

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 31 DECEMBER 2022
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 2022. 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 2022.

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 2022 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 2022:

Effective for financial periods beginning on

Amendments/Improvements to MFRS

Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceeds before intended use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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.

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3. Segmental Information

Segment analysis for the financial period ended 31 December 2022 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	-	892,965	82,137	198	-	975,300
Inter segment revenue	-	(4,400)	(82,137)	(198)	-	(86,735)
Total revenue	-	888,565	-	-	-	888,565
Interest income	195	7,120	1,251	6	(96)	8,476
Finance costs	-	(9,236)	(4,617)	(1)	4,702	(9,152)
Net finance income/(expense)	195	(2,116)	(3,366)	5	4,606	(676)
Depreciation of property, plant and equipment	717	6,681	788	165	(118)	8,233
Depreciation of right-of-use assets	-	45,335	223	15	-	45,573
Amortisation of intangible assets	-	88	644	-	-	732
Segment profit/(loss) before tax	1,289	155,418	4,744	(174)	111	161,388
Income tax expense	(662)	(37,470)	(1,244)	(8)	2	(39,382)
Additions to non-current assets other than financial instruments and deferred tax assets	-	5,116	1,637	9	(2)	6,760
Segment assets	383,357	1,544,359	393,651	32,545	(694,488)	1,659,424
Segment liabilities	750	733,167	337,922	107	(392,944)	679,002

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

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows during the financial period ended 31 December 2022.

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 2023 that was declared on 26 August 2022 was paid on 30 September 2022.

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 2023 that was declared on 29 November 2022 was paid on 30 December 2022.

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

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

11. Capital Commitments

As at 31 December 2022, the Group does not have any material outstanding capital commitments.

12. Subsequent Events

There were no material events subsequent to the end of the current quarter up to the date of this report that have not been reflected in the financial statements.

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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 2022	Preceding Year Corresponding Quarter 31 December 2021	Changes	Current Year Quarter 31 December 2022	Preceding Year Corresponding Quarter 31 December 2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	509,475	427,173	19.3%	888,565	508,557	74.7%
Operating Profit	101,694	86,128	18.1%	170,540	69,868	144.1%
Profit Before Interest and Tax	101,694	86,128	18.1%	170,540	69,868	144.1%
Profit Before Tax	97,243	81,831	18.8%	161,388	61,014	164.5%
Profit After Tax	73,144	60,893	20.1%	122,006	44,029	177.1%
Profit attributable to: -Ordinary equity holders of the Parent	73,144	60,893	20.1%	122,006	44,029	177.1%

13. Performance Review

Comparing quarter on quarter, the Group reported an increase in revenue and profit before tax by RM82.3 million (19.3%) and RM15.4 million (18.8%) respectively. The increase is due to the continuous recovery progress from pandemic.

Comparing year on year, the Group's revenue and profit before tax have increased by RM380.0 million (74.7%) and RM100.4 million (164.5%) respectively. This is due to the enforcement of Full Movement Control Order ("FMCO") nationwide during the previous year with most outlets closed from 1 June 2021 until 18 August 2021. There was no revenue generated from these outlets during the FMCO period. During the current year under review, all outlets were operating at full capacity.

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14. 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 2022	Immediate Preceding Quarter 30 September 2022	Changes
	RM'000	RM'000	%
Revenue	509,475	379,090	34.4%
Operating Profit	101,694	68,846	47.7%
Profit Before Interest and Tax	101,694	68,846	47.7%
Profit Before Tax	97,243	64,145	51.6%
Profit After Tax	73,144	48,862	49.7%
Profit attributable to: -Ordinary equity holders of Parent	73,144	48,862	49.7%

Revenue and profit before tax for the current quarter under review increased by approximately RM130.4 million (34.4%) and RM33.1 million (51.6%) respectively compared to the immediate preceding quarter. The increase was mainly due to the Christmas sales and year end school holidays in the current quarter.

15. Commentary on Prospect

Retail business in general remains challenging due to the deterioration in purchasing power arising from the rising cost, trade tensions and rising inflation and interest rates. However, supply chain issues, material costs and freight charges seem to be on an easing trend although there may still be some further increases in the short term.

Despite the potential challenges, we are cautiously optimistic of performing satisfactorily for the current financial year. Management will continue to provide value for money products and implementing measures to control costs, optimise working capital, preserve cash and streamline the operations to minimise any adverse impacts.

