

Panasonic

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

Condensed Combined Entity Statement of Comprehensive Income for the 4th Quarter Ended 31 March 2019

	(Unaudited)		(Unaudited)	
	4th Quarter ended		Cumulative year ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Revenue	225,637	276,695	1,127,886	1,199,120
Operating expenses	(205,213)	(252,894)	(1,023,485)	(1,070,597)
Other operating income	2,430	5,645	32,397	24,332
Other derivative gain / (loss)	560	1,414	(7,106)	7,668
Profit from operations	23,414	30,860	129,692	160,523
Share of results of associated company (net of tax)	1,275	2,771	1,618	5,789
Profit before taxation	24,689	33,631	131,310	166,312
Taxation	(2,233)	(8,474)	(25,558)	(35,287)
Profit after taxation for the period	22,456	25,157	105,752	131,025
<u>Earnings per share</u> <u>attributable to equity holders:</u>				
Basic and diluted (sen)	37	41	174	216

(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 2019)

**Condensed Combined Entity Statement of Comprehensive Income
for the 4th Quarter Ended 31 March 2019**

	(Unaudited)		(Unaudited)	
	4th Quarter ended		Cumulative year ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	22,456	25,157	105,752	131,025
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	22,456	25,157	105,752	131,025
Profit after taxation attributable to equity holders of the Company	22,456	25,157	105,752	131,025
Total Comprehensive Income attributable to equity holders of the Company	22,456	25,157	105,752	131,025

(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 2019)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 31.03.2019 RM'000	As at Preceding Financial Year End 31.03.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	122,544	97,185
Interest in associated company	100,350	131,859
Deferred tax assets	7,780	7,687
	230,674	236,731
Current assets		
Inventories	49,580	50,331
Trade and other receivables	105,240	125,630
Placement of funds with related company	623,226	650,323
Cash and bank balances	86	287
Derivative financial instruments	923	7,892
	779,055	834,463
Total assets	1,009,729	1,071,194
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	776,092	820,990
Total equity	836,838	881,736
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	443	261
	443	261
Current liabilities		
Trade and other payables	162,973	181,919
Taxation	4,179	2,289
Provision for liabilities and charges	5,159	4,989
Derivative financial instruments	137	-
	172,448	189,197
Total liabilities	172,891	189,458
Total equity and liabilities	1,009,729	1,071,194
Net assets per share (RM)	13.78	14.52

(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 2019)

**Condensed Combined Entity Statement of Changes in Equity
For the 4th Quarter Ended 31 March 2019**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Financial year ended 31 March 2018</u>			
At 1 April 2017	60,746	761,038	821,784
Total comprehensive income for the period	-	131,025	131,025
Dividends:			
- Final dividend for the financial year ended 31 March 2017	-	(61,961)	(61,961)
- Interim dividend for the financial year ended 31 March 2018	-	(9,112)	(9,112)
At 31 March 2018	60,746	820,990	881,736
<u>Financial Year ended 31 March 2019</u>			
At 1 April 2018	60,746	820,990	881,736
Total comprehensive income for the period	-	105,752	105,752
Dividends:			
- Final dividend for the financial year ended 31 March 2018	-	(80,792)	(80,792)
- Special dividend for the financial year ended 31 March 2018	-	(60,746)	(60,746)
- Interim dividend for the financial year ended 31 March 2019	-	(9,112)	(9,112)
At 31 March 2019	60,746	776,092	836,838

(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 2019)

**Condensed Combined Entity Cash Flow Statement
For the 4th Quarter Ended 31 March 2019**

	(Unaudited)	
	Year ended 31.03.2019 RM'000	Year ended 31.03.2018 RM'000
Profit after taxation	105,752	131,025
Adjustments for:		
Non Cash Flow Items	42,306	42,420
Share of results of associated company	(1,618)	(5,789)
Operating profit before working capital changes	146,440	167,656
Changes in working capital		
Net increase in current assets	21,027	(11,021)
Net decrease in current liabilities	(18,992)	7,028
Cash generated from operations	148,475	163,663
Other operating activities	(27,833)	(36,463)
Net cash flow from operating activities	120,642	127,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(54,386)	(53,522)
Proceeds from disposal of property, plant and equipment	115	276
Interest received	23,854	19,815
Dividend received (net)	33,127	25,483
Net cash flow from investing activities	2,710	(7,948)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(150,650)	(71,073)
Net cash flow from financing activity	(150,650)	(71,073)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,298)	48,179
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	650,610	602,431
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	623,312	650,610
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	623,226	650,323
Cash and bank balances	86	287
	<u>623,312</u>	<u>650,610</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 2019)

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Notes to the Interim Financial Statements for 4th Quarter Ended 31 March 2019

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 2019.

The audited financial statements of the Company for the year ended 31 March 2019 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 2019.

