

Panasonic

Panasonic Manufacturing Malaysia Berhad
Registration No. 196501000304 (6100-K)
(Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 2nd Quarter Ended 30 September 2021

	(Unaudited)		(Unaudited)	
	2nd Quarter Ended		6 Months Ended	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Revenue	141,728	293,964	395,402	448,047
Operating expenses	(150,428)	(256,367)	(385,407)	(417,610)
Other operating income	1,434	1,572	2,848	3,099
Other derivative gain/(loss)	450	(264)	939	1,119
Result from operating activities	(6,816)	38,905	13,782	34,655
Finance cost	(1)	(2)	(3)	(5)
Finance Income	2,211	2,734	4,372	6,084
Share of results of associated company (net of tax)	3,539	5,980	3,018	3,124
(Loss)/Profit before taxation	(1,067)	47,617	21,169	43,858
Taxation	3,727	(7,578)	(647)	(6,379)
Profit after taxation for the period	2,660	40,039	20,522	37,479
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>4</u>	<u>66</u>	<u>33</u>	<u>62</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 2nd Quarter Ended 30 September 2021**

	(Unaudited)		(Unaudited)	
	2nd Quarter ended		6 Months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	2,660	40,039	20,522	37,479
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	2,660	40,039	20,522	37,479
Profit after taxation attributable to equity holders of the Company	2,660	40,039	20,522	37,479
Total Comprehensive income attributable to equity holders of the Company	2,660	40,039	20,522	37,479

(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 30.09.2021 RM'000	As at Preceding Financial Year End 31.03.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	150,540	138,175
Intangible assets	4,453	5,538
Right-of-use assets	5,805	5,889
Interest in associated company	116,989	113,971
Deferred tax assets	10,809	11,213
	288,596	274,786
Current assets		
Inventories	108,350	69,632
Trade and other receivables	90,921	104,218
Tax recoverable	6,351	-
Placement of funds with related company	393,742	523,169
Cash and bank balances	1,114	765
Derivative financial instruments	130	10
	600,608	697,794
Total assets	889,204	972,580
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	682,590	751,972
Total equity	743,336	812,718
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	597	597
Non-current lease payable	69	112
	666	709
Current liabilities		
Trade and other payables	139,905	148,601
Taxation	-	4,055
Lease liabilities	85	83
Provision for liabilities and charges	5,165	5,548
Derivative financial instruments	47	866
	145,202	159,153
Total liabilities	145,868	159,862
Total equity and liabilities	889,204	972,580
Net assets per share (RM)	12.24	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 2nd Quarter Ended 30 September 2021**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 September 2020</u>			
At 1 April 2020	60,746	755,795	816,541
Total comprehensive income for the period	-	37,479	37,479
Dividends:			
- Final dividend for the financial year ended 31 Mar 2020	-	(111,165)	(111,165)
At 30 September 2020	60,746	682,109	742,855
<u>Quarter Ended 30 September 2021</u>			
At 1 April 2021	60,746	751,972	812,718
Total comprehensive income for the period	-	20,522	20,522
Dividends:			
- Final dividend for the financial year ended 31 Mar 2021		(89,904)	(89,904)
At 30 September 2021	60,746	682,590	743,336

(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 2nd Quarter Ended 30 September 2021**

	(Unaudited)	
	Period ended 30.09.2021 RM'000	Period ended 30.09.2020 RM'000
Profit / (Loss) after taxation	20,522	37,479
Adjustments for:		
Non cash flow items	11,591	16,968
Share of results of associated company	(3,018)	(3,124)
Operating profit before working capital changes	29,095	51,323
Changes in working capital		
Net (decrease) in current assets	(25,571)	(38,704)
Net (decrease) / increase in current liabilities	(8,320)	18,163
Cash generated from operations	(4,796)	30,782
Other operating activities	(12,497)	(9,498)
Net cash flow from operating activities	(17,293)	21,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,253)	(21,838)
Purchase of intangible asset	-	-
Proceeds from disposal of property, plant and equipment	41	168
Interest received	4,372	6,084
Dividend received (net)	-	1,911
Net cash flow from investing activities	(21,840)	(13,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(89,904)	(111,165)
Repayment of lease liabilities	(41)	(68)
Net cash flow from financing activities	(89,945)	(111,233)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(129,078)	(103,624)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	523,934	577,712
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	394,856	474,088
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	393,742	473,468
Cash and bank balances	1,114	620
	<u>394,856</u>	<u>474,088</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 2nd Quarter Ended 30 September 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

The final single tier dividend of 148 sen per ordinary share for the financial year ended 31 March 2021 was paid on 23 September 2021.

