

Panasonic

Panasonic Manufacturing Malaysia Berhad (6100-K)

(Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 1st Quarter Ended 30 June 2017

	(Unaudited)		(Unaudited)	
	1 st Quarter ended		Cumulative period ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Revenue	327,846	297,789	327,846	297,789
Operating expenses	(284,435)	(256,876)	(284,435)	(256,876)
Other operating income	6,040	10,399	6,040	10,399
Other derivative gain / (loss)	1,040	(4,471)	1,040	(4,471)
Profit from operations	50,491	46,841	50,491	46,841
Share of results of associated company (net of tax)	(231)	2,999	(231)	2,999
Profit before taxation	50,260	49,840	50,260	49,840
Taxation	(10,684)	(11,537)	(10,684)	(11,537)
Profit after taxation for the period	39,576	38,303	39,576	38,303
Earnings per share				
attributable to equity holders:				
Basic and diluted (sen)	65	63	65	63

(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 2017)

**Condensed Combined Entity Statement of Comprehensive Income
for the 1st Quarter Ended 30 June 2017**

	(Unaudited)		(Unaudited)	
	1 st Quarter ended		Cumulative period ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Profit after taxation for the period	39,576	38,303	39,576	38,303
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	39,576	38,303	39,576	38,303
Profit after taxation attributable to equity holders of the Company	39,576	38,303	39,576	38,303
Total Comprehensive Income attributable to equity holders of the Company	39,576	38,303	39,576	38,303

(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 2017)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 30.06.2017 RM'000	As at Preceding Financial Year End 31.03.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	70,229	74,981
Interest in associated company	151,322	151,553
Deferred tax assets	9,248	9,061
	230,799	235,595
Current assets		
Inventories	45,956	50,284
Trade and other receivables	118,787	116,863
Placement of funds with related company	619,590	601,426
Cash and bank balances	656	1,005
Derivative financial instruments	1,568	271
	786,557	769,849
Total assets	1,017,356	1,005,444
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	800,614	761,038
Total equity	861,360	821,784
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	232	232
	232	232
Current liabilities		
Trade and other payables	144,557	175,546
Taxation	4,657	1,486
Provision for liabilities and charges	6,246	6,349
Derivative financial instruments	304	47
	155,764	183,428
Total liabilities	155,996	183,660
Total equity and liabilities	1,017,356	1,005,444
Net assets per share (RM)	14.18	13.53

(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 2017)

**Condensed Combined Entity Statement of Changes in Equity
For the 1st Quarter Ended 30 June 2017**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 June 2016</u>			
At 1 April 2016	60,746	718,357	779,103
Total comprehensive income for the period	-	38,303	38,303
At 30 June 2016	60,746	756,660	817,406
<u>Quarter Ended 30 June 2017</u>			
At 1 April 2017	60,746	761,038	821,784
Total comprehensive income for the period	-	39,576	39,576
At 30 June 2017	60,746	800,614	861,360

(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 2017)

Condensed Combined Entity Cash Flow Statement
For the 1st Quarter Ended 30 June 2017

	(Unaudited)	
	Period ended 30.06.2017 RM'000	Period ended 30.06.2016 RM'000
Profit after taxation	39,576	38,303
Adjustments for:		
Non Cash Flow Items	12,751	22,230
Share of results of associated company	231	(2,999)
Operating profit before working capital changes	52,558	57,534
Changes in working capital		
Net decrease / (increase) in current assets	2,775	(10,059)
Net decrease in current liabilities	(31,180)	(35,349)
Cash generated from operations	24,153	12,126
Other operating activities	(8,439)	(10,542)
Net cash flow from operating activities	15,714	1,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,975)	(8,113)
Proceeds from disposal of property, plant and equipment	17	12
Interest received	5,059	5,935
Dividend received (net)	-	-
Net cash flow from investing activities	2,101	(2,166)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	-	-
Net cash flow from financing activity	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	17,815	(582)
CURRENCY TRANSLATION DIFFERENCES	-	(4,471)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	602,431	601,514
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	620,246	596,461
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	619,590	594,504
Cash and bank balances	656	1,957
	<u>620,246</u>	<u>596,461</u>

(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 2017)

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Notes to the Interim Financial Statements for 1st Quarter Ended 30 June 2017

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 2017.

The audited financial statements of the Company for the year ended 31 March 2017 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 2017.

Note 2. Realised and Unrealised Profits / Losses

	Current Quarter Ended 30.06.2017 RM'000	Preceding Year's Quarter Ended 30.06.2016 RM'000
Total retained profits of Company:		
- Realised profits	644,439	603,638
- Unrealised profits	6,853	741
	651,292	604,379
Total share of retained profits from associated company:		
- Realised profits	156,148	161,880
- Unrealised loss	(6,826)	(9,599)
	149,322	152,281
Total Combined Entity's retained profits	800,614	756,660

Note 3. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2017 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

There was no dividend paid in the current quarter ended 30 June 2017.

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	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Home Appliance products	146,871	131,898	19,807	17,818
Fan and other products	180,975	165,891	29,762	29,850
Total	327,846	297,789	49,569	47,668

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 June 2017 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 June 2017 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 2017.

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

Note 13. Review of Performance

(a) 1st Quarter This Year vs 1st Quarter Last Year

	1 st Quarter ended		Change	Cumulative period ended		Change
	30.06.2017 RM'000	30.06.2016 RM'000	%	30.06.2017 RM'000	30.06.2016 RM'000	%
Revenue	327,846	297,789	10.1%	327,846	297,789	10.1%
Profit before taxation	50,260	49,840	0.8%	50,260	49,840	0.8%

The Company's revenue of RM327.8 million for the current quarter ended 30 June 2017 was higher by 10.1% or RM30.0 million as compared with the revenue of RM297.8 million registered in the previous year's corresponding quarter.

