

Panasonic

Panasonic Manufacturing Malaysia Berhad

Registration No. 196501000304 (6100-K)

(Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the Financial Year Ended 30 June 2021

	(Unaudited)		(Unaudited)	
	1st Quarter Ended		3 Months Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Revenue	253,674	154,083	253,674	154,083
Operating expenses	(234,979)	(161,243)	(234,979)	(161,243)
Other operating income	1,414	1,527	1,414	1,527
Other derivative gain/(loss)	489	1,383	489	1,383
Result from operating activities	20,598	(4,250)	20,598	(4,250)
Finance cost	(2)	(3)	(2)	(3)
Finance Income	2,161	3,350	2,161	3,350
Share of results of associated company (net of tax)	(521)	(2,856)	(521)	(2,856)
Profit/(Loss) before taxation	22,236	(3,759)	22,236	(3,759)
Taxation	(4,374)	1,199	(4,374)	1,199
Profit/(Loss) after taxation for the period	17,862	(2,560)	17,862	(2,560)
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>29</u>	<u>(4)</u>	<u>29</u>	<u>(4)</u>

(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 2021)

**Condensed Combined Entity Statement of Comprehensive Income
 for the Financial Year Ended 30 June 2021**

	(Unaudited)		(Unaudited)	
	1st Quarter ended		3 Months ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Profit / (Loss) after taxation for the period	17,862	(2,560)	17,862	(2,560)
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income / (expense) for the period	17,862	(2,560)	17,862	(2,560)
Profit / (Loss) after taxation attributable to equity holders of the Company	17,862	(2,560)	17,862	(2,560)
Total Comprehensive income / (expense) attributable to equity holders of the Company	17,862	(2,560)	17,862	(2,560)

(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 2021)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 30.06.2021 RM'000	As at Preceding Financial Year End 31.03.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	155,705	138,175
Intangible assets	4,965	5,538
Right-of-use assets	5,847	5,889
Interest in associated company	113,450	113,971
Deferred tax assets	10,820	11,213
	290,787	274,786
Current assets		
Inventories	77,282	69,632
Trade and other receivables	77,128	104,218
Placement of funds with related company	516,723	523,169
Cash and bank balances	541	765
Derivative financial instruments	6	10
	671,680	697,794
Total assets	962,467	972,580
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	769,834	751,972
Total equity	830,580	812,718
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	597	597
Non-current lease payable	90	112
	687	709
Current liabilities		
Trade and other payables	124,282	148,601
Taxation	2,044	4,055
Lease liabilities	84	83
Provision for liabilities and charges	4,417	5,548
Derivative financial instruments	373	866
	131,200	159,153
Total liabilities	131,887	159,862
Total equity and liabilities	962,467	972,580
Net assets per share (RM)	13.67	13.38

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 2021)

**Condensed Combined Entity Statement of Changes in Equity
 for the Financial Year Ended 30 June 2021**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 June 2020</u>			
At 1 April 2020	60,746	755,795	816,541
Total comprehensive (loss) / income for the period	-	(2,560)	(2,560)
At 30 June 2020	60,746	753,235	813,981
<u>Quarter Ended 30 June 2021</u>			
At 1 April 2021	60,746	751,972	812,718
Total comprehensive income for the period	-	17,862	17,862
At 30 June 2021	60,746	769,834	830,580

(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 2021)

**Condensed Combined Entity Cash Flow Statement
For the Financial Year Ended 30 June 2021**

	(Unaudited)	
	Period ended 30.06.2021 RM'000	Period ended 30.06.2020 RM'000
Profit / (Loss) after taxation	17,862	(2,560)
Adjustments for:		
Non cash flow items	8,820	3,094
Share if results of associated company	521	2,856
Operating profit before working capital changes	27,203	3,390
Changes in working capital		
Net increase / (decrease) in current assets	20,153	(49,784)
Net (decrease) / increase in current liabilities	(24,497)	6,307
Cash generated from operations	22,859	(40,087)
Other operating activities	(7,497)	(6,881)
Net cash flow from operating activities	15,362	(46,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(24,175)	(5,214)
Purchase of intangible asset	-	-
Proceeds from disposal of property, plant and equipment	3	94
Interest received	2,161	3,350
Dividend received (net)	-	-
Net cash flow from operating activities	(22,011)	(1,770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Repayment of lease liabilities	(21)	(34)
Net cash flow from financing activities	(21)	(34)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,670)	(48,772)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	523,934	577,712
Net cash flow from financing activities	517,264	528,940
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	516,723	528,494
Cash and bank balances	541	446
	<u>517,264</u>	<u>528,940</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 2021)

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Notes to the Interim Financial Statements for Period Ended 30 June 2021

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 2021.

The audited financial statements of the Company for the year ended 31 March 2021 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 2021.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2021 was not qualified.

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

There was no dividend paid in the current quarter ended 30 June 2021.