Note 8. Segmental Reporting

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

	Revenue for the 6 Months ended		Profit before tax for the 6 Months ended	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Home Appliance products	186,882	213,662	11,773	23,623
Fan products	207,792	234,385	3,974	24,492
Total	394,674	448,047	15,747	48,115
Unallocated costs	728	-	2,404	(7,381)
Share of Results from Associated Companies	-	-	3,018	3,124
Total	395,402	448,047	21,169	43,858

Revenue information based on geographical location is as follows:

	Revenue for the 6 Months ended	
	30.09.2021 RM'000	30.09.2020 RM'000
Malaysia	138,280	154,853
Japan	15,042	20,522
Asia (excluding Malaysia and Japan)	151,090	155,547
Europe	1,846	2,972
Middle East	79,987	103,885
Others	9,157	10,268
Total	395,402	448,047

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 September 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 September 2021 in respect of which this announcement is made.

Note 11. Contingent Liabilities

No contingent liability has been provided in view that there is no further development on the Crestronics case as mentioned in Note 19.

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

Note 12. Review of Performance

2nd Quarter This Year vs 2nd Quarter Previous Year

	2nd Quarter Ended		Change	6 Months Ended		Change
	30.09.2021 RM'000	30.09.2020 RM'000	%	30.09.2021 RM'000	30.09.2020 RM'000	%
Revenue	141,728	293,964	(51.8%)	395,402	448,047	(11.7%)
(Loss)/Profit before taxation	(1,067)	47,617	(102.2%)	21,169	43,858	(51.7%)

The Company's revenue of RM141.7 million for the current quarter ended 30 September 2021 was significantly lower by 51.8% or RM152.3 million as compared with the revenue of RM294.0 million registered in the previous year's corresponding quarter.

As a consequence of the disruptions in manufacturing activities, a lower revenue was reported for the current quarter. Production operation was suspended during the Enhanced Movement Control Order ("EMCO"), from the 3-18 July 2021. Subsequently, after the said period, the Company resumed operations at the allowed 60% workforce capacity. From 16 August 2021, the Company was allowed to continue its operations with full workforce based on the achievement of the vaccination percentage of its employees. However, the operational activities were further impacted by supply chain disruptions, inadequate supply of raw material/parts and manpower shortage issues.

Consequently, the Company's results from operating activities registered a loss of RM6.8 million as compared to a profit of RM38.9 million registered in the previous year's corresponding quarter. Despite incurring the operating losses of RM6.8 million, the Company registered a loss before tax of RM1.1 million for the current quarter (mitigated to a certain extent), by the finance income of RM2.2 million and share of results of associated company of RM3.5 million. The Company's profit for the quarter under review showed a decrease of RM48.7 million, compared to the previous year's corresponding quarter's combined profit before tax of RM47.6 million.

The decrease in profitability was attributed mainly to:-

- (i) lower revenue as mentioned above,
- (ii) rising cost of raw materials,
- (iii) fixed operating costs incurred notwithstanding the operation activities was at a lower capacity,
- (iv) lower share of profit from the associate company amounting to RM3.5 million as compared to a profit of RM6.0 million in the previous year's corresponding quarter. The performance of the associate company was similarly impacted by the EMCO.

Nevertheless, a profit after taxation of RM 2.7 million was achieved during the quarter under review due to an adjustment in the tax provision in the current quarter (in view of the lower taxable profits estimated for the period to date).

Review by Segment

Analyzing the results by segments, both the Fan products and Home Appliances products segments were significantly impacted by the cessation of production activities during EMCO, lower operation rate, and disruption in supply chain materials. Both products segments achieved only 48% of their revenue respectively as compared to the previous year's corresponding quarter.

With the lower sales achieved, Fan products segment recorded a loss before tax of RM6.1 million for the current quarter ended 30 September 2021, as compared to the profit before tax in the previous year's corresponding quarter of RM20.4 million.

The Home Appliance products segment was able to record a marginal profit before tax of RM1.5 million for the current quarter ended 30 September 2021, a decrease of RM24.8 million or 94.3% as compared to the previous year's corresponding quarter of RM26.3 million.

The lower profitability in the current quarter for both segments was mainly attributable to the lower sales recorded, lower manufacturing activities and rising cost of raw materials.

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

The Company's revenue of RM395.4 million for the half year ended 30 September 2021 was lower by RM52.6 million or 11.7% as compared to the previous year's corresponding period of RM448.0 million. This was mainly due to lower domestic and lower export sales especially to the Middle East market and Asia market mainly from Vietnam and Hong Kong as a result of the prolonged effect of the various lockdown measures of the Covid-19 pandemic. Both Domestic sales and Export sales dropped by approximately 10.7% and 12.3% respectively as compared to previous year's corresponding period.

Correspondingly, the Company achieved a lower combined profit before tax of RM21.2 million for the half year ended 30 September 2021, representing a decrease of RM22.7 million or 51.7% as compared to the previous year's corresponding period of RM43.9 million.