The higher revenue was mainly led by stronger sales in export markets for both Home Appliances and Fan products. Sales of Home Appliances products grew by 11.4% as compared to the previous year's corresponding quarter mainly contributed by increased sales to Vietnam and the Middle East region. The Vietnam market has seen good growth potential with its increasing purchasing power. Improvement in the economic environment contributed to the higher sales in the Middle East region.

The Fan and other products' sales grew by approximately 9.1% 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.

The Company's combined profit before tax of RM50.3 million for the current quarter ended 30 June 2017 was marginally higher by 0.8% or RM0.5 million as compared to the previous year's corresponding quarter combined profit before tax of RM49.8 million. There was lower share of results from associated company as compared to the results registered in the previous year's corresponding quarter of RM3.0 million due to derivative loss incurred by the associated company following the fluctuations in the currency exchange rates.

Analyzing the results by segments, the Fan and other products' segment achieved profit before tax of RM29.8 million for the current quarter ended 30 June 2017, which was marginally lower by 0.3% or RM0.1 million as compared to the profit before tax in the previous year's corresponding quarter of RM29.9 million, attributable to rising costs of raw materials, higher operation expenses despite higher sales revenue from ceiling fan products.

The Home Appliance products' segment achieved higher profit before tax of RM19.8 million for the current quarter ended 30 June 2017, an increase of 11.2% or RM2.0 million as compared to the profit before tax in the previous year's corresponding quarter of RM17.8 million. The higher profitability in the current quarter was mainly due to increase in revenue and absence of development and tooling costs that was incurred in the previous year's corresponding quarter with the introduction of new range of rice cooker products last year.

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

	Current Quarter	Preceding Quarter	Change
	30.06.2017 RM'000	31.03.2017 RM'000	%
Revenue	327,846	247,314	32.6%
Profit before taxation	50,260	26,360	90.7%

The Company's revenue of RM327.8 million in the current quarter was higher by 32.6% or RM80.5 million over the revenue of RM247.3 million recorded in the preceding quarter mainly due to increase in sales by both the Home Appliances and Fan and other products segment in the current quarter. There was higher sales in the domestic market for Fan products contributed from sales momentum gained from recently introduced DC LED Fan products which were well received. Higher sales of home appliances was mainly due to sales momentum gained from various promotional campaigns of Festival Sales.

Corresponding to the higher revenue, the Company's combined profit before tax of RM50.3 million for the current quarter increased by 90.7% or RM23.9 million as compared to combined profit before tax of RM26.4 million in the preceding quarter.

Note 15. Prospects and Outlook

The global economy continued to expand in the second quarter of 2017. The Malaysian economy recorded a stronger growth of 5.8% in this quarter which may augur well for the domestic market.

However, despite some signs of recovery seen in the Middle East market, the political tensions in the Gulf could cloud the economic outlook in the region and may affect the Company's export revenue.

The Company's operations remain affected by the ongoing tight labour market, rising raw materials prices and volatile foreign currency exchange rates and rising household debts. Nevertheless the Company is cautiously optimistic of the economic prospects and maintains a positive outlook going forward. The Company remains steadfast in its continued efforts to reduce overall production costs, increase productivity and strive to deliver satisfactory results for the current financial year.

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 30.06.2017 RM'000	Preceding Quarter Ended 30.06.2016 RM'000	Cumulative Period Ended 30.06.2017 RM'000	Cumulative Period Ended 30.06.2016 RM'000
Taxation charge:				
- current financial year	(11,126)	(11,778)	(11,126)	(11,778)
- prior financial year	255	-	255	-
Deferred Tax:				
- current financial year	187	241	187	241
	(10,684)	(11,537)	(10,684)	(11,537)
Effective income tax rate	21.3%	23.1%	21.3%	23.1%

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 June 2017, 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	38,239	1,558	0
<u>Less than 1 year</u> - Sell JPY	314	10	0
<u>Less than 1 year</u> - Buy JPY	3,932	0	(242)
<u>Less than 1 year</u> - Buy SGD	522	0	(1)
<u>Less than 1 year</u> - Sell Euro	1,996	0	(61)
		1,568	(304)

Note 20. Material Litigation

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

Note 21. Dividends

- (a) No interim dividends have been declared or recommended for the current quarter ended 30 June 2017 (2016: Nil)

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 2017 of 60,745,780 shares.

(a) Basic earnings per share

	Period Ended 30.06.2017	Period Ended 30.06.2016
Profit after taxation for the period (RM'000)	39,576	38,303
Weighted average number of ordinary shares in issue ('000)	60,746	60,746
Basic earnings per share (sen)	65	63

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	65	Not Applicable
Year-to-date	65	Not Applicable

Note 23. Commitments for Capital Expenditure

Analysed as follows: Property, plant and equipment	As at 30.06.2017 RM'000	As at 30.06.2016 RM'000
Contracted	4,062	84,789
Not contracted	341	-
Total	4,403	84,789

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

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

	1 st Quarter ended		Cumulative period ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Interest Income	4,962	5,803	4,962	5,803
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,727	6,982	7,727	6,982
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
(Loss)/Gain on Foreign Exchange	(1,634)	2,879	(1,634)	2,879
(Loss)/Gain on Derivatives	1,040	(4,471)	1,040	(4,471)

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
23 August 2017