| | | [------Non-distributable | | | ------] | Distributable | |
| Balance as at 1 July 2013 | | 65,791 | 3,772 | 55 | (1,236) | 303,844 | 372,226 |
| Profit for the financial year | | – | – | – | – | 90,913 | 90,913 |
| Fair value gains on available-for-sale financial assets, net of tax | | – | – | – | – | – | – |
| Foreign currency translations, net of tax | | – | – | – | 185 | – | 185 |
| Total comprehensive income | | – | – | – | 185 | 90,913 | 91,098 |
| **Transactions with owners** | | | | | | | |
| Dividends paid | 30 | – | – | – | – | (75,660) | (75,660) |
| Total transactions with owners | | – | – | – | – | (75,660) | (75,660) |
| Balance as at 30 June 2014 | | 65,791 | 3,772 | 55 | (1,051) | 319,097 | 387,664 |

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

| Company | Note | [------------Non-distributable------------] Share capital RM'000 | Share premium RM'000 | Distributable Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| Balance as at 30 June 2012 | | 65,791 | 3,772 | 246,600 | 316,163 |
| Profit for the financial year | | – | – | 127,072 | 127,072 |
| Other comprehensive income, net of tax | | – | – | – | – |
| Total comprehensive income | | – | – | 127,072 | 127,072 |
| **Transaction with owners** | | | | | |
| Dividends paid | 30 | – | – | (52,633) | (52,633) |
| Total transactions with owners | | – | – | (52,633) | (52,633) |
| Balance as at 30 June 2013 | | 65,791 | 3,772 | 321,039 | 390,602 |
| Profit for the financial year | | – | – | 2,158 | 2,158 |
| Other comprehensive income, net of tax | | – | – | – | – |
| Total comprehensive income | | – | – | 2,158 | 2,158 |
| **Transaction with owners** | | | | | |
| Dividends paid | 30 | – | – | (75,660) | (75,660) |
| Total transactions with owners | | – | – | (75,660) | (75,660) |
| Balance as at 30 June 2014 | | 65,791 | 3,772 | 247,537 | 317,100 |

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

| | Note | Group 2014 RM'000 | Group 2013 RM'000 | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 125,719 | 117,658 | 3,248 | 128,023 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 8 | 894 | 796 | – | – |
| Bad debt written off | | – | 136 | – | – |
| Depreciation of property, plant and equipment | 7 | 22,736 | 21,386 | 736 | 740 |
| Dividend income from: | | | | | |
| - other investments | | (608) | (245) | (391) | (245) |
| - subsidiaries | 24 | – | – | – | (125,190) |
| Fair value adjustments on: | | | | | |
| - investment property | 9 | (167) | (318) | – | – |
| - other investments | | (44) | (62) | (23) | (50) |
| Gain on disposal of property, plant and equipment | | (47) | (14) | (2) | (2) |
| Intangible assets written off | | 3 | – | – | – |
| Interest expense | | 2,207 | 1,952 | 531 | 587 |
| Interest income | | (3,993) | (2,793) | (462) | (217) |
| Inventory losses | 13 | 5,038 | 6,460 | – | – |
| Inventories written down | 13 | 480 | 1,554 | – | – |
| Inventories written off | 13 | 1,960 | 1,957 | – | – |
| Loss on disposal of other investments | | 4 | – | 4 | – |
| Net unrealised loss on foreign exchange | | 37 | 404 | – | – |
| Other investments written off | | – | 4 | – | – |
| Property, plant and equipment written off | | 981 | 134 | – | – |
| Reversal of provision for restoration costs | 20 | (881) | – | – | – |
| Operating profit before changes in working capital | | 154,319 | 149,009 | 3,641 | 3,646 |
| (Increase)/Decrease in inventories | | (85,699) | 38,476 | – | – |
| (Increase)/Decrease in trade and other receivables | | (5,578) | (1,955) | 2,558 | 3,622 |
| Increase in trade and other payables | | 24,533 | 10,075 | 106 | 128 |
| Cash generated from operations | | 87,575 | 195,605 | 6,305 | 7,396 |
| Tax paid | | (36,331) | (34,465) | (966) | (893) |
| Tax refunded | | 712 | 469 | 11 | 2 |
| Net cash from operating activities | | 51,956 | 161,609 | 5,350 | 6,505 |

| | Note | Group 2014 RM'000 | Group 2013 RM'000 | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| (Repayments to)/Payments on behalf by subsidiaries | | – | – | (12,772) | 5,932 |
| Dividends received from subsidiaries | | – | – | 57,974 | 84,644 |
| Interest received | | 3,993 | 2,793 | 462 | 217 |
| Placements of unit trust funds | | (65,566) | (10,001) | (13,756) | (10,001) |
| Proceeds from disposals of: | | | | | |
| - property, plant and equipment | | 48 | 20 | 2 | 2 |
| - other investments | | 4,756 | 371 | 4,256 | – |
| Purchase of: | | | | | |
| - intangible assets | 8 | (491) | (282) | – | – |
| - property, plant and equipment | 7(a) | (41,628) | (16,117) | (10) | (2) |
| Net cash (used in)/from investing activities | | (98,888) | (23,216) | 36,156 | 80,792 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividends paid | 30 | (75,660) | (52,633) | (75,660) | (52,633) |
| Drawdowns of short term bank borrowings | | 67,644 | 20,692 | – | – |
| Decrease in deposit pledged with a licensed bank | | – | 16 | – | – |
| Interest paid | | (1,791) | (1,528) | (531) | (587) |
| Repayments of: | | | | | |
| - hire purchase and finance lease obligations | | (313) | (369) | – | – |
| - short term bank borrowings | | (49,411) | (33,201) | – | – |
| - term loans | | (2,443) | (2,342) | (1,361) | (1,305) |
| Net cash used in financing activities | | (61,974) | (69,365) | (77,552) | (54,525) |
| Net (decrease)/increase in cash and cash equivalents | | (108,906) | 69,028 | (36,046) | 32,772 |
| Effects of exchange rate fluctuations on cash and cash equivalents | | 142 | (398) | – | – |
| Cash and cash equivalents at beginning of of financial year | | 206,214 | 137,584 | 39,926 | 7,154 |
| Cash and cash equivalents at end of financial year | 15(d) | 97,450 | 206,214 | 3,880 | 39,926 |

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

## 1. CORPORATE INFORMATION

Padini Holdings Berhad (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 3rd Floor, No. 17, Jalan Ipoh Kecil, 50350 Kuala Lumpur.

The principal place of business of the Company is located at No. 19, Lot 115, Jalan U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 30 June 2014 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company. All the financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 9 October 2014.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 43 to 116 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 37 to the financial statements set out on page 117 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

### 4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.2 Basis of consolidation (cont'd)

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.3 Business combinations**

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation (if any) are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

**4.4 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.4 Property, plant and equipment and depreciation (cont'd)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land and capital work in progress are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

| | |
|---|---|
| Freehold buildings | 50 years |
| Leasehold building | 25 years |
| Motor vehicles | 5 years |
| Furniture and fixtures | 3 - 5 years |
| Office equipment and tools | 3 - 5 years |

Freehold land has unlimited useful life and is not depreciated. Capital work in progress is stated at cost and is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

### 4.5 Intangible assets

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.5 Intangible assets (cont'd)

System, applications, and products ("SAP") and computer software that do not form an integral part of the related hardware are treated as intangible assets with finite lives and are amortised over their estimated useful lives. The principal amortisation periods are as follows:

| | |
|---|---|
| SAP | 15 years |
| Computer software | 5 years |

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition, which is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

### 4.6 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of buildings

The leases of buildings are classified as operating or finance leases in the same way as leases of other assets.

### 4.7 Investment property

Investment property is a property which is held to earn rental yields or for capital appreciation or for both and is not occupied by the Group. Investment property is initially measured at cost, which includes transaction costs. After initial recognition, investment property is stated at fair value.

The fair value of investment property reflects among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions.

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.7 Investment property (cont'd)**

Fair value of investment property is based on valuation by registered independent valuer with appropriate recognised professional qualification and has recent experience in the location and category of the investment property being valued.

A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises.

Investment property is derecognised when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

**4.8 Investments in subsidiaries**

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

**4.9 Impairment of non-financial assets**

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories, deferred tax assets and investment property measured at fair value, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.9 Impairment of non-financial assets (cont'd)

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

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

Such reversals are recognised as income immediately in profit or loss.

### 4.10 Inventories

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

Cost is determined on a weighted average basis. The cost comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.11 Financial instruments (cont'd)**

(a) Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and bank balances include cash and cash equivalents, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.11 Financial instruments (cont'd)**

(b) Financial liabilities (cont'd)

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

### 4.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.14 Income taxes**

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by a foreign subsidiary on distribution of retained earnings to companies in the Group) and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

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 income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

**4.15 Provisions**

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

4. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.15 Provisions (cont'd)**

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for restoration costs

Provision for restoration costs is included in the carrying amounts of furniture and fixtures. This provision is recognised in respect of the obligation of the Group to restore leased outlets to its original state upon the expiry of tenancy agreements.

**4.16 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

**4.17 Employee benefits**

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.17 Employee benefits (cont'd)**

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and a foreign subsidiary makes contributions to its country's statutory pension scheme. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

**4.18 Customer loyalty points**

Deferred revenue on customer loyalty points is recognised as a reduction in revenue upon granting of loyalty points to customers in accordance with the announced loyalty points scheme.

**4.19 Foreign currencies**

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.20 Operating segments**

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) The combined reported profit of all operating segments that did not report a loss; and

(ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

**4.21 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

(b) Commission income

Commission income is recognised at the fair value of the consideration receivable upon the sales of goods.

4. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.21 Revenue recognition (cont'd)**

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(e) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(f) Revenue from customer loyalty points

Revenue from customer loyalty points is recognised when the obligation in respect of the awards is fulfilled.

(g) Royalty income and master license fee

Royalty income and master license fee are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(h) Membership fee

Membership fee is recognised on a cash receipt basis.

**4.22 Earnings per share**

(a) Basic

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

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

**4.23 Fair value measurements**

The fair value of an asset or a liability, except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**4.23 Fair value measurements (cont'd)**

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. **ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs**

**5.1 New MFRSs adopted during the current financial year**

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

| Title | Effective Date |
|---|---|
| MFRS 10 *Consolidated Financial Statements* | 1 January 2013 |
| MFRS 11 *Joint Arrangements* | 1 January 2013 |
| MFRS 12 *Disclosure of Interests in Other Entities* | 1 January 2013 |
| MFRS 13 *Fair Value Measurement* | 1 January 2013 |
| MFRS 119 *Employee Benefits (2011)* | 1 January 2013 |
| MFRS 127 *Separate Financial Statements* | 1 January 2013 |
| MFRS 128 *Investments in Associates and Joint Ventures* | 1 January 2013 |
| Amendments to MFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities* | 1 January 2013 |
| Amendments to MFRSs *Annual Improvements 2009 – 2011 Cycle* | 1 January 2013 |
| Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* | 1 January 2013 |
| IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* | 1 January 2013 |

There is no material effect upon the adoption of the above Standards during the financial year other than:

(a) MFRS 12, which is mandatory for annual periods beginning on or after 1 January 2013.

