

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2017
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

A – EXPLANATORY NOTES PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of investment property that is stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2016 except for the adoption of the following new MFRSs and amendments/improvements to MFRSs that are issued by the MASB that became effective and relevant to the Group for the financial period beginning 1 July 2016:

Effective for financial periods beginning on

Amendments/Improvements to MFRS

MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statements of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017

The adoption of the above new MFRSs and amendments/improvements to MFRSs are not expected to have any material financial impact on the financial statements of the Group.

3. Realised and Unrealised Profits or Losses pursuant to Bursa Malaysia Securities Berhad Listing Requirements

Bursa Malaysia Securities Berhad has, on 25 March 2010, and subsequently on 20 December 2010, issued a directive which requires all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised.

The retained profits as at reporting date are analysed as follows:

	As at 30 June 2017
	(RM '000)
Total retained earnings:	
–Realised	704,595
–Unrealised	167
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	704,762
Less: Consolidation Adjustments	(227,780)
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	476,982
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PADINI HOLDINGS BERHAD (Company No.: 50202-A)

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4. Segmental Information

Segment analysis for the financial period ended 30 June 2017 is set out below:

	[-----Apparels and Footwear-----]					Management service, Investment Holding and Others		Total RM'000
	Padini Corporation RM'000	Seed RM'000	Mikihouse RM'000	Yee Fong Hung RM'000	Vincci RM'000	Others RM'000	Elimination RM'000	
Total revenue	523,046	153,427	49,197	571,822	270,141	3,269	-	1,570,902
Interest income	1,313	488	222	1,131	942	2,356	-	6,452
Finance costs	(1,485)	(168)	(68)	(1,737)	(799)	(406)	-	(4,663)
Net finance income/(expense)	(172)	320	154	(606)	143	1,950	-	1,789
Depreciation of property, plant and equipment	10,417	3,391	1,233	12,749	5,440	4,228	(237)	37,221
Amortisation of intangible assets	6	5	1	188	38	1,223	-	1,461
Segment profit/(loss) before tax	62,348	22,482	6,123	59,502	55,581	84,137	(76,960)	213,213
Income tax (expense)/income	(15,957)	(5,775)	(1,526)	(16,241)	(13,673)	(2,657)	4	(55,825)
Additions to non-current assets other than financial instruments and deferred tax assets	14,756	4,616	1,363	18,001	6,067	7,791	(150)	52,444
Segment assets	246,845	79,837	34,925	210,262	165,222	502,663	(358,499)	881,255
Segment liabilities	107,063	30,005	13,708	98,664	54,909	114,413	(89,609)	329,153

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5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2017.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Comments about Seasonal or Cyclical Factors.

The Group's operations are basically centered in the retail sector, the incidence of major local festivals, school holidays, carnival sales and the rainy season will generally have an impact upon revenues and margins.

8. Dividends Paid

The first interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737 for the financial year ending 30 June 2017 that was declared on 25 August 2016 was paid on 29 September 2016.

The second interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737 for the financial year ending 30 June 2017 that was declared on 25 November 2016 was paid on 30 December 2016.

The third interim dividend of 2.5 sen per ordinary share (single tier) amounting to RM16,447,737 for the financial year ending 30 June 2017 that was declared on 20 February 2017 was paid on 27 March 2017.

The fourth interim dividend of 2.5 sen per ordinary share (single tier) and a special dividend of 1.5 sen per ordinary share (single tier) for the financial year ending 30 June 2017, that was declared on 30 May 2017 were paid on 30 June 2017. Total dividend payout is amounted to RM26,316,380.

9. Valuations of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation, amortisation and impairment loss, if any.

10. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim quarter under review.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the interim quarter under review.

12. Capital Commitments

As at 30 June 2017, the Group does not have any material outstanding capital commitments.

13. Subsequent Events

There were no material events subsequent to the end of the current quarter except for the establishment of a subsidiary in Cambodia. This had been announced on 7 August 2017 that the Company has completed the registration of Padini (Cambodia) Co. Ltd ("Padini Cambodia") in Cambodia on 2 August 2017 for a cash consideration of 20,000,000 Riels (equivalent to USD5,000). Padini is the holder of 100% of the total shares in Padini Cambodia, which comprise of 1,000 shares, each with a par value of 20,000 Riels.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

Table 1: Financial review for current quarter and financial year to date

	Individual Period (4 th Quarter)			Cumulative Period		
	Current Year Quarter 30 June 2017	Preceding Year Corresponding Quarter 30 June 2016	Changes	Current Year- to-date 30 June 2017	Preceding Year Corresponding Period 30 June 2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	460,485	348,875	32.0	1,570,902	1,301,193	20.7
Operating Profit	55,526	52,546	5.7	217,876	190,376	14.4
Profit Before Interest and Tax	55,526	52,546	5.7	217,876	190,376	14.4
Profit Before Tax	54,433	51,552	5.6	213,213	186,665	14.2
Profit After Tax	39,481	37,355	5.7	157,388	137,385	14.6
Profit attributable to ordinary equity holders of the Parent	39,481	37,355	5.7	157,388	137,385	14.6

14. Performance Review

Year on year, revenue for the 12-month period under review has been improved by 20.7% and profit before tax for the period has increased by 14.2%. The increase was partly contributed by the positive growth from the existing stores with 8% same stores sales growth.

Another reason for the improved performance was due to opening of fourteen new stores during the current 12-month quarter. The fourteen new stores consist of six Padini Concept Stores, seven Brands Outlets and one free standing store. Approximately RM71 million or 4.5% of total revenue were contributed from these fourteen new stores starting from Nov 2016 to Jun 2017.

