

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 31 DECEMBER 2018
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 2018. 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 2018.

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 financial year ended 30 June 2018 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 2018:

Effective for financial periods beginning on

Amendments/Improvements to MFRS

MFRS 15	Revenue from Contracts with Customers	1 January 2018
	Classification to MFRS 15	1 January 2018
MFRS 9	Financial Instruments (<i>IFRS as issue by IASB in July 2014</i>)	1 January 2018

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

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurements, impairment and hedge accounting.

i. Classification and measurements

There is no significant impact on the statements of financial position on applying the classification and measurement requirements of MFRS 9. All financial assets will continue to be held at fair value. Loan and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest which concluded that they meet the criteria for amortised cost measurement under MFRS 9.

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ii. Impairment

The Group is required to record expected credit loss on its trade and other receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected credit losses on its trade receivables. The trade receivables consist of creditworthy debtors with good payment records. Thus, there is no significant impact from the impairment to the Group.

For non-trade receivables, there is no significant impact to the Group's financial statements.

MFRS 15: Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

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

The Company treats the loyalty program as a separate component of the sales transaction in which they are granted. The Company has estimated the fair value of the rebate vouchers and accounted for it as deferred revenue. This deferred revenue is recognised as revenue when the issued rebate vouchers are redeemed in the Company's own retail outlets or when the rebate vouchers have expired without being redeemed. In addition, sales generated from the loyalty program is not material. Hence, MFRS 15 does not have significant impact to the Group.

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3. Segmental Information

Segment analysis for the financial period ended 31 December 2018 is set out below:

	Investment Holding RM'000	Apparels and Footwear RM'000	Management Service RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	-	809,656	80,896	232	-	890,784
Inter segment revenue	-	(17,526)	(80,872)	(22)	-	(98,420)
Total revenue	-	792,130	24	210	-	792,364
Interest income	687	3,191	1,022	7	-	4,907
Finance costs	(125)	(613)	(10)	-	-	(748)
Net finance income	562	2,578	1,012	7	-	4,159
Depreciation of property, plant and equipment	422	18,906	1,513	156	(118)	20,879
Amortisation of intangible assets	-	137	669	-	-	806
Segment profit/(loss) before tax	1,431	92,338	5,960	(1,021)	118	98,826
Income tax expense	(631)	(25,045)	(1,524)	(492)	2	(27,690)
Additions to non-current assets other than financial instruments and deferred tax assets	61	8,104	2,180	6	(27)	10,324
Segment assets	397,150	872,936	127,834	36,228	(431,654)	1,002,494
Segment liabilities	4,763	334,398	99,827	16,807	(146,881)	308,914

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4. 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 31 December 2018.

5. Changes in Estimates

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

6. Comments about Seasonal or Cyclical Factors

The Group's operations are primarily 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.

7. 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 2019 that was declared on 27 August 2018 was paid on 29 September 2018.

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 2019 that was declared on 29 November 2018 was paid on 28 December 2018.

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 2019 that was declared on 27 February 2019 will be paid in March 2019.

8. 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.

9. Debt and Equity Securities

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

10. Changes in Composition of the Group

On 26 September 2018, the Group subscribed for 95 ordinary shares of THB1,000 each, representing 95%, of the paid-up capital of Padini (Thailand) Co., Ltd for a total cash consideration of THB132,905,000.

11. Subsequent Events

There were no material events subsequent to the end of the current quarter.

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**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 (2 nd Quarter)			Cumulative Period		
	Current Year Quarter 31 December 2018	Preceding Year Corresponding Quarter 31 December 2017	Changes	Current Year- to-date 31 December 2018	Preceding Year Corresponding Period 31 December 2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	462,577	460,434	0.5	792,364	775,609	2.2
Operating Profit	72,724	67,805	7.3	99,577	110,386	-9.8
Profit Before Interest and Tax	72,724	67,805	7.3	99,577	110,386	-9.8
Profit Before Tax	72,202	66,974	7.8	98,826	108,883	-9.3
Profit After Tax	53,174	49,969	6.4	71,136	81,189	-12.4
Profit attributable to:						
-Ordinary equity holders of the Parent	53,203	49,969	6.5	71,167	81,189	-12.3
-Non-controlling interest	(29)	-	-100.0	(31)	-	-100.0

12. Performance Review

Revenue increased by 0.5% (RM2.1 million) quarter on quarter and 2.2% (RM16.8 million) year on year respectively. The increase in revenue were mainly contributed by the sales generated from four new stores that were opened in Q4 FY2018.