This Standard prescribes the disclosure requirements relating to interests of an entity in subsidiaries, joint arrangements, associates and structured entities. This Standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the relationship of the reporting entity with other entities.

Following the adoption of this Standard, the Group has disclosed the requirements applicable to the Group in Note 10 to the financial statements.

(b) MFRS 13, which is mandatory for annual periods beginning on or after 1 January 2013.

This Standard is now the sole MFRS containing the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other MFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other MFRSs have now been relocated to MFRS 13.

**5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)**

**5.1 New MFRSs adopted during the current financial year (cont'd)**

(b) MFRS 13, which is mandatory for annual periods beginning on or after 1 January 2013. (cont'd)

Whilst there have been some rewording of the previous guidance on MFRS 13, there are very few changes to the previous fair value measurement requirements. Instead, MFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

MFRS 13 did not materially impact any fair value measurements of the assets or liabilities of the Group. It has only a presentation and disclosure impact and therefore, has no effect on the financial position or performance of the Group.

**5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014**

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

| **Title** | **Effective Date** |
|---|---|
| Amendments to MFRS 10 *Consolidated Financial Statements: Investment Entities* | 1 January 2014 |
| Amendments to MFRS 12 *Disclosure of Interest in Other Entities: Investment Entities* | 1 January 2014 |
| Amendments to MFRS 127 *Separate Financial Statements (2011): Investment Entities* | 1 January 2014 |
| Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities* | 1 January 2014 |
| Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets* | 1 January 2014 |
| Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting* | 1 January 2014 |
| IC Interpretation 21 *Levies* | 1 January 2014 |
| Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions* | 1 July 2014 |
| Amendments to MFRSs *Annual Improvements to MFRSs 2010 – 2012 Cycle* | 1 July 2014 |
| Amendments to MFRSs *Annual Improvements to MFRSs 2011 – 2013 Cycle* | 1 July 2014 |
| *Mandatory Effective Date of MFRS 9 and Transition Disclosures* | Deferred |
| MFRS 9 *Financial Instruments (2009)* | Deferred |
| MFRS 9 *Financial Instruments (2010)* | Deferred |
| MFRS 9 *Financial Instruments* (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139) | Deferred |
| MFRS 14 *Regulatory Deferral Accounts* | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* | 1 January 2016 |
| MFRS 15 *Revenue from Contracts with Customers* | 1 January 2017 |

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

### 6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Significant influence

Significant influence is presumed to exist when an entity holds twenty percent (20%) or more of the voting rights of another entity, unless it can be clearly demonstrated otherwise.

The Group holds a forty percent (40%) interest in Cassardi Corporation Sdn. Bhd. ("Cassardi") for which the Group has determined that it does not hold significant influence over Cassardi as:

(i) The Group does not have any representative on the board of directors of Cassardi, and is therefore unable to participate in policy-making processes of Cassardi;
(ii) There are no material transactions between the Group and Cassardi; and
(iii) There is no interchange of managerial personnel and provision of essential technical information between the Group and Cassardi.

Based on this, the Group considers that it does not have the power to exercise significant influence and has treated its interest in Cassardi as a simple investment in unquoted shares.

(c) Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of this property which is leased out as operating leases due to the lease period of two (2) years out of the investment property's economic life of seventy five (75) years.

(d) Contingent rental

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

6. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**

**6.2 Critical judgements made in applying accounting policies (cont'd)**

(e) Contingent liabilities

The determination and treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(f) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

(g) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

**6.3 Key sources of estimation uncertainty**

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these assets to be three (3) years to fifty (50) years. These are common life expectancies applied in this industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised.

(b) Amortisation of intangible assets

The cost of intangible assets is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these assets to be five (5) years to fifteen (15) years, which are common life expectancies applied in this industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these intangible assets, and therefore future amortisation charges could be revised.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the tax losses, capital allowances and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

### 6.3 Key sources of estimation uncertainty (cont'd)

(e) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(f) Income taxes

Significant judgement is required in determining the capital allowances, deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are transactions during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises tax liabilities based on estimates of whether additional taxes would be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 35(c) to the financial statements.

(h) Provision for restoration costs

The Group estimates provision for restoration costs based on historical costs incurred per square feet of sales area. The estimated provision for restoration costs are reviewed periodically and are updated if expectations differ from previous estimates due to changes in cost factors. Where expectations differ from the original estimates, the differences would impact the carrying amount of provision for restoration costs.

(i) Deferred revenue for customer loyalty points

The Group maintains a customer loyalty program that allows its members to accumulate customer loyalty points on the purchases of the Group's products sold in its own retail outlets. These customer loyalty points are then converted into rebate vouchers and sent to the customers based on the terms and conditions in force.

The Group treats the loyalty program as a separate component of the sales transaction in which they are granted. The Group has estimated the fair value of the unredeemed rebate vouchers issued to members and the unconverted loyalty points and has accounted for it as deferred revenue. This deferred revenue is recognised as revenue when the issued rebate vouchers are redeemed in the Group's own retail outlets or when the rebate vouchers have expired without being redeemed.

(j) Impairment of investments in subsidiaries

Management reviews the investments in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries are assessed by reference to the higher of the fair values less cost to sell and the value in use of the respective subsidiaries.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**

**6.3 Key sources of estimation uncertainty (cont'd)**

(k) Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

(i) Level 1: Quoted prices in active markets for identical items (unadjusted);
(ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
(iii) Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group engages a professional valuer to perform valuation on an investment property as disclosed in Note 9 to the financial statements. This valuation report would be tabled annually to the Audit Committee for approval, where applicable.

The Group measures these elements in the financial statements at fair value:

(i) Investment property, Note 9 to the financial statements; and
(ii) Financial instruments, Note 34 to the financial statements.

## 7. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Freehold buildings RM'000 | Leasehold building RM'000 | Motor vehicles RM'000 | Furniture and fixtures RM'000 | Office equipment and tools RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| Balance as at 1 July 2013 | 12,240 | 37,222 | 1,892 | 5,732 | 97,522 | 49,812 | 204,420 |
| Additions | – | – | – | 879 | 29,340 | 13,919 | 44,138 |
| Disposals | – | – | – | (396) | – | (57) | (453) |
| Written off | – | – | – | – | (10,199) | (3,399) | (13,598) |
| Translation adjustments | – | – | 21 | – | – | 1 | 22 |
| Balance as at 30 June 2014 | 12,240 | 37,222 | 1,913 | 6,215 | 116,663 | 60,276 | 234,529 |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1 July 2013 | – | 4,535 | 516 | 4,349 | 73,872 | 32,867 | 116,139 |
| Depreciation charge for the financial year | – | 745 | 58 | 658 | 13,942 | 7,333 | 22,736 |
| Disposals | – | – | – | (396) | – | (56) | (452) |
| Written off | – | – | – | – | (9,457) | (3,160) | (12,617) |
| Translation adjustments | – | – | 5 | – | – | 1 | 6 |
| Balance as at 30 June 2014 | – | 5,280 | 579 | 4,611 | 78,357 | 36,985 | 125,812 |
| **Carrying amount** | | | | | | | |
| Balance as at 30 June 2014 | 12,240 | 31,942 | 1,334 | 1,604 | 38,306 | 23,291 | 108,717 |

## 7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group | Freehold land RM'000 | Freehold buildings RM'000 | Leasehold building RM'000 | Motor vehicles RM'000 | Furniture and fixtures RM'000 | Office equipment and tools RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | | |
| Balance as at 1 July 2012 | 12,240 | 37,222 | 1,888 | 5,326 | 89,782 | 49,175 | 8 | 195,641 |
| Additions | – | – | 10 | 589 | 10,135 | 5,899 | – | 16,633 |
| Disposals | – | – | – | (183) | (1) | (1) | – | (185) |
| Written off | – | – | – | – | (6,435) | (1,220) | – | (7,655) |
| Transfer to intangible assets (Note 8) | – | – | – | – | – | – | (8) | (8) |
| Reclassifications | – | – | – | – | 4,041 | (4,041) | – | – |
| Translation adjustments | – | – | (6) | – | – | – | – | (6) |
| Balance as at 30 June 2013 | 12,240 | 37,222 | 1,892 | 5,732 | 97,522 | 49,812 | – | 204,420 |
| **Accumulated depreciation** | | | | | | | | |
| Balance as at 1 July 2012 | – | 3,791 | 427 | 3,817 | 64,793 | 29,623 | – | 102,451 |
| Depreciation charge for the financial year | – | 744 | 87 | 711 | 12,392 | 7,452 | – | 21,386 |
| Disposals | – | – | – | (179) | – | – | – | (179) |
| Written off | – | – | – | – | (6,359) | (1,162) | – | (7,521) |
| Reclassifications | – | – | – | – | 3,046 | (3,046) | – | – |
| Translation adjustments | – | – | 2 | – | – | – | – | 2 |
| Balance as at 30 June 2013 | – | 4,535 | 516 | 4,349 | 73,872 | 32,867 | – | 116,139 |
| **Carrying amount** | | | | | | | | |
| Balance as at 30 June 2013 | 12,240 | 32,687 | 1,376 | 1,383 | 23,650 | 16,945 | – | 88,281 |

7. **PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| Company | Freehold land RM'000 | Freehold buildings RM'000 | Motor vehicles RM'000 | Furniture and fixtures RM'000 | Office equipment and tools RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At cost** | | | | | | |
| Balance as at 1 July 2013 | 12,240 | 36,057 | 54 | 3,225 | 1,674 | 53,250 |
| Additions | – | – | – | – | 10 | 10 |
| Disposals | – | – | (54) | – | – | (54) |
| Balance as at 30 June 2014 | 12,240 | 36,057 | – | 3,225 | 1,684 | 53,206 |
| **Accumulated depreciation** | | | | | | |
| Balance as at 1 July 2013 | – | 4,069 | 54 | 3,202 | 1,671 | 8,996 |
| Depreciation charge for the financial year | – | 721 | – | 12 | 3 | 736 |
| Disposals | – | – | (54) | – | – | (54) |
| Balance as at 30 June 2014 | – | 4,790 | – | 3,214 | 1,674 | 9,678 |
| **Carrying amount** | | | | | | |
| Balance as at 30 June 2014 | 12,240 | 31,267 | – | 11 | 10 | 43,528 |

## 7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company | Freehold land RM'000 | Freehold buildings RM'000 | Motor vehicles RM'000 | Furniture and fixtures RM'000 | Office equipment and tools RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At cost** | | | | | | |
| Balance as at 1 July 2012 | 12,240 | 36,057 | 107 | 3,223 | 1,674 | 53,301 |
| Additions | – | – | – | 2 | – | 2 |
| Disposals | – | – | (53) | – | – | (53) |
| Balance as at 30 June 2013 | 12,240 | 36,057 | 54 | 3,225 | 1,674 | 53,250 |
| **Accumulated depreciation** | | | | | | |
| Balance as at 1 July 2012 | – | 3,348 | 107 | 3,190 | 1,664 | 8,309 |
| Depreciation charge for the financial year | – | 721 | – | 12 | 7 | 740 |
| Disposals | – | – | (53) | – | – | (53) |
| Balance as at 30 June 2013 | – | 4,069 | 54 | 3,202 | 1,671 | 8,996 |
| **Carrying amount** | | | | | | |
| Balance as at 30 June 2013 | 12,240 | 31,988 | – | 23 | 3 | 44,254 |

**7. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Additions of property, plant and equipment | 44,138 | 16,633 | 10 | 2 |
| Financed by hire purchase and lease arrangements | (766) | (412) | – | – |
| Provision for restoration costs capitalised (Note 20) | (1,744) | (104) | – | – |
| Cash payments on purchase of property, plant and equipment | 41,628 | 16,117 | 10 | 2 |

(b) The carrying amounts of the property, plant and equipment of the Group held under hire purchase and lease creditors at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Motor vehicles | 1,299 | 868 |

Details of the terms and conditions of the finance leases arrangements are disclosed in Notes 19 and 35 to the financial statements respectively.