Note 8. Segmental Reporting

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

	Revenue for the period ended		Profit / (Loss) before tax for the period ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Home Appliance products	114,774	63,538	10,284	(2,634)
Fan products	138,683	90,545	10,106	4,138
Total	253,457	154,083	20,390	1,504
Unallocated costs	217	-	2,367	(2,407)
Share of Results from Associated Companies	-	-	(521)	(2,856)
Total	253,674	154,083	22,236	(3,759)

Revenue information based on geographical location is as follows:

	Revenue for the period ended	
	30.06.2021 RM'000	30.06.2020 RM'000
Malaysia	87,588	32,277
Japan	9,510	7,802
Asia (excluding Malaysia and Japan)	95,353	62,806
North America	-	-
Europe	1,412	616
Middle East	53,877	46,184
Others	5,934	4,398
Total	253,674	154,083

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

In the interval between 30 June 2021 and the date of this announcement, there has not been 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 2021 in respect of which this announcement is made.

Note 11. Contingent Liabilities

The Company is defending an action brought by its sub-contractor from Malaysia. While liability is not admitted, if defence against the action is unsuccessful, then the claims and legal costs could amount to RM9.6 million. Based on legal advice, the Directors do not expect the outcome of the action to have a material effect on the Company's financial position.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Company.

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

Note 12. Review of Performance

1st Quarter This Year vs 1st Quarter Previous Year

	1st Quarter Ended		Change %	3 Months Ended		Change %
	30.06.2021 RM'000	30.06.2020 RM'000		30.06.2021 RM'000	30.06.2020 RM'000	
Revenue	253,674	154,083	+64.6%	253,674	154,083	+64.6%
Profit / (Loss) before taxation	22,236	(3,759)	+691.5%	22,236	(3,759)	+691.5%

The Company's revenue of RM253.7 million for the current quarter ended 30 June 2021 was significantly higher by 64.6% or RM99.6 million as compared with the revenue of RM154.1 million registered in the previous year's corresponding quarter. In the corresponding quarter of the previous year, the revenue was impacted by the sudden implementation of the Movement Control Order ("MCO") from 18 March 2020 till early May 2020, resulting in the closure of plant operations and loss of sales due to orders not met.

In line with the increase in revenue, the Company's combined profit before tax of RM22.2 million for the current quarter was higher by RM26.0 million as compared to the previous year's corresponding quarter's combined loss before tax of RM3.8 million. This was attributed mainly to:-

- (i) Higher revenue as mentioned above;
- (ii) Lower share of losses from associated company for the current quarter of RM0.5 million as compared to RM2.9 million in the previous year's corresponding quarter. The performance of the associated company was also affected by the implementation of MCO in the previous year.

However, the increase is offset by a reduction in interest income of RM1.2 million as interest rates and placement amounts were lower; and a lower derivative gain by RM0.9 million as a result of the strengthening of Ringgit Malaysia against the US Dollars.

Review by Segment

Analyzing the results by segments, both the Fan products and Home Appliances products segments achieved higher revenue for the quarter under review as compared to the previous year's corresponding quarter where both segments were significantly impacted by the MCO and achieved only 54% and 52% of the revenue recorded respectively. For the current quarter under review, domestic market and export sales for Fan products and Home Appliances products grew by approximately 53% and 81% respectively.

Fan products segment achieved profit before tax of RM10.1 million for the current quarter ended 30 June 2021, which was significantly higher by 144.2% or RM6.0 million as compared to the profit before tax in the previous year's corresponding quarter of RM4.1 million. This was mainly attributable to higher sales and favorable model mix.

The Home Appliance products segment also achieved higher profit before tax of RM10.3 million for the current quarter ended 30 June 2021, an increase of RM12.9 million as compared to the loss before tax in the previous year's corresponding quarter of RM2.6 million. The higher profitability in the current quarter was mainly attributable to the higher revenue achieved.

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

	Current	Preceding	Difference	
	1st Quarter	4th Quarter	RM'000	%
	30.06.2021	31.03.2021		
	RM'000	RM'000		
Revenue	253,674	265,561	(11,887)	(4.5%)
Operating expenses	(234,979)	(232,697)	(2,282)	(1.0%)
Other operating income	1,414	6,174	(4,760)	(77.1%)
Other operating income/expenses:				
- Fair value gain/(loss) on derivative financial instruments	489	(1,488)	1,977	132.9%
Results from operating activities	20,598	37,550	(16,952)	(45.1%)
Finance cost	(2)	(2)	-	-
Finance income	2,161	2,137	24	1.1%
Share of results of associated company (net of tax)	(521)	13,316	(13,837)	(103.9%)
Profit before taxation	22,236	53,001	(30,765)	(58.0%)

The Company's revenue of RM253.7 million in the current quarter was lower by 4.5% or RM11.9 million compared to the revenue of RM265.6 million recorded in the preceding quarter due to disruption in the manufacturing activities with the imposition of MCO 3.0 and the Full Movement Control Order (FMCO) from 1 June 2021.