MFRS 9 – Financial Instruments and MFRS 15 – Revenue from Contracts with Customers came into effect on 1st January 2018, however, based on the assessment, the Company does not expect the initial application of these two MFRSs to have a significant impact on its financial statements as at 1 April 2019.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2019 was not qualified. 31

Note 3. 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 4. Unusual Items

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

Note 5. 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 6. 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 7. Dividends Declared / Paid

The amount of dividend on ordinary shares paid by the Company since 31 March 2018 were as follows:

<u>Final Dividend paid</u>	RM'000
Final dividend (133 sen per ordinary share)	80,792
Special dividend (100 sen per ordinary share)	60,746
 <u>Interim Dividend paid</u>	
Interim dividend (15 sen per ordinary share)	9,112
Total	<u><u>150,650</u></u>

Note 8. Segmental Reporting

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

	Revenue for the year ended		Profit before tax for the period ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Home Appliance products	560,037	614,905	59,954	88,932
Fan products and others	567,849	584,215	70,261	77,376
Total	1,127,886	1,199,120	130,215	166,308
Unallocated costs	-	-	(523)	(5,785)
Share of Results from Associated Companies	-	-	1,618	5,789
Total	1,127,886	1,199,120	131,310	166,312

Revenue information based on geographical location is as follows:

	Revenue for the year ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Malaysia	479,154	456,393
Japan	44,049	46,115
Asia (excluding Malaysia and Japan)	349,738	375,496
North America	1,667	2,302
Europe	3,097	2,205
Middle East	227,150	289,875
Others	23,031	26,734
Total	1,127,886	1,199,120

Note 9. Valuation of Property, Plant and Equipment

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

Note 10. Significant Post Balance Sheet Events

There has not arisen in the interval between 31 March 2019 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 31 March 2019 in respect of which this announcement is made.

Note 11. Contingent Liabilities

There were no contingent liabilities since the last financial year ended 31 March 2019.

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

Note 12. Review of Performance

	4th Quarter ended		Change	Cumulative period ended		Change
	31.03.2019 RM'000	31.03.2018 RM'000	%	31.03.2019 RM'000	31.03.2018 RM'000	%
Revenue	225,637	276,695	(18.5%)	1,127,886	1,199,120	(5.9%)
Profit before taxation	24,689	33,631	(26.6%)	131,310	166,312	(21.0%)

(a) 4th Quarter This Year vs 4th Quarter Last Year

The Company's revenue of RM225.6 million for the current quarter ended 31 March 2019 was lower by 18.5% or RM51.1 million as compared with the revenue of RM276.7 million registered in the previous year's corresponding quarter.

The lower revenue was attributed mainly to lower sales in the export markets for both Home Appliance and Fan products. The exports to the Middle East market has been affected by trade sanctions imposed by the US government on certain Middle East countries; coupled with liquidity issues faced by a major distributor in a certain country within this region.

The Company's combined profit before tax of RM24.7 million for the current quarter ended 31 March 2019 was lower by 26.6% or RM9.0 million as compared to the previous year's corresponding quarter combined profit before tax of RM33.6 million. The decrease in profit was mainly attributed to the lower revenue as compared to the previous year's corresponding quarter. In addition, the lower profit before taxation is also due to:-

- (a) Lower operating income arising from a reversal of foreign exchange gain recognized in the previous period and;
- (b) Lower share of profit from the associated company for the current quarter due to the decline in domestic sales after the implementation of the Sales and Service Tax (SST).

Analyzing the results by segments, the Home Appliance segment's profit before tax of RM9.4 million for the current quarter ended 31 March 2019, was lower by 41.3% or RM6.6 million as compared to the previous year's corresponding quarter profit before tax of RM15.9 million. The contraction in profitability was mainly attributed by lower sales due to slower market demand coupled with the rising cost of raw material and unfavorable product sales mix.

The Fan products and others segment achieved lower profit before tax of RM13.7 million for the current quarter ended 31 March 2019, a decrease of 35.8% or RM7.6 million as compared to the profit before tax in the previous year's corresponding quarter of RM21.3 million. The lower profitability in the current quarter was mainly attributed to lower revenue achieved.

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

The Company's revenue of RM1.128 billion for the year ended 31 March 2019, was lower by RM71.2 million or 5.9% as compared with the revenue of RM 1.199 billion registered in the previous year's corresponding year. This was mainly due to lower sales in the both the domestic and export markets for both Fan and Home Appliance products.

The Company achieved a lower combined profit before tax of RM131.3 million for the year ended 31 March 2019, representing a decrease of RM35.0 million or 21.0% as compared to the previous corresponding year of RM166.3 million. The lower profitability was mainly attributable to:-

- (a) rising cost of production and unfavorable product sales mix;
- (b) derivative loss amounting to RM 7.1 million (arising from the recent strengthening of the Ringgit against the US Dollars) was incurred for the current year-to-date compared to derivative gain of RM 7.7 million in the previous corresponding year; and
- (c) A lower share of associate profit of RM1.6 million for current year ended 31 March 2019 compared to share of profit of RM 5.8 million in the previous corresponding year.