(c) Certain freehold land and buildings have been pledged as securities to banks for financing facilities granted to the Group and the Company as disclosed in Note 18(b) to the financial statements with carrying amounts as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Freehold land | 4,892 | 4,892 | 4,892 | 4,892 |
| Freehold buildings | 18,919 | 19,337 | 18,244 | 18,638 |
| | 23,811 | 24,229 | 23,136 | 23,530 |

## 8. INTANGIBLE ASSETS

| Group | System, applications and products RM'000 | Computer software RM'000 | Total RM'000 |
|---|---|---|---|
| **At cost** | | | |
| Balance as at 1 July 2013 | 7,030 | 2,170 | 9,200 |
| Additions | – | 491 | 491 |
| Written off | – | (7) | (7) |
| Balance as at 30 June 2014 | 7,030 | 2,654 | 9,684 |
| **Accumulated amortisation** | | | |
| Balance as at 1 July 2013 | 1,445 | 1,082 | 2,527 |
| Amortisation charge for the financial year | 469 | 425 | 894 |
| Written off | – | (4) | (4) |
| Balance as at 30 June 2014 | 1,914 | 1,503 | 3,417 |
| **Carrying amount** | | | |
| Balance as at 30 June 2014 | 5,116 | 1,151 | 6,267 |
| **At cost** | | | |
| Balance as at 1 July 2012 | 7,030 | 1,962 | 8,992 |
| Additions | – | 282 | 282 |
| Transfer from property, plant and equipment (Note 7) | – | 8 | 8 |
| Written off | – | (82) | (82) |
| Balance as at 30 June 2013 | 7,030 | 2,170 | 9,200 |
| **Accumulated amortisation** | | | |
| Balance as at 1 July 2012 | 976 | 837 | 1,813 |
| Amortisation charge for the financial year | 469 | 327 | 796 |
| Written off | – | (82) | (82) |
| Balance as at 30 June 2013 | 1,445 | 1,082 | 2,527 |
| **Carrying amount** | | | |
| Balance as at 30 June 2013 | 5,585 | 1,088 | 6,673 |

**8. INTANGIBLE ASSETS (cont'd)**

| Company | Computer software 2014 RM'000 | Computer software 2013 RM'000 |
|---|---|---|
| **At cost** | | |
| Balance as at 1 July 2013/2012 | – | 82 |
| Written off | – | (82) |
| Balance as at 30 June 2014/2013 | – | – |
| **Accumulated amortisation** | | |
| Balance as at 1 July 2013/2012 | – | 82 |
| Written off | – | (82) |
| Balance as at 30 June 2014/2013 | – | – |
| **Carrying amount** | | |
| Balance as at 30 June 2014/2013 | – | – |

**9. INVESTMENT PROPERTY**

| | Group 2014 RM'000 | Group 2013 RM'000 |
|---|---|---|
| **Workshop, at valuation** | | |
| Balance as at 1 July 2013/2012 | 2,911 | 2,591 |
| Fair value adjustments | 167 | 318 |
| Translation adjustments | 30 | 2 |
| Balance as at 30 June 2014/2013 | 3,108 | 2,911 |

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

| | Group 2014 RM'000 | Group 2013 RM'000 |
|---|---|---|
| Repairs and maintenance | 14 | 13 |
| Quit rent and assessment | 5 | 3 |

**9. INVESTMENT PROPERTY (cont'd)**

(b) The fair value of investment property of the Group is categorised as follows:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2014** | | | | |
| Workshop | – | 3,108 | – | 3,108 |
| **2013** | | | | |
| Workshop | – | 2,911 | – | 2,911 |

(i) There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 30 June 2014 and 30 June 2013.

(ii) Investment property at Level 2 fair value was determined by an external and independent property valuer, who is a member of The Hong Kong Institute of Surveyors. The professional valuer has adopted the comparison approach, making reference to relevant comparable transactions in the market, and the investment approach whereby the market value was calculated on the basis of capitalisation of the net income receivable with due allowance for reversion income potential. In arriving with the valuation, the independent professional valuer has made adjustment for factors, which would affect the market value of the investment property including but not limited to views, size, floor levels and time factor. The valuation had resulted in a fair value gain of RM167,000 (2013 : RM318,000) to the Group to reflect its fair value of RM3,108,000 or equivalent to HKD7,500,000 (2013: RM2,911,000 or equivalent to HKD7,100,000).

(iii) The fair value measurement of the investment property is based on the highest and best use, which does not differ from their actual use.

**10. INVESTMENTS IN SUBSIDIARIES**

| | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|
| At cost: | | |
| Unquoted shares | 259,369 | 259,369 |
| Less: Impairment losses | (11,282) | (11,282) |
| | 248,087 | 248,087 |

## 10. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) The details of the subsidiaries are as follows:

| Name of company | Country of incorporation | Effective equity interest 2014 % | Effective equity interest 2013 % | Principal activities |
|---|---|---|---|---|
| Vincci Ladies' Specialties Centre Sdn. Bhd. ("Vincci") | Malaysia | 100 | 100 | Dealers of ladies' shoes and accessories |
| Padini Corporation Sdn. Bhd. ("Padini Corporation") | Malaysia | 100 | 100 | Dealers of garments and ancillary products |
| Seed Corporation Sdn. Bhd. ("Seed") | Malaysia | 100 | 100 | Dealers of garments and ancillary products |
| Yee Fong Hung (Malaysia) Sendirian Berhad ("Yee Fong Hung") | Malaysia | 100 | 100 | Dealers of garments and ancillary products |
| Mikihouse Children's Wear Sdn. Bhd. ("Mikihouse") | Malaysia | 100 | 100 | Dealers of children's garments maternity wear and accessories |
| Padini Dot Com Sdn. Bhd. ("Padini Dot Com") | Malaysia | 100 | 100 | Provision of management services |
| Padini International Limited* | Hong Kong | 100 | 100 | Dealers of garments, ladies' shoes and ancillary products |
| Vincci Holdings Sdn. Bhd. ("Vincci Holdings") | Malaysia | 100 | 100 | Dormant |
| The New World Garment Manufacturers Sdn. Bhd. ("The New World Garment") | Malaysia | 100 | 100 | Dormant |

** Subsidiary audited by other firm of auditors*

## 11. OTHER INVESTMENTS

| | Group 2014 RM'000 | Group 2013 RM'000 | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Available-for-sale financial assets: | | | | |
| - Unquoted shares in Malaysia | 560 | 560 | 560 | 560 |
| - Club memberships | 175 | 175 | – | – |
| Total non-current other investments | 735 | 735 | 560 | 560 |
| **Current** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust funds in Malaysia | 73,781 | 12,323 | 22,233 | 12,323 |
| Total other investments | 74,516 | 13,058 | 22,793 | 12,883 |

(a) Information on the fair value hierarchy is disclosed in Note 34(d) to the financial statements.

(b) Information on financial risks of other investments is disclosed in Note 35 to the financial statements.

## 12. DEFERRED TAX

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

| | Group 2014 RM'000 | Group 2013 RM'000 |
|---|---|---|
| Balance as at 1 July 2013/2012 | (1,053) | (693) |
| Recognised in profit or loss (Note 29) | (652) | (360) |
| Balance as at 30 June 2014/2013 | (1,705) | (1,053) |
| Presented after appropriate offsetting: | | |
| Deferred tax assets, net | 648 | 1,306 |
| Deferred tax liabilities, net | (2,353) | (2,359) |
| | (1,705) | (1,053) |

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

Deferred tax assets of the Group

| | Unabsorbed capital allowances RM'000 | Deferred revenue RM'000 | Other deductible temporary differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| Balance as at 1 July 2013 | – | 958 | 644 | 1,602 |
| Recognised in profit or loss | – | (39) | (64) | (103) |
| Balance as at 30 June 2014, prior to offsetting | – | 919 | 580 | 1,499 |
| Set-off of tax | | | | (851) |
| Balance as at 30 June 2014 | | | | 648 |
| Balance as at 1 July 2012 | 176 | 1,108 | 606 | 1,890 |
| Recognised in profit or loss | (176) | (150) | 38 | (288) |
| Balance as at 30 June 2013, prior to offsetting | – | 958 | 644 | 1,602 |
| Set-off of tax | | | | (296) |
| Balance as at 30 June 2013 | | | | 1,306 |

**12. DEFERRED TAX (cont'd)**

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

Deferred tax liabilities of the Group

| | **Property, plant and equipment RM'000** |
|---|---|
| Balance as at 1 July 2013 | (2,655) |
| Recognised in profit or loss | (549) |
| Balance as at 30 June 2014, prior to offsetting | (3,204) |
| Set-off of tax | 851 |
| Balance as at 30 June 2014 | (2,353) |
| Balance as at 1 July 2012 | (2,583) |
| Recognised in profit or loss | (72) |
| Balance as at 30 June 2013, prior to offsetting | (2,655) |
| Set-off of tax | 296 |
| Balance as at 30 June 2013 | (2,359) |

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| Unused tax losses | 4,926 | 4,926 | – | – |
| Unabsorbed capital allowances | 811 | 811 | 811 | 811 |
| Other (taxable)/deductible temporary differences | (3) | 22 | (3) | 22 |
| | 5,734 | 5,759 | 808 | 833 |

Deferred tax assets of the Company has not been recognised in respect of these items as these items were derived from different business sources and it is not probable that taxable profits of the Company from the same business source would be available against which the deductible temporary differences could be utilised.

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under current tax legislation.

