

Panasonic

Panasonic Manufacturing Malaysia Berhad (6100-K) (Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 2nd Quarter Ended 30 September 2016

	(Unaudited)		(Unaudited)	
	2 nd Quarter ended		Cumulative period ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue	292,418	280,665	590,207	547,872
Operating expenses	(255,461)	(237,628)	(513,845)	(473,631)
Other operating income	4,421	6,988	14,820	13,536
Other derivative gain / (loss)	(2,068)	(5,444)	(5,031)	(4,515)
Profit from operations	39,310	44,581	86,151	83,262
Share of results of associated company (net of tax)	2,852	6,181	5,851	8,755
Profit before taxation	42,162	50,762	92,002	92,017
Taxation	(11,379)	(10,466)	(22,916)	(19,923)
Profit after taxation for the period	30,783	40,296	69,086	72,094
Earnings per share				
attributable to equity holders:				
Basic and diluted (sen)	51	67	114	119

(The Condensed Combined Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2016)

**Condensed Combined Entity Statement of Comprehensive Income
for the 2nd Quarter Ended 30 September 2016**

	(Unaudited)		(Unaudited)	
	2nd Quarter ended		Cumulative period ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	30,783	40,296	69,086	72,094
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	30,783	40,296	69,086	72,094
Profit after taxation attributable to equity holders of the Company	30,783	40,296	69,086	72,094
Total Comprehensive Income attributable to equity holders of the Company	30,783	40,296	69,086	72,094

(The Condensed Combined Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2016)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 30.09.2016 RM'000	As at Preceding Financial Year End 31.03.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	61,991	62,030
Interest in associated company	145,666	151,282
Deferred tax assets	11,690	11,320
	<u>219,347</u>	<u>224,632</u>
Current assets		
Inventories	52,885	43,844
Trade and other receivables	128,325	110,952
Placement of funds with related company	566,580	599,934
Cash and bank balances	2,069	1,580
Derivative financial instruments	767	5,151
	<u>750,626</u>	<u>761,461</u>
Total assets	<u>969,973</u>	<u>986,093</u>
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	712,118	718,357
Total equity	<u>772,864</u>	<u>779,103</u>
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	193	193
	<u>193</u>	<u>193</u>
Current liabilities		
Trade and other payables	170,684	188,253
Taxation	16,792	9,276
Provision for liabilities and charges	7,165	9,148
Derivative financial instruments	2,275	120
	<u>196,916</u>	<u>206,797</u>
Total liabilities	<u>197,109</u>	<u>206,990</u>
Total equity and liabilities	<u>969,973</u>	<u>986,093</u>
Net assets per share (RM)	<u>12.72</u>	<u>12.83</u>

(The Condensed Combined Entity Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2016)

**Condensed Combined Entity Statement of Changes in Equity
For the 2nd Quarter Ended 30 September 2016**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 September 2015</u>			
At 1 April 2015	60,746	657,716	718,462
Total comprehensive income for the period	-	72,094	72,094
Dividends:			
- Final dividend for the financial year ended 31 March 2015	-	(21,261)	(21,261)
- Special dividend for the financial year ended 31 March 2015	-	(55,886)	(55,886)
At 30 September 2015	60,746	652,663	713,409
<u>Quarter Ended 30 September 2016</u>			
At 1 April 2016	60,746	718,357	779,103
Total comprehensive income for the period	-	69,086	69,086
Dividends:			
- Final dividend for the financial year ended 31 March 2016	-	(75,325)	(75,325)
At 30 September 2016	60,746	712,118	772,864

(The Condensed Combined Entity Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2016)

Condensed Combined Entity Cash Flow Statement
For the 2nd Quarter Ended 30 September 2016

	(Unaudited)	
	Period ended 30.09.2016 RM'000	Period ended 30.09.2015 RM'000
Profit after taxation	69,086	72,094
Adjustments for:		
Non Cash Flow Items	35,212	33,700
Share of results of associated company	(5,851)	(8,755)
Operating profit before working capital changes	98,447	97,039
Changes in working capital		
Net increase in current assets	(26,692)	(47,606)
Net decrease in current liabilities	(17,569)	14,861
Cash generated from operations	54,186	64,294
Other operating activities	(18,966)	(13,040)
Net cash flow from operating activities	35,220	51,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,708)	(6,233)
Proceeds from disposal of property, plant and equipment	73	87
Interest received	11,846	11,072
Dividend received (net)	11,467	1,911
Net cash flow (used in)/from investing activities	9,308	6,837
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(75,325)	(77,147)
Net cash flow from financing activity	(75,325)	(77,147)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,797)	(19,056)
CURRENCY TRANSLATION DIFFERENCES	(2,068)	(4,516)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	601,514	575,950
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	568,649	552,378
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	566,580	551,485
Cash and bank balances	2,069	893
	568,649	552,378

(The Condensed Combined Entity Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2016)

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Notes to the Interim Financial Statements for 2nd Quarter Ended 30 September 2016

Note 1. Accounting Policies and Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the Company’s audited statutory financial statements for the financial year ended 31 March 2016.