Cumulatively, gross profit margin has dropped from 42% to 39%. Beside the inventories written off during the quarter that amounted to the drop in the gross profit, it is also group's strategy to maintain retail price in spite of the pressures of rising costs.

There is an increase of RM22 million on inventories losses, inventory written off and inventory written down as compared to last financial year. This is an initiative of the management to embark on a more stringent implementation of the inventory policy with the use of stricter write off/ write down estimates. Excluded the effect of the additional inventories losses, the gross profit margin stood at 40.8%.

Comparing current quarter with the corresponding quarter, the revenue for current quarter increased by 32% or RM112 million and profit before tax increased by RM2.9million or 5.6%.

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15. Comment on Material Change in the Profit Before Taxation for the Quarter reported on as compared with the Immediate Preceding Quarter

Table 2: Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30 June 2017	Immediate Preceding Quarter 31 March 2017	Changes
	RM'000	RM'000	%
Revenue	460,485	373,737	23.2
Operating Profit	55,526	47,462	17.0
Profit Before Interest and Tax	55,526	47,462	17.0
Profit Before Tax	54,433	46,401	17.3
Profit After Tax	39,481	34,817	13.4
Profit attributable to Ordinary equity holders of Parent	39,481	34,817	13.4

Revenues and profit before taxation for this quarter increased by approximately RM87 million or 23.2% and RM8 million or 17.3% respectively compared to the immediate preceding period. This was mainly contributed by Hari Raya festival sales which fall in June 2017 and the 4 days special sales promotion held in the current quarter.

16. Commentary on Prospect

The Group is confident of turning in another profitable period despite the challenging economic environment and rising cost. The Management will continue to be vigilant to the changes in the external environment and take necessary action, including reviewing our cost structure in order to maintain long term sustainable growth.

17. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interest and for the shortfall in profit guarantee are not applicable.

18. Income Tax Expense

	3 months ended		12 months ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian tax	19,890	14,536	60,726	50,357
Foreign tax	22	10	40	28
	<u>19,912</u>	<u>14,546</u>	<u>60,766</u>	<u>50,385</u>
Deferred tax	(4,960)	(349)	(4,941)	(1,105)
Total Income tax expense	<u>14,952</u>	<u>14,197</u>	<u>55,825</u>	<u>49,280</u>

The effective tax rate for the current financial year is consistent to that of preceding year.

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19. Sale of Unquoted Investments and Properties

There were no sale of Investments and/or properties announced during the quarter that remain uncompleted.

20. Quoted Securities

There were no quoted securities held by the group during the quarter under review.

21. Corporate Proposals

At the date of this report, there are no corporate proposals that remain uncompleted.

22. Borrowings

The Group borrowings as at 4th quarter ended 2017 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Short Term - Term Loans / Trade Finance	2,897	72,745	75,642
Short Term - Leasing & HP	314	-	314
Short Term Borrowing - Subtotal	3,211	72,745	75,956
Long Term - Bank	6,027	-	6,027
Long Term - Leasing & HP	315	-	315
Long Term Borrowing - Subtotal	6,342	-	6,342
Total Borrowings	9,553	72,745	82,298

The Group borrowings as at 4th quarter ended 2016 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Short Term - Term Loans / Trade Finance	2,666	57,128	59,794
Short Term - Leasing & HP	382	-	382
Short Term Borrowing - Subtotal	3,048	57,128	60,176
Long Term - Term Loans	9,015	-	9,015
Long Term - Leasing & HP	629	-	629
Long Term Borrowing - Subtotal	9,644	-	9,644
Total Borrowings	12,692	57,128	69,820

All debts, secured or otherwise, are also collateralised by corporate guarantees issued by the Company. All borrowings indicated above are denominated in Ringgit Malaysia and represented balances standing as at 30 June 2017 and 30 June 2016. The weighted average interest rates of the borrowings range from 2.45% to 4.84%.

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23. Derivative Financial Instruments

As at the date of this report, the Group does not have any derivative financial instruments.

24. Changes in Material Litigation

As at the date of this report, the Group has no knowledge of any pending material litigation either against the Company or any of its subsidiaries.

25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2016 was not qualified.

26. Dividend Payable

On 25 August 2017, the Company has declared a 1st interim dividend of 2.5 sen per ordinary share (single tier) for the financial year ending 30 June 2018, which will be payable in September 2017.

27. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended		12 months ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	39,481	37,355	157,388	137,385
	3 months ended		12 months ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Weighted average number of ordinary shares in issue ('000)	657,909	657,909	657,909	657,909
	3 months ended		12 months ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Basic earnings per share for:				
Profit from continuing operations	6.00 sen	5.68 sen	23.92 sen	20.88 sen
Profit from discontinued operations	-	-	-	-
Profit for the period	<u>6.00 sen</u>	<u>5.68 sen</u>	<u>23.92 sen</u>	<u>20.88 sen</u>

(b) Diluted

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

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28. Note to the Statement of profit or loss and other comprehensive Income

	3 months ended 30 Jun 2017 RM'000	12 months ended 30 Jun 2017 RM'000
The following items have been charged / (credited) in arriving profit from operations:		
Interest income	(1,690)	(6,452)
Fair value gain on financial assets on fair value through profit or loss	(46)	(9)
Realised (gain)/ loss on foreign exchange	(109)	28
Unrealised loss/ (gain) on foreign exchange	863	(1,331)
Royalty income	(480)	(1,554)
Rental income	(44)	(112)
Depreciation and amortization	10,756	38,682
Interest expense	733	3,819
Unwinding of discount on provision for restoration costs	359	843
Inventory losses, inventories written down and inventories written off	25,966	32,165

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 August 2017.