## 13. INVENTORIES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| **At cost** | | |
| Completed garments, shoes and accessories | 213,974 | 136,458 |
| Raw materials and manufacturing accessories | 163 | 188 |
| | 214,137 | 136,646 |
| **At net realisable value** | | |
| Completed garments, shoes and accessories | 7,929 | 7,192 |
| | 7,929 | 7,192 |
| | 222,066 | 143,838 |

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM451,205,000 (2013: RM404,974,000). The amounts of write down and write off of inventories and inventory losses recognised as cost of sales during the financial year are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Inventory losses | 5,038 | 6,460 |
| Inventories written down to net realisable values | 480 | 1,554 |
| Inventories written off | 1,960 | 1,957 |
| | 7,478 | 9,971 |

## 14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade receivables** | | | | |
| Third parties | 21,580 | 23,124 | – | – |
| **Other receivables and deposits** | | | | |
| Amounts owing by subsidiaries | – | – | 10,132 | 70,497 |
| Other receivables | 181 | 78 | – | – |
| Deposits | 24,808 | 21,058 | 71 | 71 |
| | 24,989 | 21,136 | 10,203 | 70,568 |
| **Loans and receivables** | 46,569 | 44,260 | 10,203 | 70,568 |
| **Prepayments** | | | | |
| Prepayments | 8,588 | 5,349 | 49 | 53 |
| | 55,157 | 49,609 | 10,252 | 70,621 |

## 14. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 2 to 60 days (2013: 2 to 60 days) from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(b) Amounts owing by subsidiaries mainly represent payments made on behalf, which are unsecured, interest free and payable upon demand in cash and cash equivalents. Also included in amounts owing by subsidiaries are dividends and rental receivable from subsidiaries amounting to RM7,894,000 (2013: RM65,868,000) and RM2,238,000 (2013: RM4,794,000) respectively.

(c) The currency exposure profile of receivables (excluding prepayments) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Ringgit Malaysia | 43,989 | 39,830 | 10,203 | 70,568 |
| US Dollar | 2,503 | 4,343 | – | – |
| Hong Kong Dollar | 46 | 56 | – | – |
| Chinese Renminbi | 31 | 31 | – | – |
| | 46,569 | 44,260 | 10,203 | 70,568 |

(d) The ageing analysis of trade receivables of the Group are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Neither past due nor impaired | 14,944 | 16,603 |
| Past due, not impaired | | |
| 1 to 30 days | 3,602 | 5,234 |
| 31 to 60 days | 1,538 | 837 |
| 61 to 90 days | 734 | 268 |
| More than 90 days | 762 | 182 |
| | 6,636 | 6,521 |
| Past due and impaired | – | – |
| | 21,580 | 23,124 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy trade receivables with good payment records with the Group. Trade receivables of the Group of more than 93% (2013: 95%) arise from customers with more than two (2) years of experience with the Group and have never defaulted.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

**14. TRADE AND OTHER RECEIVABLES (cont'd)**

(d) The ageing analysis of trade receivables of the Group are as follows: (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,636,000 (2013: RM6,521,000) that are past due at the end of each reporting period but not impaired. Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the Group is of the view that the amounts are recoverable based on past payment history. Trade receivables of the Group that are past due but not impaired are unsecured in nature. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

(e) Information on financial risks of trade and other receivables is disclosed in Note 35 to the financial statements.

**15. CASH AND BANK BALANCES**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash and bank balances | 97,450 | 206,214 | 3,880 | 39,926 |
| Deposit with a licensed bank | 12 | 12 | – | – |
| | 97,462 | 206,226 | 3,880 | 39,926 |

(a) Information on financial risks of cash and bank balances is disclosed in Note 35 to the financial statements.

(b) The currency exposure profile of cash and bank balances is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | 71,829 | 184,107 | 3,880 | 39,926 |
| US Dollar | 25,397 | 20,927 | – | – |
| Hong Kong Dollar | 68 | 1,015 | – | – |
| Chinese Renminbi | 166 | 168 | – | – |
| Korean Won | 2 | 9 | – | – |
| | 97,462 | 206,226 | 3,880 | 39,926 |

(c) Deposit with a licensed bank of the Group has been pledged as security for transaction costs on banking facilities granted to a subsidiary.

(d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash and bank balances | 97,450 | 206,214 | 3,880 | 39,926 |
| Deposit with a licensed bank | 12 | 12 | – | – |
| | 97,462 | 206,226 | 3,880 | 39,926 |
| Less: Deposit pledged with a licensed bank | (12) | (12) | – | – |
| | 97,450 | 206,214 | 3,880 | 39,926 |

## 16. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of shares '000 | RM'000 | Number of shares '000 | RM'000 |
| Ordinary shares of RM0.10 each: | | | | |
| Authorised | 1,000,000 | 100,000 | 1,000,000 | 100,000 |
| Issued and fully paid | 657,910 | 65,791 | 657,910 | 65,791 |

(a) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(b) The shareholders of the Company, by way of a resolution passed at the Annual General Meeting held on 19 December 2013 renewed the authority given to the Directors to repurchase up to 10% of the issued and paid-up ordinary share capital of the Company ("Share Buy-Back"). The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

There was no repurchase of ordinary share during the financial year.

## 17. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Non-distributable** | | | | |
| Share premium | 3,772 | 3,772 | 3,772 | 3,772 |
| Available-for-sale reserve | 55 | 55 | – | – |
| Exchange translation reserve | (1,051) | (1,236) | – | – |
| | 2,776 | 2,591 | 3,772 | 3,772 |
| **Distributable** | | | | |
| Retained earnings | 319,097 | 303,844 | 247,537 | 321,039 |
| | 321,873 | 306,435 | 251,309 | 324,811 |

(a) Available-for-sale reserve

The reserve arose from gains or losses of financial assets classified as available-for-sale.

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

**17. RESERVES (cont'd)**

(c) Retained earnings

The Company had moved to a single tier system and as a result, there is no longer any restriction on the distribution of dividends out of its entire retained earnings as at the end of the reporting period.

**18. BORROWINGS**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Current liabilities** | | | | |
| **Secured** | | | | |
| Hire purchase and lease creditors (Note 19) | 360 | 241 | – | – |
| Term loans | 2,556 | 2,441 | 1,435 | 1,372 |
| | 2,916 | 2,682 | 1,435 | 1,372 |
| **Unsecured** | | | | |
| Bankers' acceptances | 31,639 | 9,793 | – | – |
| Revolving credits | 2,638 | 6,251 | – | – |
| | 34,277 | 16,044 | – | – |
| | 37,193 | 18,726 | 1,435 | 1,372 |
| **Non-current liabilities** | | | | |
| **Secured** | | | | |
| Hire purchase and lease creditors (Note 19) | 781 | 447 | – | – |
| Term loans | 14,233 | 16,791 | 9,544 | 10,968 |
| | 15,014 | 17,238 | 9,544 | 10,968 |
| **Total borrowings** | | | | |
| Hire purchase and lease creditors (Note 19) | 1,141 | 688 | – | – |
| Term loans | 16,789 | 19,232 | 10,979 | 12,340 |
| Bankers' acceptances | 31,639 | 9,793 | – | – |
| Revolving credits | 2,638 | 6,251 | – | – |
| | 52,207 | 35,964 | 10,979 | 12,340 |

(a) Bankers' acceptances amounting to RM17,933,000 (2013: RM8,162,000) and revolving credits of the Group are guaranteed by the Company. The remaining bankers' acceptances of the Group amounting to RM13,706,000 (2013: RM1,631,000) are guaranteed by certain subsidiaries.

(b) Term loans of the Group and of the Company are secured by way of legal charges over certain property, plant and equipment of the Group and of the Company as disclosed in Note 7(c) to the financial statements.

**18. BORROWINGS (cont'd)**

(c) Term loans are repayable as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Not later than one (1) year | 2,556 | 2,441 | 1,435 | 1,372 |
| Later than one (1) year but not later than five (5) years | 11,119 | 10,965 | 6,430 | 6,149 |
| Later than five (5) years | 3,114 | 5,826 | 3,114 | 4,819 |
| | 16,789 | 19,232 | 10,979 | 12,340 |

(d) Information on financial risks of borrowings is disclosed in Note 35 to the financial statements.

(e) All borrowings are denominated in RM.

**19. HIRE PURCHASE AND LEASE CREDITORS**

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| **Minimum hire purchase and lease payments** | | |
| - not later than one (1) year | 404 | 268 |
| - later than one (1) year but not later than five (5) years | 833 | 472 |
| Total minimum hire purchase and lease payments | 1,237 | 740 |
| Less: Future interest charges | (96) | (52) |
| Present value of hire purchase and lease payments | 1,141 | 688 |
| **Repayable as follows:** | | |
| Current liabilities | | |
| - not later than one (1) year | 360 | 241 |
| Non-current liabilities | | |
| - later than one (1) year but not later than five (5) years | 781 | 447 |
| | 1,141 | 688 |

Information on financial risks of hire purchase and lease creditors is disclosed in Note 35 to the financial statements.

## 20. PROVISION FOR RESTORATION COSTS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| **Non-current** | | |
| Provision for restoration costs | 5,034 | 3,904 |
| **Current** | | |
| Provision for restoration costs | 293 | 481 |

(a) Provision for restoration costs comprises estimates of reinstatement costs for lease outlets upon the expiry of tenancy agreements.

(b) A reconciliation of the provision for restoration costs is as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Balance as at 1 July 2013/2012 | 4,385 | 3,857 |
| Recognised in property, plant and equipment (Note 7) | 1,744 | 104 |
| Recognised in profit or loss (Note 26) | 416 | 424 |
| Reversal of provision for restoration costs | (881) | – |
| Utilised during the financial year | (337) | – |
| Balance as at 30 June 2014/2013 | 5,327 | 4,385 |

## 21. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade payables** | | | | |
| Third parties | 81,919 | 69,445 | – | – |
| **Other payables** | | | | |
| Other payables | 23,985 | 12,718 | 60 | 18 |
| Accruals | 4,277 | 2,974 | 238 | 174 |
| Deferred revenue from customer loyalty points | 3,680 | 3,836 | – | – |
| Amount owing to a subsidiary | – | – | – | 12,609 |
| | 113,861 | 88,973 | 298 | 12,801 |

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2013: 30 to 90 days) from date of invoice.

(b) In the previous financial year, amount owing to a subsidiary mainly represented payments made on behalf, which were unsecured, interest-free and payable upon demand in cash and cash equivalents.

**21. TRADE AND OTHER PAYABLES (cont'd)**

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Balance as at 1 July 2013/2012 | 3,836 | 4,435 |
| Additions during the financial year | 3,905 | 3,975 |
| Redemptions | (2,783) | (2,962) |
| Lapsed rebate vouchers | (1,278) | (1,612) |
| Balance as at 30 June 2014/2013 | 3,680 | 3,836 |

The deferred revenue arising from customer loyalty points are estimated based on the amount of unredeemed rebate vouchers and loyalty points outstanding as at the end of each reporting period that are expected to be redeemed before expiry.

(d) The currency exposure profile of payables (excluding deferred revenue from customer loyalty points) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | 108,035 | 81,083 | 298 | 12,801 |
| US Dollar | 1,323 | 3,240 | – | – |
| Hong Kong Dollar | 786 | 810 | – | – |
| Singapore Dollar | 34 | 4 | – | – |
| Chinese Renminbi | 3 | – | – | – |
| | 110,181 | 85,137 | 298 | 12,801 |

(e) Included in trade payables of the Group are advance payments received from customers against confirmed purchase orders amounting to RM1,719,000 (2013: RM2,158,000).