The audited financial statements of the Company for the year ended 31 March 2016 were prepared in accordance with MFRS. The accounting policies and methods of computation adopted by the Company in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 March 2016.

Note 2. Realised and Unrealised Profits / Losses

	Current Quarter Ended 30.09.2016 RM'000	Preceding Year Ended 31.03.2016 RM'000
Total retained profits of Company:		
- Realised profits	567,247	553,231
- Unrealised profits / (loss)	1,205	15,844
	568,452	569,075
Total share of retained profits from associated company:		
- Realised profits	153,193	157,393
- Unrealised loss	(9,527)	(8,111)
	143,666	149,282
Total Combined Entity’s retained profits	712,118	718,357

Note 3. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2016 was not qualified.

Note 4. Seasonality or Cyclicity of Interim Operations

The Company's business operations were not materially affected by any seasonal or cyclical factors since the last balance sheet date.

The Company's products are generally dependent on consumer demand both in the domestic and export markets.

Note 5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

Note 6. Changes in Estimates of Amounts Reported in Prior Interim Periods for the Current Financial Year or in Prior Financial Years

There were no major changes in estimates of amounts reported in prior interim periods for the current financial year or changes in estimates of amounts reported in the prior financial year, which give a material effect in the current interim period.

Note 7. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares since the last reporting date.

Note 8. Dividends Declared / Paid

The final single tier dividend of 124 sen per ordinary share of RM1.00 for the financial year ended 31 March 2016 was paid on 23 September 2016.

Note 9. Segmental Reporting

Analysis of the Company's segment information is as follows:

	Revenue for the period ended		Profit before tax for the period ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Home Appliance products	262,534	253,913	35,642	45,119
Fan and other products	327,673	293,959	59,948	43,831
Total	590,207	547,872	95,590	88,950

Note 10. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment for the period under review.

Note 11. Significant Post Balance Sheet Events

There has not arisen in the interval between 30 September 2016 and the date of this announcement, any item, transaction or event of a material or unusual nature in the opinion of the Directors that is likely to affect substantially the result of the operations of the Company for the quarter ended 30 September 2016 in respect of which this announcement is made.

Note 12. Contingent Liabilities

There were no contingent liabilities since the last financial year ended 31 March 2016.

Disclosure Requirements Pursuant to Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

Note 13. Review of Performance

(a) 2nd Quarter This Year vs 2nd Quarter Last Year

The Company's revenue of RM292.4 million for the current quarter ended 30 September 2016 was higher by 4.2% or RM11.7 million as compared with the revenue of RM280.7 million registered in the previous year's corresponding quarter.

The higher revenue was mainly led by stronger sales in domestic and export markets for Fan products. Fan products sales grew by approximately 13% as compared to the previous year's corresponding quarter. The improvement in sales was mainly seen in ceiling fans products attributable to sales recovery from United Arab Emirates for the export market and good festive sales for the domestic market. Revenue for the current quarter was also led by market expansion in Asian countries which contributed to higher export sales in Fan products. Sale of Home Appliances product decreased by 6% as it continues to be affected by the unstable market condition in the Middle East region.

Despite the improvement in revenue, the Company's combined profit before tax of RM42.2 million for the current quarter ended 30 September 2016 was lower by 16.9% or RM8.6 million as compared to the previous year's corresponding quarter combined profit before tax of RM50.8 million. This was due to higher operating expenses and lower share of profits from the associated company.

Analyzing the results by segments, the Fan and other products segment achieved profit before tax of RM30.1 million for the current quarter ended 30 September 2016, which was higher by 42% or RM8.9 million as compared to the profit before tax in the previous year's corresponding quarter of RM21.2 million; mainly due to increase in revenue.

However, the Home Appliance products segment achieved lower profit before tax of RM17.8 million for the current quarter ended 30 September 2016, a reduction of 34.9% or RM9.5 million as compared to the profit before tax in the previous year's corresponding quarter of RM27.4 million.

(b) Current Year to Date vs Last Year to Date

The Company's revenue of RM590.2 million for the half year ended 30 September 2016, was an increase of RM42.3 million or 7.7% as compared to the previous year's corresponding period of RM547.9 million. This was mainly due to higher sales in the domestic market for Fan products contributed from sales momentum gained from recently introduced LED Fan products which were well received. In addition, a favorable exchange condition with the strengthening of US Dollars contributed to the increase in export revenue which is quoted mainly in US Dollars.

Although there was higher revenue, the Company achieved combined profit before tax of RM92.0 million for the half year ended 30 September 2016, the same amount as in the previous year's corresponding period due to higher operation expenses and a lower share of profits from the associated company.

The Fan and other products segment's profit before tax of RM59.9 million for the half year ended 30 September 2016 was higher by 36.8% or RM16.1 million as compared to the previous year's corresponding period profit before tax of RM43.8 million.

However, the Home Appliance products segment recorded profit before tax of RM35.6 million for the half year ended 30 September 2016, which was lower by 21.0% or RM9.5 million as compared to the profit before tax in the previous year's corresponding period of RM45.1 million. The lower profitability was due to unexpected initial costs arising from the rationalization of the regional production of the rice cooker products.

