

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
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.

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

3. Segmental Information

Segment analysis for the financial period ended 30 June 2023 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	73,450	1,830,576	183,910	568	-	2,088,504
Inter segment revenue	(73,450)	(8,447)	(183,910)	(568)	-	(266,375)
Total revenue	-	1,822,129	-	-	-	1,822,129
Interest income	320	13,904	2,729	16	(124)	16,845
Finance costs	-	(21,821)	(11,808)	(3)	11,887	(21,745)
Net finance income/(expense)	320	(7,917)	(9,079)	13	11,763	(4,900)
Depreciation of property, plant and equipment	1,434	13,535	1,459	327	(237)	16,518
Depreciation of right-of-use assets	-	97,411	627	36	-	98,074
Amortisation of intangible assets	-	154	1,308	-	-	1,462
Segment profit/(loss) before tax	76,727	281,196	11,800	(629)	(73,203)	295,891
Income tax expense	(1,378)	(69,083)	(2,729)	(14)	4	(73,200)
Additions to non-current assets other than financial instruments and deferred tax assets	-	25,181	3,298	9	(8)	28,480
Segment assets	415,338	1,530,748	383,914	32,921	(696,802)	1,666,119
Segment liabilities	772	693,312	324,532	106	(392,691)	626,031

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

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 30 June 2023.

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.

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 2023 that was declared on 24 February 2023 was paid on 31 March 2023.

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 ended 30 June 2023, that was declared on 29 May 2023 were paid on 30 June 2023. Total dividend payout is amounted to RM26,316,379.

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 20 June 2023, The Company subscribed for an additional 20,000 ordinary shares of THB1,000 each, representing 12.5% of the paid-up capital of Padini (Thailand) Co., Ltd for a total cash consideration of THB20,000,000 (Equivalent to RM2,704,000). This subscription had made no changes in the composition of the Group during the quarter under review.

11. Commitments

As at 30 June 2023, the Group has approximately RM20 million of expenditures commitments for warehouse automation and Radio Frequency Identification ("RFID") that has not been provided for in the financial statements.

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.

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

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 2023	Preceding Year Corresponding Quarter 30 June 2022	Changes	Current Year Quarter 30 June 2023	Preceding Year Corresponding Quarter 30 June 2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	476,330	481,200	-1.0%	1,822,129	1,319,097	38.1%
Operating Profit	84,749	107,434	-21.1%	317,636	224,453	41.5%
Profit Before Interest and Tax	84,749	107,434	-21.1%	317,636	224,453	41.5%
Profit Before Tax	76,442	102,213	-25.2%	295,891	205,110	44.3%
Profit After Tax	57,305	77,459	-26.0%	222,691	154,103	44.5%
Profit attributable to: -Ordinary equity holders of the Parent	57,305	77,459	-26.0%	222,691	154,103	44.5%

13. Performance Review

Comparing quarter on quarter, the Group reported a decrease in revenue and profit before tax by RM4.9 million (-1.0%) and RM25.8 million (-25.2%) respectively. The decrease in revenue was attributed to lower sales in existing stores. The Same Store Sales Growth (SSSG) in the current quarter review is 2.2% lower than the previous quarter. In addition to the decline in revenue affecting the decrease in profit before tax, the decrease in profit before tax is also attributed to rising salary and incidental expenses. These increases stem from the salary adjustments made in May 2022 and Jan 2023 respectively.

Comparing year on year, the Group's revenue and profit before tax have increased by RM503.0 million (38.1%) and RM90.8 million (44.3%) 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.