(f) Information on financial risks of trade and other payables is disclosed in Note 35 to the financial statements.

## 22. RENTAL COMMITMENTS

The Group had entered into several tenancy agreements for the rental of retail space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

The Group has aggregate future commitments as at the end of each reporting period as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Not later than one (1) year | 56,257 | 48,613 |
| Later than one (1) year but not later than five (5) years | 52,033 | 47,444 |
| | 108,290 | 96,057 |

Certain lease rentals are subject to contingent rental, which are determined based on a percentage of sales generated from outlets.

## 23. CONTINGENT LIABILITIES

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries | | |
| - secured | 10,800 | 10,800 |
| - unsecured | 68,275 | 68,083 |
| Corporate guarantees given to landlords for the non-cancellable leases of business premises of certain subsidiaries | | |
| - unsecured | 24,144 | 15,754 |
| | 103,219 | 94,637 |

(a) The currency exposure profile of corporate guarantees is as follows:

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Ringgit Malaysia | 83,944 | 75,554 |
| US Dollar | 19,275 | 19,083 |
| | 103,219 | 94,637 |

(b) The Directors are of the view that the chances of the financial institutions and landlords to call upon the corporate guarantees are remote. Accordingly, the fair values of the above corporate guarantees given to subsidiaries for banking facilities and to landlords for non-cancellable leases of business premises are negligible.

## 24. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of goods | 863,853 | 785,492 | – | – |
| Commission income | 2,249 | 3,429 | – | – |
| Deferred revenue from customer loyalty points | 156 | 599 | – | – |
| Dividend income from: | | | | |
| - other investments | – | – | 391 | 245 |
| - subsidiaries | – | – | – | 125,190 |
| | 866,258 | 789,520 | 391 | 125,435 |

## 25. COST OF SALES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Inventories sold | 451,205 | 404,974 |
| Carriage, freight and handling charges | 7,541 | 5,987 |
| Others | 7,478 | 9,971 |
| | 466,224 | 420,932 |

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

## 26. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense on: | | | | |
| - Term loans | 814 | 919 | 531 | 587 |
| - Bankers' acceptances | 743 | 212 | – | – |
| - Revolving credits | 189 | 355 | – | – |
| - Hire purchase and lease creditors | 45 | 42 | – | – |
| - Unwinding of discount on provision for restoration costs (Note 20) | 416 | 424 | – | – |
| Others | 9 | 20 | – | – |
| | 2,216 | 1,972 | 531 | 587 |

## 27. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of intangible assets | 8 | 894 | 796 | – | – |
| Auditors' remunerations | | | | | |
| - statutory audits | | 184 | 171 | 40 | 38 |
| - other services | | 30 | 28 | 6 | 5 |
| Bad debt written off | | – | 136 | – | – |
| Depreciation of property, plant and equipment | 7 | 22,736 | 21,386 | 736 | 740 |
| Directors' remuneration: | | | | | |
| - fees payable by the Company | | 197 | 135 | 197 | 135 |
| - other emoluments paid by the subsidiaries | | 4,573 | 4,417 | – | – |
| Intangible assets written off | | 3 | – | – | – |
| Interest expense | | 2,207 | 1,952 | 531 | 587 |
| Inventory losses | 13 | 5,038 | 6,460 | – | – |
| Inventories written down | 13 | 480 | 1,554 | – | – |
| Inventories written off | 13 | 1,960 | 1,957 | – | – |
| Loss on disposal of other investments | | 4 | – | 4 | – |
| Loss on foreign exchange: | | | | | |
| - realised | | 135 | 101 | – | 4 |
| - unrealised | | 37 | 404 | – | – |
| Property, plant and equipment written off | | 981 | 134 | – | – |
| Other investment written off | | – | 4 | – | – |
| Rental of equipment | | 885 | 1,740 | – | – |
| Rental of motor vehicle | | 3 | – | – | – |
| Rental of premises | | 80,943 | 71,456 | – | – |

And crediting:

| | | Group 2014 RM'000 | Group 2013 RM'000 | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|---|---|---|
| Dividend income from: | | | | | |
| - other investments | | 608 | 245 | 391 | 245 |
| - subsidiaries | | – | – | – | 125,190 |
| Fair value adjustments on: | | | | | |
| - investment property | 9 | 167 | 318 | – | – |
| - other investments | | 44 | 62 | 23 | 50 |
| Gain on disposal of property, plant and equipment | | 47 | 14 | 2 | 2 |
| Interest income | | 3,993 | 2,793 | 462 | 217 |
| Rental income from: | | | | | |
| - investment property | | 119 | 111 | – | – |
| - premises | | – | – | 4,794 | 4,794 |
| Reversal of provision for restoration costs | 20 | 881 | – | – | – |
| Royalty income | | 1,964 | 2,060 | – | – |

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM111,000 (2013: RM120,000).

## 28. EMPLOYEE BENEFITS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Salaries, wages, allowances and bonuses | 111,629 | 102,146 |
| Contributions to defined contribution plans | 12,366 | 11,415 |
| Unutilised leaves | 321 | 208 |
| Other employee benefits | 3,473 | 2,626 |
| | 127,789 | 116,395 |

Included in the employee benefits of the Group are Executive Directors' remunerations amounting to RM4,573,000 (2013: RM4,417,000).

## 29. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current year tax expense based on profit for the financial year: | | | | |
| - Malaysian income tax | 33,763 | 31,954 | 1,005 | 903 |
| - Foreign income tax | 276 | 239 | – | – |
| | 34,039 | 32,193 | 1,005 | 903 |
| Under/(Over) provision in prior years: | | | | |
| - Malaysian income tax | 115 | (283) | 85 | 48 |
| - Foreign income tax | – | (5) | – | – |
| | 34,154 | 31,905 | 1,090 | 951 |
| Deferred tax (Note 12): | | | | |
| - Relating to origination and reversal of temporary differences | 655 | (234) | – | – |
| - (Over)/Under provision in prior years | (3) | 594 | – | – |
| | 652 | 360 | – | – |
| Total tax expense | 34,806 | 32,265 | 1,090 | 951 |

(a) The Malaysian income tax is calculated at the statutory tax rate of twenty-five percent (25%) (2013: twenty-five percent (25%)) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

**29. TAX EXPENSE (cont'd)**

(c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit before tax | 125,719 | 117,658 | 3,248 | 128,023 |
| Tax at Malaysian statutory tax rate of 25% (2013: 25%) | 31,430 | 29,415 | 812 | 32,006 |
| Tax effect in respect of: | | | | |
| Different tax rates in foreign jurisdiction | (156) | (148) | – | – |
| Non-allowable expenses | 4,035 | 3,519 | 303 | 322 |
| Non-taxable income | (609) | (773) | (104) | (31,371) |
| Utilisation of previously unrecognised deferred tax assets | (6) | (54) | (6) | (54) |
| | 34,694 | 31,959 | 1,005 | 903 |
| Under/(Over) provision of tax expense in prior years | 115 | (288) | 85 | 48 |
| (Over)/Under provision of deferred tax in prior years | (3) | 594 | – | – |
| | 34,806 | 32,265 | 1,090 | 951 |

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | **Before tax** | **Tax effect** | **After tax** | **Before tax** | **Tax effect** | **After tax** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Fair value gains on available-for sale financial assets | – | – | – | 55 | – | 55 |
| Foreign currency translations | 185 | – | 185 | (2) | – | (2) |
| | 185 | – | 185 | 53 | – | 53 |

## 30. DIVIDENDS

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | 2014 | 2013 | 2013 |
| | Dividend per ordinary share | Amount of dividend | Dividend per ordinary share | Amount of dividend |
| | sen | RM'000 | sen | RM'000 |
| First interim dividend | 2.5 | 16,448 | 2.00 | 13,158 |
| Second interim dividend | 2.5 | 16,448 | 2.00 | 13,158 |
| Special dividend | 1.5 | 9,868 | – | – |
| Third interim dividend | 2.5 | 16,448 | 2.00 | 13,158 |
| Fourth interim dividend | 2.5 | 16,448 | 2.00 | 13,159 |
| | 11.5 | 75,660 | 8.00 | 52,633 |

The Directors do not recommend the payment of any final dividend in respect of the current financial year. On 27 August 2014, the Directors declared a first interim single tier dividend of 2.5 sen per ordinary share amounting to RM16,448,000 in respect of the financial year ending 30 June 2015, which was paid on 29 September 2014.

## 31. EARNING PER SHARE

(a) Basic

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

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Profit attributable to equity holders of the parent | 90,913 | 85,393 |
| Weighted average number of ordinary shares in issue ('000) | 657,910 | 657,910 |
| Basic earnings per ordinary share (sen) | 13.82 | 12.98 |

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share.

## 32. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

## 32. RELATED PARTY DISCLOSURES (cont'd)

(a) Identities of related parties (cont'd)

The Company has controlling related party relationships with its direct and indirect subsidiaries.

The Group also has related party relationship with the following party:

| **Identity of the related party** | **Relationship** |
|---|---|
| Yong Pang Chaun Holdings Sdn. Bhd. ("YPCH") | Corporate shareholder of the Company with equity interest of 43.74% (2013: 43.74%) and where the Directors of the Company, namely 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 YPCH. |

(b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with the related parties during the financial year:

| | **Company** | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Transactions with subsidiaries: | | |
| Dividend income received and receivable from: | | |
| - Vincci | – | 40,250 |
| - Padini Corporation | – | 58,440 |
| - Seed | – | 8,500 |
| - Yee Fong Hung | – | 18,000 |
| Purchase of products from Seed | 6 | 5 |
| Transactions with subsidiaries: | | |
| Rental income received and receivable from: | | |
| - Vincci | 900 | 1,178 |
| - Padini Corporation | 1,503 | 1,305 |
| - Seed | 605 | 491 |
| - Yee Fong Hung | 999 | 1,035 |
| - Mikihouse | 254 | 252 |
| - Padini Dot Com | 533 | 533 |

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2014 is disclosed in Notes 14 and 21 to the financial statements.

## 32. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors during the financial year was as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RM'000** | **RM'000** |
| Short term employee benefits | 4,089 | 3,949 |
| Contributions to defined contribution plans | 484 | 468 |
| | 4,573 | 4,417 |

## 33. OPERATING SEGMENTS

The Company and its subsidiaries are principally engaged in the retailing of garments industry.

The Group has arrived at five (5) reportable segments, which are determined by each of its subsidiaries. These companies are the strategic business units of the Group.

The strategic business units possess different brands and offer distinguished and different theme of products to cater to different customer segments. These strategic business units are managed separately because they require different business and marketing strategies. For each of the strategic business units, the Managing Director of the Group and brand managers collectively (the "Chief of Decision Maker" or "CODM") review internal management reports at least on a quarterly basis.