The Company was operating under stricter Standard Operating Procedures (SOP) since 1 June 2021 with the limit of 60% workforce in the premise during the FMCO period. Operational capacity was further affected by supply disruptions as not all the suppliers within the supply chain were given approval to operate or were only allowed to operate with lower capacity. In addition, the worldwide shortage of electronic components such as integrated circuit, connector, transistor and light-emitting diode during the current period had affected the Company's production.

The Company's combined profit before tax of RM22.2 million for the current quarter was lower by 58.0% or RM30.8 million compared to the preceding quarter. This was mainly due to: -

- (i) Lower revenue as mentioned above;
- (ii) Higher operating costs due to rising cost of raw materials such as resin, copper and other metals, coupled with air freight cost to purchase materials impacted by worldwide shortage of electronic components;
- (iii) Share of losses from associated company amounting to RM0.5 million as compared to a share of profit of RM13.3 million in the preceding quarter. The implementation of FMCO had also affected the sales of the associated company; of which only on-line sales and deliveries were allowed during the restricted period.

Note 14. Prospects and Outlook

The next financial year ending 31 March 2022 will continue to be challenging with the current surge of COVID-19 cases in Malaysia. The Company's production operations were ceased due to the imposition of Enhanced Movement Control Order (EMCO) from 3 July 2021; of which only the essential economic sectors were allowed to operate.

The Company resumed its operations on 19 July 2021 with 60% workforce capacity as directed by the Government. Further to that, from the 16 August 2021, the Company was able to operate at 100% capacity based on the achievement of the vaccination rate of its employees.

However, the virus outbreak had also impacted the operations of entities within the Company's supply chain. The disruption in supply; coupled with the stricter measures imposed by the authorities on operations, has affected the production and sales of the Company in the near term.

Nevertheless, with the Government's initiative to ramp up the country's vaccination rate, the Company believes that it will be able to go back to full operations to meet the sales orders.

The Company will continue to be vigilant by ensuring that all SOPs to curb the spread of COVID-19 are followed and complied with.

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 30.06.2021 RM'000	Preceding Year's Quarter Ended 30.06.2020 RM'000	3 Months ended 30.06.2021 RM'000	3 Months ended 30.06.2020 RM'000
Taxation charge:				
- current financial year	(3,982)	-	(3,982)	-
- prior financial year	-	-	-	-
Deferred Tax:				
- origination of temporary differences (current financial year)	(392)	1,199	(392)	1,199
- prior financial year	-	-	-	-
	(4,374)	1,199	(4,374)	1,199
Effective income tax rate	19.7%	NIL	19.7%	NIL

The Company's effective income tax rate was lower than the statutory tax rate of 24% mainly due to certain tax incentives enjoyed for promotion of export, double deduction from R&D expenses and coupled with the special reinvestment allowances (RA) under the Short-term Economic Recovery Plan (PENJANA) as announced by Government on 5 June 2020.

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 previous financial year.

As at 30 June 2021, 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	73,432	-	(372)
<u>Less than 1 year</u> - Buy JPY	-	-	-
<u>Less than 1 year</u> - Buy SGD	260	-	(1)
<u>Less than 1 year</u> - Sell Euro	571	6	-
		6	(373)

Note 19. Material Litigation

Reference is made to the announcement dated 22 February 2021 in relation to the Originating Summons ("OS") filed by Crestronics (M) Sdn. Bhd ("CMSB") against the Company on 18 December 2020. The Company had on 4 March 2021 filed the application to strike out the OS and the hearing for this application has been fixed for 30 September 2021.

The Company has also on 6 August 2021 filed an Intervention Application to intervene in the Crestronics Judicial Review Application at the Appeal Court ("Crestronics' Appeal"). At the Case Management on 11 August 2021 with regard to the Company's application, the Court of Appeal has fixed 1 November 2021 for the hearing of the Company's Intervention Application. The hearing of Crestronics' Appeal has also been postponed until after the Intervention Application is disposed of.

Note 20. Dividends

No interim dividends have been declared or recommended for the current quarter ended 30 June 2021 (2020: Nil)

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 30 June 2021 of 60,745,780 shares.

(a) Basic earnings per share

	3 Months ended 30.06.2021	3 Months ended 30.06.2020
Profit / (Loss) after taxation for the period (RM'000)	17,862	(2,560)
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	29	(4)

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	29	Not Applicable
Year-to-date	29	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 30.06.2021 RM'000	As at 30.06.2020 RM'000
Contracted	6,238	38,434
Not contracted	-	-
Total	6,238	38,434

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

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

	1st Quarter ended		3 Months ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Interest Income	2,161	3,350	2,161	3,350
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,260	7,945	7,260	7,945
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 Loss of Assets	N/A	N/A	N/A	N/A
(Loss)/Gain on Foreign Exchange	(343)	(2,225)	(343)	(2,225)
Gain/(Loss) on Derivatives	489	1,383	489	1,383

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
24 August 2021