Profit before tax had increased by 7.8% (RM5.2 million) when compared to the same quarter of last financial year. However, profit before tax decreased by 9.3% (RM10.1 million) year on year partly due to the drop in gross profit margin from 41% to 40%. The higher gross profit margin in previous quarter was mainly due to the reversal of inventories written off and inventories written down in the previous financial year. In addition, the drop in profit before tax was also contributed by the rise in staff cost, rental and some other store operating expenses.

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13. 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 31 December 2018	Immediate Preceding Quarter 30 September 2018	Changes
	RM'000	RM'000	%
Revenue	462,577	329,787	40.3
Operating Profit	72,724	26,853	>100
Profit Before Interest and Tax	72,724	26,853	>100
Profit Before Tax	72,202	26,624	>100
Profit After Tax	53,174	17,962	>100
Profit attributable to:			
-Ordinary equity holders of Parent	53,203	17,964	>100
-Non-controlling interest	(29)	(2)	>100

Revenues and profit before taxation for this quarter increased by approximately RM133 million (40.3%) and RM46 million (>100%) respectively compared to the immediate preceding period. This was mainly due to Christmas season, year-end school holidays and the nationwide 5 days special sales promotion held during the current quarter under review.

14. 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 actions, including reviewing our cost structure in order to maintain long term sustainable growth.

15. 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.

16. Income Tax Expense

	Current Quarter		Cumulative Period	
	3 months ended		6 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian tax	18,821	16,108	27,114	24,672
Foreign tax	332	-	492	-
	<u>19,153</u>	<u>16,108</u>	<u>27,606</u>	<u>24,672</u>
Deferred tax	(125)	897	84	3,022
Total Income tax expense	<u>19,028</u>	<u>17,005</u>	<u>27,690</u>	<u>27,694</u>

The effective tax rate is at 26% in the current quarter mainly due to the higher non-deductible expenses.

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17. Sale of Unquoted Investments and Properties

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

18. Quoted Securities

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

19. Corporate Proposals

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

20. Borrowings

The Group borrowings as at 31 December 2018 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Short Term - Term Loans / Trade Finance	2,009	34,400	36,409
Short Term - Leasing & HP	352	-	352
Short Term Borrowing - Subtotal	2,361	34,400	36,761
Long Term - Bank	2,519	-	2,519
Long Term - Leasing & HP	983	-	983
Long Term Borrowing - Subtotal	3,502	-	3,502
Total Borrowings	5,863	34,400	40,263

The Group borrowings as at 31 December 2017 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Short Term - Term Loans / Trade Finance	2,967	48,151	51,118
Short Term - Leasing & HP	322	-	322
Short Term Borrowing - Subtotal	3,289	48,151	51,440
Long Term - Term Loans	4,524	-	4,524
Long Term - Leasing & HP	291	-	291
Long Term Borrowing - Subtotal	4,815	-	4,815
Total Borrowings	8,104	48,151	56,255

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 31 December 2018 and 31 December 2017.

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21. Derivative Financial Instruments

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

22. 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.

23. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2018 was not qualified.

24. Dividend Payable

On 27 February 2019, the Company has declared a 3rd interim dividend of 2.5 sen per ordinary share (single tier) for the financial year ending 30 June 2019, which will be payable in March 2019.

25. 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.

	Current Quarter		Cumulative Period	
	3 months ended		6 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	53,203	49,969	71,167	81,189
	3 months ended		6 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Weighted average number of ordinary shares in issue ('000)	657,910	657,910	657,910	657,910
	3 months ended		6 months ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Basic earnings per share for:				
Profit from continuing operations	8.09 sen	7.60 sen	10.82 sen	12.34 sen
Profit from discontinued operations	-	-	-	-
Profit for the period	<u>8.09 sen</u>	<u>7.60 sen</u>	<u>10.82 sen</u>	<u>12.34 sen</u>

(b) Diluted

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

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	3 months ended 31 Dec 2018 RM'000	Year-to-date ended 31 Dec 2018 RM'000
The following items have been charged / (credited) in arriving profit from operations:		
Interest income	(2,315)	(4,907)
Realised (gain)/ loss on foreign exchange	(10)	8
Unrealised gain on foreign exchange	(20)	(609)
Royalty income	(210)	(490)
Rental income	(43)	(223)
Depreciation and amortization	10,640	21,684
Interest expense	457	536
Unwinding of discount on provision for restoration costs	103	212
Inventory losses, inventories written down and inventories written off	1,796	3,946

27. 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 27 February 2019.