The following summary shows brands possessed by each of the reportable segments of the Group:

| **Companies** | **Brands** |
|---|---|
| Vincci Ladies' Specialties Centre Sdn. Bhd. ("Vincci") | Move, Tizio, Vincci, Vincci Plus and Vincci Accessories |
| Padini Corporation Sdn. Bhd. ("Padini Corporation") | Padini, Padini Authentics and PDI |
| Seed Corporation Sdn. Bhd. ("Seed") | Seed and Seed café |
| Yee Fong Hung (Malaysia) Sendirian Berhad ("Yee Fong Hung") | Brands Outlet and P&Co |
| Mikihouse Children's Wear Sdn. Bhd. ("Miki") | Miki Kids and Miki Mom |

Other operating segments comprise management services and investment holding.

The performance of the reportable segments are measured based on segment profit before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant for the evaluation of the results of certain brands embedded with the companies.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

**33. OPERATING SEGMENTS (cont'd)**

| 2014 | Vincci RM'000 | Padini Corporation RM'000 | Seed RM'000 | Yee Fong Hung RM'000 | Miki RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Total revenue | 206,118 | 273,436 | 91,415 | 253,330 | 29,094 | 103,307 | 956,700 |
| Inter-segment revenue | – | (14) | (41) | (3) | – | (90,384) | (90,442) |
| **Revenue from external customers** | **206,118** | **273,422** | **91,374** | **253,327** | **29,094** | **12,923** | **866,258** |
| Interest income | 521 | 496 | 222 | 687 | 61 | 2,006 | 3,993 |
| Finance costs | (367) | (537) | (270) | (473) | (19) | (550) | (2,216) |
| Net finance income/(expense) | 154 | (41) | (48) | 214 | 42 | 1,456 | 1,777 |
| Depreciation of property, plant and equipment | (4,180) | (6,070) | (2,345) | (6,646) | (604) | (2,891) | (22,736) |
| Amortisation of intangible assets | (35) | (31) | (18) | (46) | (5) | (759) | (894) |
| **Segment profit before tax** | **17,625** | **43,163** | **8,296** | **44,005** | **3,052** | **9,341** | **125,482** |
| Income tax expense | (4,973) | (11,768) | (2,583) | (12,051) | (846) | (2,585) | (34,806) |
| Other material non-cash items: | | | | | | | |
| - Inventory losses | (644) | (1,579) | (1,192) | (1,257) | (366) | – | (5,038) |
| - Inventories written down | (50) | (313) | (77) | – | (40) | – | (480) |
| - Inventories written off | (610) | (566) | (174) | (593) | (17) | – | (1,960) |
| Additions to non-current assets other than financial instruments and deferred tax assets | 7,180 | 13,406 | 4,436 | 14,363 | 1,625 | 3,619 | 44,629 |
| **Segment assets** | **104,778** | **160,003** | **54,142** | **121,528** | **22,050** | **424,627** | **887,128** |
| **Segment liabilities** | **29,378** | **62,358** | **18,418** | **49,844** | **8,156** | **72,048** | **240,202** |

33. **OPERATING SEGMENTS (cont'd)**

| **2013** | **Vincci RM'000** | **Padini Corporation RM'000** | **Seed RM'000** | **Yee Fong Hung RM'000** | **Miki RM'000** | **Others RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Total revenue | 223,728 | 245,775 | 87,026 | 194,762 | 27,902 | 219,602 | 998,795 |
| Inter-segment revenue | (1) | (4) | (37) | (2) | – | (209,231) | (209,275) |
| **Revenue from external customers** | **223,727** | **245,771** | **86,989** | **194,760** | **27,902** | **10,371** | **789,520** |
| Interest income | 532 | 363 | 188 | 479 | 46 | 1,185 | 2,793 |
| Finance costs | (433) | (274) | (232) | (420) | (17) | (596) | (1,972) |
| Net finance income/(expense) | 99 | 89 | (44) | 59 | 29 | 589 | 821 |
| Depreciation of property, plant and equipment | (3,935) | (5,610) | (2,375) | (6,023) | (463) | (2,980) | (21,386) |
| Amortisation of intangible assets | (22) | (30) | (19) | (46) | (6) | (673) | (796) |
| **Segment profit before tax** | **29,469** | **40,698** | **3,087** | **33,060** | **2,963** | **133,334** | **242,611** |
| Income tax expense | (7,602) | (11,262) | (1,118) | (9,253) | (808) | (2,222) | (32,265) |
| Other material non-cash items: | | | | | | | |
| - Inventory losses | (716) | (1,671) | (1,605) | (1,411) | (1,057) | – | (6,460) |
| - Inventories written down | (240) | (429) | (757) | (95) | (33) | – | (1,554) |
| - Inventories written off | (846) | (412) | (160) | (519) | (20) | – | (1,957) |
| Additions to non-current assets other than financial instruments and deferred tax assets | 3,430 | 4,805 | 1,829 | 4,038 | 571 | 2,242 | 16,915 |
| **Segment assets** | **99,649** | **162,825** | **49,368** | **71,343** | **15,814** | **526,557** | **925,556** |
| **Segment liabilities** | **36,901** | **96,575** | **19,357** | **31,613** | **4,126** | **105,258** | **293,830** |

## 33. OPERATING SEGMENTS (cont'd)

(a) Reconciliations

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

| | 2014 RM'000 | 2013 RM'000 |
|---|---|---|
| **Revenue** | | |
| Total revenue for reportable segments | 956,700 | 998,795 |
| Elimination of inter-segment revenue | (90,442) | (209,275) |
| Revenue of the Group per consolidated statement of profit or loss and other comprehensive income | 866,258 | 789,520 |
| **Profit for the financial year** | | |
| Total profit or loss for reportable segments | 125,482 | 242,611 |
| Elimination of inter-segment profits | 237 | (124,953) |
| | 125,719 | 117,658 |
| Tax expense | (34,806) | (32,265) |
| Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income | 90,913 | 85,393 |
| **Assets** | | |
| Total assets for reportable segments | 887,128 | 925,556 |
| Elimination of investments in subsidiaries | (248,087) | (248,087) |
| Elimination of inter-segment balances | (70,151) | (165,124) |
| Total assets of the Group per consolidated statements of financial position | 568,890 | 512,345 |
| **Liabilities** | | |
| Total liabilities for reportable segments | 240,202 | 293,830 |
| Elimination of inter-segment balances | (58,976) | (153,711) |
| Total liabilities of the Group per consolidated statements of financial position | 181,226 | 140,119 |

Geographical segments

The business of the Group is predominantly operated in Malaysia. As such, information on geographical segment is not presented.

Major customers

There are no major customers with revenue equal or more than ten percent (10%) of the Group revenue. As such, information on major customers is not presented.

## 34. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that it maintains a strong capital base in order to support its business operations and to provide fair returns for shareholders and benefits for other stakeholders.

For capital management purposes, the Group considers equity attributable to owners of the parent as the capital structure of the Group. The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may, from time to time, adjust the dividend payout to shareholders or issue new share, where necessary. No changes were made in the objectives, policies or processes during the financial year ended 30 June 2014 and financial year ended 30 June 2013.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 30 June 2014.

(b) Financial instruments

| **Group** | **Loans and receivables** | **Fair value through profit or loss** | **Available–for–sale** | **Total** |
|---|---|---|---|---|
| **30 June 2014** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Financial assets** | | | | |
| Trade and other receivables, net of prepayments | 46,569 | – | – | 46,569 |
| Other investments | – | 73,781 | 735 | 74,516 |
| Cash and bank balances | 97,462 | – | – | 97,462 |
| | 144,031 | 73,781 | 735 | 218,547 |

| | **Other financial liabilities** | **Total** |
|---|---|---|
| | **RM'000** | **RM'000** |
| **Financial liabilities** | | |
| Borrowings | 52,207 | 52,207 |
| Trade and other payables, net of deferred revenue from customer loyalty points | 110,181 | 110,181 |
| | 162,388 | 162,388 |

**34. FINANCIAL INSTRUMENTS (cont'd)**

(b) Financial instruments (cont'd)

| Group<br>30 June 2013 | Loans and receivables RM'000 | Fair value through profit or loss RM'000 | Available-for-sale RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and other receivables, net of prepayments | 44,260 | – | – | 44,260 |
| Other investments | – | 12,323 | 735 | 13,058 |
| Cash and bank balances | 206,226 | – | – | 206,226 |
| | 250,486 | 12,323 | 735 | 263,544 |

| | Other financial liabilities RM'000 | Total RM'000 |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | 35,964 | 35,964 |
| Trade and other payables, net of deferred revenue from customer loyalty points | 85,137 | 85,137 |
| | 121,101 | 121,101 |

| Company<br>30 June 2014 | Loans and receivables RM'000 | Fair value through profit or loss RM'000 | Available-for-sale RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Other receivables, net of prepayments | 10,203 | – | – | 10,203 |
| Other investments | – | 22,233 | 560 | 22,793 |
| Cash and bank balances | 3,880 | – | – | 3,880 |
| | 14,083 | 22,233 | 560 | 36,876 |

| | Other financial liabilities RM'000 | Total RM'000 |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | 10,979 | 10,979 |
| Other payables | 298 | 298 |
| | 11,277 | 11,277 |

## 34. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments (cont'd)

| **Company** **30 June 2013** | **Loans and receivables** **RM'000** | **Fair value through profit or loss** **RM'000** | **Available-for-sale** **RM'000** | **Total** **RM'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Other receivables, net of prepayments | 70,568 | – | – | 70,568 |
| Other investments | – | 12,323 | 560 | 12,883 |
| Cash and bank balances | 39,926 | – | – | 39,926 |
| | 110,494 | 12,323 | 560 | 123,377 |

| | **Other financial liabilities** **RM'000** | **Total** **RM'000** |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | 12,340 | 12,340 |
| Other payables | 12,801 | 12,801 |
| | 25,141 | 25,141 |

(c) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values.

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Obligations under hire purchase and lease creditors

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowings or leasing arrangements at the end of each reporting period.

(iii) Other investments - unit trust funds

The fair values of unit trust funds are determined by reference to the exchange quoted market bid prices at the close of the business at the end of each reporting period.

## 34. FINANCIAL INSTRUMENTS (cont'd)

(c) Methods and assumptions used to estimate fair values (cont'd)

(iv) Other investment - Unquoted shares

The fair value of these unquoted investments is estimated based on the price to book valuation model. Management obtained the industry price to book ratio from observable market data, discounted the price to book ratio for illiquidity, and multiplied the discounted price to book ratio with the book value per share of the investee to derive the estimated fair value. Management believes that the estimated fair value resulting from this valuation model is reasonable and the most appropriate at the end of each reporting period.