16. 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.

17. Income Tax Expense

	Current Quarter 3 months ended		Cumulative Period 6 months ended	
	31-Dec-22 RM'000	31-Dec-21 RM'000	31-Dec-22 RM'000	31-Dec-21 RM'000
Current tax:				
Malaysian tax	25,141	16,085	40,829	17,501
Foreign tax	371	404	722	450
	<u>25,512</u>	<u>16,489</u>	<u>41,551</u>	<u>17,951</u>
Deferred tax	(1,413)	4,449	(2,169)	(966)
Total Income tax expense	<u>24,099</u>	<u>20,938</u>	<u>39,382</u>	<u>16,985</u>

The effective tax rate is at the range of 24% - 28% mainly due to the higher non-deductible expenses.

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18. Sale of Unquoted Investments and Properties

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

19. Quoted Securities

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

20. Corporate Proposals

On 26 August 2022, the Company proposed to establish an Employees' Share Option Scheme ("Proposed ESOS") involving up to 15% of the total number of Issued Shares of Padini (excluding Treasury Shares, if any) for eligible Executive Directors and Employees of Padini and its subsidiaries ("Padini Group" or "the Group"). The Proposed ESOS involves the granting of ESOS options to Executive Directors and Employees of the Group who meet the criteria of eligibility. The Proposed ESOS, when implemented, shall be in force for a period of five (5) years from the effective date, with an option to extend another five (5) years.

The proposed Employees' Share Option Scheme ("Proposed ESOS") had been approved at the Annual General Meeting (41st AGM) on 25 November 2022. However, some of the other resolutions relating to the proposed allocations thereto were not carried.

21. Borrowings

The Group borrowings as at 31 December 2022 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Hire purchase (Under lease liabilities)	231	-	231
Short Term Borrowing - Subtotal	231	-	231
Hire purchase (Under lease liabilities)	15	-	15
Long Term Borrowing - Subtotal	15	-	15
Total Borrowings	246	-	246

The Group borrowings as at 31 December 2021 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Hire purchase (Under lease liabilities)	272	-	272
Short Term Borrowing - Subtotal	272	-	272
Hire purchase (Under lease liabilities)	246	-	246
Long Term Borrowing - Subtotal	246	-	246
Total Borrowings	518	-	518

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21. Borrowings (continued)

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 2022 and 31 December 2021.

22. Derivative Financial Instruments

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

23. 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.

24. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2022 was not qualified.

25. Dividend Payable

On 24 February 2023, the Company has declared a 3rd interim dividend of 2.5 sen per ordinary share (single tier) for the financial year ending 30 June 2023, which will be payable on 31 March 2023.

26. 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 3 months ended		Cumulative Period 6 months ended	
	31-Dec-22 RM'000	31-Dec-21 RM'000	31-Dec-22 RM'000	31-Dec-21 RM'000
Profit attributable to ordinary equity holders of the parent	73,144	60,893	122,006	44,029
Weighted average number of ordinary shares in issue ('000)	657,910	657,910	657,910	657,910
Basic earnings per share for:				
Profit from continuing operations	11.12 sen	9.26 sen	18.54 sen	6.69 sen
Profit from discontinued operations	-	-	-	-
Profit for the period	<u>11.12 sen</u>	<u>9.26 sen</u>	<u>18.54 sen</u>	<u>6.69 sen</u>

(b) Diluted

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

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27. Note to the Statement of profit or loss and other comprehensive income

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

	<u>Current Quarter</u>		<u>Cumulative Period</u>	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Interest income	(4,231)	(2,430)	(8,476)	(4,373)
Net realised loss/(gain) on foreign exchange	(407)	27	(337)	(43)
Net unrealised loss/(gain) on foreign exchange	3,443	131	425	(56)
Royalty income	(119)	(49)	(244)	(241)
Rental income	(42)	(44)	(90)	(89)
Depreciation and amortisation	26,311	27,126	54,538	54,998
Interest expense on unwinding of discount on provision for restoration costs	235	185	554	430
Interest expense on lease liabilities	4,168	4,088	8,489	8,378
Inventory losses, net inventories written down/(back) and inventories written off	1,857	(3,284)	2,856	(891)

28. 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 24 February 2023.