Note 14. Material Changes in Quarterly Results Compared to Preceding Quarter

The Company's revenue of RM292.4 million in the current quarter was lower by 1.8% or RM5.4 million over the revenue of RM297.8 million recorded in the preceding quarter due to lower domestic sales from both the Home Appliance and Fan products in the current quarter.

Correspondingly, the Company's combined profit before tax of RM42.2 million for the current quarter decreased by 15.3% or RM7.6 million as compared to combined profit before tax of RM49.8 million in the preceding quarter.

Note 15. Prospects and Outlook

The global economic and financial landscape remains challenging and will influence the prospects of the Malaysian economy. Gross Domestic Product is expected to grow at a slower pace of 4 to 4.5%.

In addition, the current economic and political uncertainties in the Middle East region is expected to affect the Company's export revenue as sales to this region contributes to approximately 20% of Company's total revenue.

The ongoing tight labour market, inflationary cost pressures and volatile foreign currency exchange will contribute to a challenging environment and the Company will actively monitor these three key areas in order to mitigate any adverse impact on its global businesses.

Note 16. Profit Forecast, Profit Guarantee or Internal Targets

The Company did not issue or publicly announce or disclose any profit forecasts, profit guarantee or internal targets for the period under review.

Note 17. Taxation

	Current Quarter Ended 30.09.2016 RM'000	Preceding Quarter Ended 30.09.2015 RM'000	Cumulative Period Ended 30.09.2016 RM'000	Cumulative Period Ended 30.09.2015 RM'000
Taxation charge:				
- current financial year	(11,508)	(10,377)	(23,286)	(20,978)
Deferred Tax:				
- current financial year	129	(89)	370	1,055
	(11,379)	(10,466)	(22,916)	(19,923)
Effective income tax rate	27.0%	20.6%	24.9%	21.7%

The Company's effective income tax rate for the cumulative period was lower than the statutory tax rate of 24% mainly due to certain tax incentives enjoyed for the promotion of exports.

Note 18. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of the issuance of this interim financial report.

Note 19. Derivatives

Derivative financial instruments are entered into by the Company in currencies other than Ringgit Malaysia for highly probable forecasted transactions to manage the exposure to fluctuation in foreign currency exchange rates.

As at 30 September 2016, the details of derivative financial instruments outstanding measured at fair values together with their corresponding contract / notional values are as follows:-

Type of Derivatives	Contract / Notional Value RM'000	Fair Value of Assets RM'000	Fair Value of Liabilities RM'000
<u>Less than 1 year</u> - Sell USD	68,158	0	(2,222)
<u>Less than 1 year</u> - Buy JPY	2,809	139	0
<u>Less than 1 year</u> - Buy SGD	538	14	0
<u>Less than 1 year</u> - Sell Euro	1,669	614	(53)
		767	(2,275)

Note 20. Material Litigation

There were no material litigations pending on the date of this announcement.

Note 21. Dividends

- (a) An interim single tier dividend of 15 sen per ordinary share of RM1.00 for the financial year ending 31 March 2017 has been declared by the Directors on 29 November 2016 for payment on 18 January 2017 based on the entitlement date of 28 December 2016.
- (b) The interim single tier dividend paid for the previous financial year ended 31 March 2016 amounted to 15 sen per ordinary share of RM1.00.
- (c) Total dividend for the current financial year ending 31 March 2017 is interim single tier dividend of 15 sen per ordinary share of RM1.00.

Note 22. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue as at 31 March 2016 of 60,745,780 shares.

- (a) Basic earnings per share

	Period Ended 30.09.2016	Period Ended 30.09.2015
Profit after taxation for the period (RM'000)	69,086	72,094
Weighted average number of ordinary shares in issue ('000)	60,746	60,746
Basic earnings per share (sen)	114	119

- (b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	63	Not Applicable
Quarter 2	51	Not Applicable
Year-to-date	114	Not Applicable

Note 23. Commitments for Capital Expenditure

Analysed as follows: Property, plant and equipment	As at 30.09.2016 RM'000	As at 30.09.2015 RM'000
Contracted	8,565	3,417
Not contracted	55	426
Total	8,621	3,843

Note 24. Notes to the Condensed Combined Statement of Comprehensive Income

Included in the Total Comprehensive Income for the period are the following:

	2nd Quarter ended		Cumulative period ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Interest Income	5,745	5,587	11,542	10,899
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,114	5,696	14,096	11,603
Provision For/Write Off of Receivables	-	-	-	-
Provision For/Write Off of Inventories	-	-	-	-
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties*	N/A	N/A	N/A	N/A
Impairment of Assets	N/A	N/A	N/A	N/A
Gain/(Loss) on Foreign Exchange	(1,846)	(4,407)	1,033	(5,887)
(Loss)/Gain on Derivatives	(2,068)	(5,444)	(6,539)	(4,515)

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
29 November 2016