(v) Club memberships

The fair values for club memberships are estimated based on references to current available counter party quotation of the same investment.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The significant unobservable inputs used in determining the fair value measurements of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, are detailed in the table below.

| **Financial instrument** | **Significant unobservable inputs** | **Inter-relationship between key unobservable inputs and fair values** |
|---|---|---|
| <u>Financial assets</u> | | |
| Unquoted shares | Discounted industry price to book ratio (0.88). | The higher the price to book ratio, the higher the fair value of the unquoted shares would be. |
| Club memberships | Counter party quotation. | The higher the counter party quotation, the higher the fair values of the club memberships would be. |

## 34. FINANCIAL INSTRUMENTS (cont'd)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair values and those not carried at fair values for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

| | Fair values of financial instruments carried at fair value | | | | Fair values of financial instruments not carried at fair value | | | | Total fair values | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| **2014** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| - Unit trust funds | 73,781 | – | – | 73,781 | – | – | – | – | 73,781 | 73,781 |
| **Available-for-sale financial assets** | | | | | | | | | | |
| - Unquoted shares in Malaysia | – | – | 560 | 560 | – | – | – | – | 560 | 560 |
| - Club memberships | – | – | 175 | 175 | – | – | – | – | 175 | 175 |
| | 73,781 | – | 735 | 74,516 | – | – | – | – | 74,516 | 74,516 |
| **Financial liabilities** | | | | | | | | | | |
| **Other financial liabilities** | | | | | | | | | | |
| - Hire purchase and lease creditors | – | – | – | – | – | 1,016 | – | 1,016 | 1,016 | 1,141 |

**34. FINANCIAL INSTRUMENTS (cont'd)**

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair values and those not carried at fair values for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

| | Fair values of financial instruments carried at fair value | | | | Fair values of financial instruments not carried at fair value | | | | Total fair values | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **2014** | | | | | | | | | | |
| **Company** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| - Unit trust funds | 22,233 | – | – | 22,233 | – | – | – | – | 22,233 | 22,233 |
| **Available-for-sale financial assets** | | | | | | | | | | |
| - Unquoted shares in Malaysia | – | – | 560 | 560 | – | – | – | – | 560 | 560 |
| | 22,233 | – | 560 | 22,793 | – | – | – | – | 22,793 | 22,793 |

**34. FINANCIAL INSTRUMENTS (cont'd)**

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair values and those not carried at fair values for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

| | Fair values of financial instruments carried at fair value | | | | Fair values of financial instruments not carried at fair value | | | | Total fair values | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **2013** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| - Unit trust funds | 12,323 | – | – | 12,323 | – | – | – | – | 12,323 | 12,323 |
| **Available-for-sale financial assets** | | | | | | | | | | |
| - Unquoted shares in Malaysia | – | – | 560 | 560 | – | – | – | – | 560 | 560 |
| - Club memberships | – | – | 175 | 175 | – | – | – | – | 175 | 175 |
| | 12,323 | – | 735 | 13,058 | – | – | – | – | 13,058 | 13,058 |
| **Financial liabilities** | | | | | | | | | | |
| **Other financial liabilities** | | | | | | | | | | |
| - Hire purchase and lease creditors | – | – | – | – | – | 616 | – | 616 | 616 | 688 |

**34. FINANCIAL INSTRUMENTS (cont'd)**

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair values and those not carried at fair values for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

| | Fair values of financial instruments carried at fair value | | | | Fair values of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Total fair values | Carrying amount |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **2013** | | | | | | | | | | |
| **Company** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| - Unit trust funds | 12,323 | – | – | 12,323 | – | – | – | – | 12,323 | 12,323 |
| **Available-for-sale financial assets** | | | | | | | | | | |
| - Unquoted shares in Malaysia | – | – | 560 | 560 | – | – | – | – | 560 | 560 |
| | 12,323 | – | 560 | 12,883 | – | – | – | – | 12,883 | 12,883 |

**34. FINANCIAL INSTRUMENTS (cont'd)**

(e) The following table shows a reconciliation of Level 3 fair values:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Financial assets** | | | | |
| Balance as at 1 July 2013/2012 | 735 | 684 | 560 | 560 |
| Written off | – | (4) | – | – |
| Gains or losses recognised in other comprehensive income | – | 55 | – | – |
| Balance as at 30 June 2014/2013 | 735 | 735 | 560 | 560 |

(f) The following table shows the sensitivity analysis for the level 3 fair value measurements.

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Profit after tax** | | | | |
| Price to book ratio | | | | |
| - increase by 0.1 | 80 | – | (80) | – |
| - decrease by 0.1 | (80) | – | 80 | – |

(g) The Group has an established control framework in respect to the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurements and reports directly to the Managing Director of the Group. The management regularly reviews significant unobservable inputs and valuation adjustments.

**35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES**

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from credit risk, liquidity and cash flow risk, interest rate risk, foreign currency risk and market risk.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk, foreign currency risk and market risk. Information on the management of the related exposures is detailed below:

**35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)**

(a) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for certain export franchisees, where deposits in advance are normally required. The credit period is generally for a period of two (2) days, extending up to two (2) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the end of each reporting period, approximately sixty-two percent (62%) (2013: 71%) of the trade receivables of the Group were owed by five (5) major customers (2013: five (5) customers).

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 14 to the financial statements. Deposit with a licensed bank and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions with good standing.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 to the financial statements.

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(b) Liquidity and cash flow risk (cont'd)

| As at 30 June 2014 | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables, net of deferred revenue from customer loyalty points | 110,181 | – | – | 110,181 |
| Borrowings | 37,939 | 13,505 | 3,228 | 54,672 |
| Total undiscounted financial liabilities | 148,120 | 13,505 | 3,228 | 164,853 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Other payables | 298 | – | – | 298 |
| Borrowings | 1,892 | 7,570 | 3,228 | 12,690 |
| Total undiscounted financial liabilities | 2,190 | 7,570 | 3,228 | 12,988 |
| As at 30 June 2013 | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables, net of deferred revenue from customer loyalty points | 85,137 | – | – | 85,137 |
| Borrowings | 19,570 | 13,502 | 6,129 | 39,201 |
| Total undiscounted financial liabilities | 104,707 | 13,502 | 6,129 | 124,338 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Other payables | 12,801 | – | – | 12,801 |
| Borrowings | 1,892 | 7,570 | 5,106 | 14,568 |
| Total undiscounted financial liabilities | 14,693 | 7,570 | 5,106 | 27,369 |

**35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)**

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate deposit and borrowings of the Group are exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate deposits and borrowings of the Group are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not use derivative financial instruments to hedge its risk.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and Company if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Profit after tax** | | | | |
| - increase by 0.5% (2013: 0.5%) | 174 | 641 | (27) | 103 |
| - decrease by 0.5% (2013: 0.5%) | (174) | (641) | 27 | (103) |

The sensitivity is lower in 2014 than in 2013 because of a decrease in cash and bank balances during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(c) Interest rate risk (cont'd)

The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

| Group | Note | WAEIR % | Within 1 year RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **As at 30 June 2014** | | | | | | | | | |
| Fixed rates | | | | | | | | | |
| Deposit with a licensed bank | 15 | 2.92 | 12 | – | – | – | – | – | 12 |
| Hire purchase and lease creditors | 19 | 4.65 | (360) | (283) | (247) | (171) | (80) | – | (1,141) |
| Floating rates | | | | | | | | | |
| Cash and bank balances | 15 | 2.01 | 97,450 | – | – | – | – | – | 97,450 |
| Bankers' acceptances | 18 | 3.69 | (31,639) | – | – | – | – | – | (31,639) |
| Revolving credits | 18 | 4.15 | (2,638) | – | – | – | – | – | (2,638) |
| Term loans | 18 | 4.60 | (2,556) | (2,676) | (2,801) | (2,933) | (2,709) | (3,114) | (16,789) |
| **As at 30 June 2013** | | | | | | | | | |
| Fixed rates | | | | | | | | | |
| Deposit with a licensed bank | 15 | 3.02 | 12 | – | – | – | – | – | 12 |
| Hire purchase and lease creditors | 19 | 5.04 | (241) | (217) | (133) | (90) | (7) | – | (688) |
| Floating rates | | | | | | | | | |
| Cash and bank balances | 15 | 1.95 | 206,214 | – | – | – | – | – | 206,214 |
| Bankers' acceptances | 18 | 3.68 | (9,793) | – | – | – | – | – | (9,793) |
| Revolving credits | 18 | 4.16 | (6,251) | – | – | – | – | – | (6,251) |
| Term loans | 18 | 4.60 | (2,441) | (2,556) | (2,676) | (2,801) | (2,932) | (5,826) | (19,232) |

**35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)**

(c) Interest rate risk (cont'd)

The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

| Company | Note | WAEIR % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 3 years RM'000 | 3 – 4 years RM'000 | 4 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **As at 30 June 2014** | | | | | | | | | |
| Floating rates | | | | | | | | | |
| Cash and bank balances | 15 | 2.01 | 3,880 | – | – | – | – | – | 3,880 |
| Term loan | 18 | 4.50 | (1,435) | (1,501) | (1,570) | (1,642) | (1,717) | (3,114) | (10,979) |
| **As at 30 June 2013** | | | | | | | | | |
| Floating rates | | | | | | | | | |
| Cash and bank balances | 15 | 1.95 | 39,926 | – | – | – | – | – | 39,926 |
| Term loan | 18 | 4.50 | (1,372) | (1,435) | (1,501) | (1,570) | (1,643) | (4,819) | (12,340) |

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

A subsidiary operating in Hong Kong has assets and liabilities with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group is exposed to foreign currency risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The foreign currency primarily involved is the US Dollar. Transactions in all other foreign currencies are minimal. In addition, the Group does not use foreign exchange derivative instruments to hedge its transaction risk.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of each reporting period, such foreign currencies balances amounted to RM25,633,000 (2013: RM22,119,000) for the Group.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD exchange rate against the functional currency of the Group, with all other variables held constant.

| | | Group | |
|---|---|---|---|
| **Profit after tax** | | **2014 RM'000** | **2013 RM'000** |
| USD/RM | -strengthen by 5% | 997 | 826 |
| | -weaken by 5% | (997) | (826) |

Sensitivities of other foreign currencies are not disclosed as they are not material to the Group.

(e) Market risk

Market risk is the risk that the fair value of future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risks arising from unit trust funds, which are quoted. These instruments are classified as financial assets designated at fair value through profit or loss.

Sensitivity analysis for market price risk

The following table demonstrates the sensitivity analysis of the Group and of the Company if market quoted prices of unit trust funds at the end of each reporting period changes by five percent (5%) with all other variables held constant:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| **Profit after tax** | | | | |
| - increase by 5% (2013: 5%) | 3,689 | 616 | 1,112 | 616 |
| - decrease by 5% (2013: 5%) | (3,689) | (616) | (1,112) | (616) |

## 36. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 25 July 2014, Padini International Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a third party to acquire a property for staff accommodation in Hong Kong for a total consideration of HKD8,350,000. The transaction was completed in August 2014.