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

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 30 June 2023	Immediate Preceding Quarter 31 March 2023	Changes
	RM'000	RM'000	%
Revenue	476,330	457,234	4.2%
Operating Profit	84,749	62,347	35.9%
Profit Before Interest and Tax	84,749	62,347	35.9%
Profit Before Tax	76,442	58,061	31.7%
Profit After Tax	57,305	43,380	32.1%
Profit attributable to: -Ordinary equity holders of Parent	57,305	43,380	32.1%

In the current quarter under review, revenue and profit before tax increased by approximately RM19.1 million (4.2%) and RM18.4 million (31.7%) respectively, in comparison to the immediately preceding quarter. The increase in the current quarter's result was primarily attributed to heightened sales during festive occasions such as Hari Raya and mid-term school holiday. Profit for the current quarter was accordingly higher due to higher sales and partly due to bonus payout in the previous quarter for financial year 2023.

15. Commentary on Prospect

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

Despite the potential challenges, we are optimistic in 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		Cumulative Period	
	3 months ended		12 months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian tax	18,386	24,388	73,666	50,717
Foreign tax	(269)	262	699	936
	<u>18,117</u>	<u>24,650</u>	<u>74,365</u>	<u>51,653</u>
Deferred tax	1,020	104	(1,165)	(646)
Total Income tax expense	<u>19,137</u>	<u>24,754</u>	<u>73,200</u>	<u>51,007</u>

The effective tax rate is falls within the range of 25% - 27% mainly due to the higher non-deductible expenses.

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

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.

Pursuant to Paragraph 6.42 of the Main Market Listing Requirements of Bursa Securities, the implementation of the ESOS is effective from 3 March 2023.

21. Borrowings

The Group borrowings as at 30 June 2023 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Bank Overdraft	3,192	-	3,192
Hire purchase (Under lease liabilities)	248	-	248
Short Term Borrowing - Subtotal	3,440	-	3,440
Hire purchase (Under lease liabilities)	555	-	555
Long Term Borrowing - Subtotal	555	-	555
Total Borrowings	3,995	-	3,995

The Group borrowings as at 30 June 2022 comprise the following:

	Secured Debt (RM'000)	Unsecured Debt (RM'000)	Total (RM'000)
Hire purchase (Under lease liabilities)	261	-	261
Short Term Borrowing - Subtotal	261	-	261
Hire purchase (Under lease liabilities)	118	-	118
Long Term Borrowing - Subtotal	118	-	118
Total Borrowings	379	-	379

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

21. Borrowings (continued)

All debts, secured or otherwise, are also collateralised by corporate guarantees issued by the Company. Borrowings of the Group are denominated in the following currencies:

	30 June 2023	30 June 2022
	RM'000	RM'000
Ringgit Malaysia	803	379
United States Dollar	3,192	-
	<u>3,995</u>	<u>379</u>

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 25 August 2023, the Company has declared a 1st interim dividend of 2.5 sen per ordinary share (single tier) for the financial year ending 30 June 2024, which will be payable in September 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		Cumulative Period	
	3 months ended		12 months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	57,305	77,459	222,691	154,103
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	8.71 sen	11.77 sen	33.85 sen	23.42 sen
Profit from discontinued operations	-	-	-	-
Profit for the period	<u>8.71 sen</u>	<u>11.77 sen</u>	<u>33.85 sen</u>	<u>23.42 sen</u>

UNAUDITED RESULTS OF THE GROUP FOR THE QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL REPORT

26. Earnings Per Share (continued)

(b) Diluted

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

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>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(4,094)	(3,694)	(16,845)	(10,956)
Net realised (gain)/loss on foreign exchange	(316)	185	(385)	234
Net unrealised (gain)/loss on foreign exchange	(3,496)	(2,557)	(3,471)	(3,085)
Royalty income	(276)	(211)	(651)	(914)
Rental income	(54)	(46)	(182)	(180)
Depreciation and amortisation	35,205	28,824	116,054	116,518
Interest expense on unwinding of discount on provision for restoration costs	589	551	1,355	1,132
Interest expense on lease liabilities	7,680	4,624	20,190	18,078
Interest expense	6	-	6	-
Inventory losses, net inventories written down/(back) and inventories written off	4,549	1,534	8,934	1,145

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 25 August 2023.