The Home Appliance products segment's profit before tax of RM60.0 million for the year ended 31 March 2019 was lower by 32.6% or RM28.9 million as compared to the profit before tax in the previous corresponding year of RM88.9 million. The decline in profit was mainly attributable to the lower sales volume, higher cost of materials and unfavorable product mix.

Similarly, the Fan products and others segment's profit before tax of RM70.3 million for the year ended 31 March 2019 was also lower by 9.2% or RM7.1 million as compared to the profit before tax in the previous corresponding year of RM77.4 million. The decline in profit was mainly attributable to lower sales volume.

Note 13. Material Changes in Quarterly Results Compared to Preceding Quarter

	Current Quarter	Preceding Quarter	Change
	31.03.2019 RM'000	31.12.2018 RM'000	%
Revenue	225,637	287,874	(21.6%)
Profit before taxation	24,689	30,212	(18.3%)

The Company's revenue of RM225.6 million in the current quarter was lower by 21.6% or RM62.3 million over the revenue of RM287.9million recorded in the preceding quarter. This is mainly due to lower demand for domestic and export sales.

The Company's combined profit before tax of RM24.7 million for the current quarter decreased by 18.3% or RM5.5 million as compared to the combined profit before tax of RM30.2 million in the preceding quarter due to the lower sales volume achieved.

Note 14. Prospects and Outlook

The Company is cautiously optimistic with regards to its prospects despite the current challenging environment. The exports to the Middle East market, which is registering a decline since the last quarter, is expected to make a slow recovery in the next financial year. To mitigate the decline in sales, the Company is intensifying its effort to seek new markets especially in the Asean region such as Vietnam and the Phillipines.

Concurrently, cost reduction measures are being implemented to reduce overall costs of production and to remain competitive.

Note 15. 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 16. Taxation

	Current Quarter Ended 31.03.2019 RM'000	Preceding Quarter Ended 31.03.2018 RM'000	Cumulative Year ended 31.03.2019 RM'000	Cumulative Year ended 31.03.2018 RM'000
Taxation charge:				
- current financial year	(1,394)	(4,114)	(25,754)	(32,089)
- prior financial year	103	(2,079)	103	(1,824)
Deferred Tax:				
- current financial year	(1,609)	(2,281)	(574)	(1,374)
- prior financial year	667	-	667	-
	(2,233)	(8,474)	(25,558)	(35,287)
Effective income tax rate	9.0%	25.2%	19.5%	21.2%

The Company's effective income tax rate for the year was lower than the statutory tax rate of 24% mainly due to certain tax incentives enjoyed for the promotion of exports and double deduction from the research and development expenditures. The current quarter's effective tax rate was significantly lower due to a certain incentives were only accounted for in this quarter.

Note 17. Corporate Proposals

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

Note 18. 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.

In general, the Company's policy is to enter into foreign currency forward contracts to mitigate foreign exchange risk of highly probable forecasted transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as payment on services and other related expenditure. There is no change to the Company's policy in managing these derivatives since the last financial year.

As at 31 December 2018, 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
Less than 1 year - Sell USD	114,403	881	-
Less than 1 year - Buy JPY	8,825	-	(134)
Less than 1 year - Buy SGD	339	-	(3)
Less than 1 year - Sell Euro	1,352	42	-
		923	(137)

Note 19. Material Litigation

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

Note 20. Dividends

- (a) In respect of the financial year ended 31 March 2019, a final dividend of 211 sen per ordinary share has been proposed by the Board for the shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment date will be announced later.
- (b) The final and special dividends for the previous financial year ended 31 March 2018 amounted to 133 sen and 100 sen per ordinary share was paid on 25 September 2018.
- (c) Total dividends for the current financial year ended 31 March 2019 are:
- Interim dividend of 15 sen per ordinary share paid on 18 January 2019
 - Proposed Final dividend of 211 sen per ordinary share.

Note 21. 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 2019 of 60,745,780 shares.

- (a) Basic earnings per share

	Year ended 31.03.2019	Year ended 31.03.2018
Profit after taxation for the period (RM'000)	105,752	131,025
Weighted average number of ordinary shares in issue ('000)	60,746	60,746
Basic earnings per share (sen)	174	216

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	41	Not Applicable
Quarter 2	57	Not Applicable
Quarter 3	39	Not Applicable
Quarter 4	37	Not Applicable
Year-to-date	174	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 31.03.2019 RM'000	As at 31.03.2018 RM'000
Contracted	60,075	82,668
Not contracted	461	-
Total	60,536	82,668

Note 23. Notes to the Condensed Combined Statement of Comprehensive Income

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

	4th Quarter ended		Cumulative year ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Interest Income	5,657	4,538	23,854	19,815
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,397	7,712	28,990	31,064
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	(4,839)	3,198	2,237	(1,955)
(Loss)/Gain on Derivatives	560	1,414	(7,106)	7,668

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
[28 May 2019]