## 37. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - Realised | 555,910 | 540,532 | 247,461 | 320,971 |
| - Unrealised | (6,146) | (5,781) | 76 | 68 |
| | 549,764 | 534,751 | 247,537 | 321,039 |
| Less: Consolidation adjustments | (230,667) | (230,907) | – | – |
| Total retained earnings | 319,097 | 303,844 | 247,537 | 321,039 |

DIRECTORS' SHAREHOLDINGS AS AT 31 OCTOBER 2014

Shareholdings in the Company

| | No. of Shares Held | | | |
|---|---|---|---|---|
| **Director** | **Indirect** | **%** | **Direct** | **%** |
| YONG PANG CHAUN | 289,783,490 * | 44.046 | 1,500,000 | 0.228 |
| CHAN KWAI HENG | NIL | NIL | 1,200,000 | 0.182 |
| CHEONG CHUNG YET | NIL | NIL | 1,173,990 | 0.178 |
| CHONG CHIN LIN | 289,263,500 ** | 43.967 | 2,019,990 | 0.307 |
| YONG LAI WAH | 287,763,500 ^ | 43.739 | NIL | NIL |
| CHIA SWEE YUEN | NIL | NIL | NIL | NIL |
| FOO KEE FATT | NIL | NIL | NIL | NIL |
| LEE PENG KHOON | NIL | NIL | NIL | NIL |
| YEO SOK HIANG | 2,000 ^^ | 0.000 | 100,000 | 0.015 |
| ANDREW YONG TZE HOW (Alternate Director to Chong Chin Lin) | NIL | NIL | NIL | NIL |

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.)

^^ Deemed interest by virtue of her husband, Chuah Thean Joo's direct interest in the Company.

Authorised Share Capital : RM100,000,000-00
Issued and Paid-up Capital : RM65,790,950-00
Class of Shares : Ordinary Shares of RM0-10 each
Voting rights : One vote per Ordinary share
No. of shareholders : 4,936

**DISTRIBUTION SCHEDULE - ORDINARY SHAREHOLDERS AS AT 31 OCTOBER 2014**

| No. of Holders | Holdings | Total Holdings | % |
|---|---|---:|---:|
| 43 | less than 100 | 1,170 | 0.000 |
| 909 | 100 - 1,000 | 658,258 | 0.100 |
| 2,807 | 1,001 - 10,000 | 12,423,621 | 1.888 |
| 884 | 10,001 - 100,000 | 26,317,536 | 4.000 |
| 292 | 100,001 - 32,895,474 | 330,745,415 | 50.272 |
| 1 | 32,895,475 and above | 287,763,500 | 43.739 |
| **4,936** | TOTAL | **657,909,500** | **100.000** |

**LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2014**

| No. | Name | Nationality | Registered Holder | No. of Shares held or beneficially interested in | | Percentage of Shareholding | |
|---|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | Direct | Indirect |
| 1 | Yong Pang Chaun Holdings Sdn. Bhd. | Incorporated in Malaysia | - Yong Pang Chaun Holdings Sdn. Bhd. | 287,763,500 | – | 43.739 | – |
| 2 | Yong Pang Chaun ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd.<br>- Chong Chin Lin #<br>- Yong Pang Chaun | –<br>–<br>1,500,000 | 287,763,500<br>2,019,990<br>– | –<br>–<br>0.228 | 43.739<br>0.307<br>– |
| 3 | Chong Chin Lin ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd.<br>- Yong Pang Chaun *<br>- Chong Chin Lin | –<br>–<br>2,019,990 | 287,763,500<br>1,500,000<br>– | –<br>–<br>0.307 | 43.739<br>0.228<br>– |
| 4 | Yong Lai Wah ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd.<br>- Yong Lai Wah | –<br>– | 287,763,500<br>– | –<br>– | 43.739<br>– |
| 5 | Yong Lee Peng ** | Malaysian | - Yong Pang Chaun Holdings Sdn. Bhd.<br>- Yong Lee Peng | –<br>1,500,000 | 287,763,500<br>– | –<br>0.228 | 43.739<br>– |

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.

**LIST OF TOP 30 SHAREHOLDERS AS AT 31 OCTOBER 2014**
(As per the Record of Depositors)

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Yong Pang Chaun Holdings Sdn. Bhd. | 287,763,500 | 43.739 |
| 2 | HSBC Nominees (Asing) Sdn. Bhd.<br>TNTC for Somerset Emerging Markets Small Cap Fund LLC | 21,354,236 | 3.246 |
| 3 | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>icapital.biz Berhad | 19,000,000 | 2.888 |
| 4 | Thian Min Yang | 17,316,000 | 2.632 |
| 5 | HSBC Nominees (Asing) Sdn Bhd<br>KBL EURO PB for Halley Sicav - Halley Asian Prosperity | 16,518,900 | 2.511 |
| 6 | Amanahraya Trustees Berhad<br>Public Smallcap Fund | 10,281,500 | 1.563 |
| 7 | HSBC Nominees (Asing) Sdn. Bhd.<br>BBH and Co Boston for Grandeur Peak International Opportunities Fund | 8,523,750 | 1.296 |
| 8 | Yong Yee Ching | 7,921,960 | 1.204 |
| 9 | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>SSBT Fund W4B0 for Wasatch International Opportunities Fund | 6,842,290 | 1.040 |
| 10 | HSBC Nominees (Asing) Sdn. Bhd.<br>Exempt An for JPMorgan Chase Bank, National Association (Sweden) | 6,499,950 | 0.988 |
| 11 | HSBC Nominees (Asing) Sdn. Bhd.<br>BBH and Co Boston for Grandeur Peak Global Opportunities Fund | 6,077,650 | 0.924 |
| 12 | Maybank Nominees (Tempatan) Sdn Bhd<br>Etiqa Insurance Berhad (Life Non-Par FD) | 5,671,400 | 0.862 |
| 13 | Kumpulan Wang Persaraan (Diperbadankan) | 5,556,300 | 0.845 |

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 14 | HSBC Nominees (Asing) Sdn Bhd<br>HSBC-FS I for Apollo Asia Fund Ltd | 5,385,400 | 0.819 |
| 15 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An for JPMorgan Chase Bank, National Association (U.K.) | 4,541,588 | 0.690 |
| 16 | Amanahraya Trustees Berhad<br>Public Strategic Smallcap Fund | 4,467,400 | 0.679 |
| 17 | Maybank Nominees (Tempatan) Sdn Bhd<br>Etiqa Insurance Berhad (Sharehldr's FD) | 4,229,800 | 0.643 |
| 18 | Maybank Nominees (Tempatan) Sdn Bhd<br>Etiqa Insurance Berhad (Life Par Fund) | 3,945,900 | 0.600 |
| 19 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An for J.P. Morgan Bank Luxembourg S.A. | 3,754,400 | 0.571 |
| 20 | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Manulife Investment<br>- HW Flexi Fund (270519) | 3,723,700 | 0.566 |
| 21 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Bank Negara Malaysia National Trust Fund (CIMB) | 3,651,800 | 0.555 |
| 22 | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Saham Amanah Sabah (Acc 2-940410) | 3,450,000 | 0.524 |
| 23 | HSBC Nominees (Asing) Sdn Bhd<br>TNTC for PFS Somerset Emerging Markets Small Cap Fund<br>(NWB AS DEP) | 3,439,800 | 0.523 |
| 24 | Amanahraya Trustees Berhad<br>Amanah Saham Wawasan 2020 | 3,372,000 | 0.513 |
| 25 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc | 3,330,200 | 0.506 |

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 26 | HSBC Nominees (Asing) Sdn. Bhd.<br>BBH and Co Boston for Grandeur Peak Emerging Markets Opportunities Fund | 3,303,100 | 0.502 |
| 27 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Small Cap Series | 3,237,000 | 0.492 |
| 28 | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund | 3,182,796 | 0.484 |
| 29 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Affin Hwang Select Asia (EX Japan) Quantum Fund (4579) | 2,537,700 | 0.386 |
| 30 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (ARIM) | 2,500,000 | 0.380 |
| | TOTAL | 481,380,020 | 73.171 |

| Location | Description / Existing Use | Land Area/ Built-up Area (sq. ft.) | Tenure | Approximate Age of Buildings | Net Carrying Amount @ 30.06.2014 (RM) |
|---|---|---|---|---|---|
| No. 21, Lot 116, Jalan U1/20 Glenmarie Industrial Park 40000 Shah Alam Date of Acquisition: 11 June 1998 | 2-storey Office cum warehouse : Corporate Headquarters & central warehouse | 45,962 / 56,568 | Freehold | 18.5 years | 6,293,121 |
| No. 19, Lot 115, Jalan U1/20 Glenmarie Industrial Park 40150 Shah Alam Date of Acquisition: 08 August 2003 | 4-storey Office cum warehouse : Corporate Headquarters & central warehouse | 45,962/ 116,337 | Freehold | 8 year | 14,077,519 |
| No. 15, Lot 112, Jalan U1/20 Glenmarie Industrial Park 40150 Shah Alam Date of Acquisition: 24 March 2006 | 4-storey Central Warehouse with 1 Basement Car park | 75,003/ 180,070 | Freehold | 4 year | 23,136,154 |
| Lots LG 028 & 044 Lower Ground Floor Sungei Wang Plaza Kuala Lumpur Date of last revaluation : 1982 | Retail shoplots : utilized by a subsidiary as a free-standing retail outlet | 1455 / 1455 | Freehold | 41 years | 11,765,000 |
| Workshop B15 10th Floor, Block B Hong Kong Industrial Centre 489-491 Castle Peak Road, Kowloon, Hong Kong Date of acquisition : 12 September 2007 | Office Lot/ Workshop: Management Office for Padini International Limited, Hong Kong | 1,500 | Leasehold – 75 years expiring on 30.06.2047 | 32 years | 1,334,573 |
| Workshops B14 10th Floor, Block B Hong Kong Industrial Centre 489-491 Castle Peak Road, Kowloon, Hong Kong Date of acquisition : 12 September 2007 | Office Lot/ Workshop: Rented out | 1,424 | Leasehold – 75 years expiring on 30.06.2047 | 32 years | 3,108,233 |

# Form of Proxy

(NRIC No………...…………………./ Tel No...…………………..)

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 Thirty Third Annual General Meeting of the Company to be held at No. 19 Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on 12 December 2014 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 resolutions specified. If no specific direction as to the voting is given, the Proxy will vote or abstain at his/her discretion.)*

| | | FOR | AGAINST |
|---|---|---|---|
| Ordinary Resolution 1 | Reports and Audited Financial Statements | | |
| Ordinary Resolution 2 | Directors' Fee | | |
| Ordinary Resolution 3 | Re-election of Mr. Yong Pang Chaun | | |
| Ordinary Resolution 4 | Re-election of Mr. Chan Kwai Heng | | |
| Ordinary Resolution 5 | Re-election of Mr. Lee Peng Khoon | | |
| Ordinary Resolution 6 | Re-election of Mr. Chia Swee Yuen | | |
| Ordinary Resolution 7 | Re-election of Ms. Yeo Sok Hiang | | |
| Ordinary Resolution 8 | To re-appoint Messrs BDO as Auditors | | |
| Ordinary Resolution 9 | Proposed Share Buy-Back | | |

Dated this _________ day of ____________________ 2014

______________________________
Signature of Member / Common Seal

*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 appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

(iv) *The instrument appointing a proxy must be completed and deposited at the registered office of the Company at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur 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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Stamp

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

3rd Floor No. 17
Jalan Ipoh Kecil
50350 Kuala Lumpur

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