The Home Appliances products segment's profit before tax of RM11.8 million for the half year ended 30 September 2021 decreased by 50% or RM11.8 million as compared to the previous year's corresponding period profit before tax of RM23.6 million.

The Fan products segment also recorded lower profit before tax of RM4.0 million for the half year ended 30 September 2021, a decrease of 83.7% or RM20.5 million as compared to the profit before tax in the previous year's corresponding period of RM24.5 million.

The profitability for both segments was mainly impacted by the lower sales and rising cost of materials.

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

	Current	Preceding	Difference	
	2nd Quarter	1st Quarter		
	30.09.2021	30.06.2021	RM'000	%
	RM'000	RM'000		
Revenue	141,728	253,674	(111,946)	(44.1%)
Operating expenses	(150,428)	(234,979)	+84,551	+36.0%
Other operating income	1,434	1,414	+20	+1.4%
Other operating income/expenses:				
- Fair value gain/(loss) on derivative financial instruments	450	489	(39)	(8.0%)
Results from operating activities	(6,816)	20,598	(27,414)	(133.1%)
Finance cost	(1)	(2)	+1	+50.0%
Finance income	2,211	2,161	+50	+2.3%
Share of results of associated company (net of tax)	3,539	(521)	+4,060	+779.3%
(Loss)/Profit before taxation	(1,067)	22,236	(23,303)	(104.8%)

The Company's revenue of RM141.7 million in the current quarter was lower by 44.1% or RM111.9 million as compared to the revenue of RM253.6 million recorded in the preceding quarter due to the disruption in the manufacturing activities as a result of the EMCO. The local supply chain's operations were also affected by the 60% workforce capacity limitation enforced during the EMCO.

Correspondingly, the Company's incurred a combined loss before tax of RM1.1 million for the current quarter; which was lower by RM23.3 million compared to profit before tax of RM22.2 million in the preceding quarter. The loss would have been higher if not for the better share of results of the associated company of RM3.5 million in the current quarter compared to a share of loss of RM0.5 million in the first quarter.

Note 14. Prospects and Outlook

The Malaysian economy contracted by 4.5%, based on the 3Q2021 Bank Negara Malaysia quarterly bulletin (2Q 2021: +16.1%). This resulted from the stricter containment measures under the National Recovery Plan (NRP) particularly in July 2021. However, economic activities subsequently recovered in stages where most of the states transitioned into Phase 4 with less restrictive containment measures.

The Company is optimistic that the second half of the financial year ending 31 March 2022 will see better performance despite the challenges faced with increasing raw material prices and supply chain disruptions, as operations recover.

In the immediate term, the Company will try to fulfill the backlog orders of which delivery has been delayed during the quarter under review.

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 30.09.2021 RM'000	Preceding Year's Quarter Ended 30.09.2020 RM'000	6 Months ended 30.09.2021 RM'000	6 Months ended 30.09.2020 RM'000
Taxation charge:				
- current financial year	-	(9,532)	(3,982)	(9,532)
- over provision in previous quarter	3,738	-	3,738	-
Deferred Tax:				
- origination of temporary differences (current financial year)	(11)	1,954	(403)	3,153
- prior financial year	-	-	-	-
	3,727	(7,578)	(647)	(6,379)
Effective income tax rate	NIL	15.9%	3.1%	14.5%

The Company's effective tax rate for 6 months ended 30 September 2021 registered at approximately 3.1%, significantly lower than the statutory tax rate of 24%. Despite the lower profitability recorded, the Company still eligible to enjoy certain tax incentives, resulting in lower effective tax rates.

These tax incentives enjoyed include promotion of export, double deduction from R&D expenses and 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 September 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
Less than 1 year - Sell USD	46,332	130	-
Less than 1 year - Buy JPY	2,063	-	(45)
Less than 1 year - Buy SGD	253	-	(2)
Less than 1 year - Sell Euro	-	-	-
		130	(47)

Note 19. Material Litigation

Reference is made to the announcement dated 22 February 2021 in relation to the Originating Summons filed by Crestronics (M) Sdn. Bhd ("Crestronics") against the Company on 18 December 2020.

On the 6 October 2021, the Company succeeded to strike out the Originating Summons filed by Crestronics with RM 10,000.00 costs awarded to the Company. However, Crestronics has filed a Notice of Appeal on the striking out decision. The Notice of Appeal has been filed on 8 October 2021.

On the application by the Company to intervene in Crestronics' Judicial Review Application at the Appeals Court ("Crestronics' Appeal"), the Court of Appeal has granted the Company's application for leave to intervene on 1 November 2021.

Note 20. Dividends

The Board has declared an interim single tier dividend of 15 sen per ordinary share for the financial year ending 31 March 2022 payable on 21 January 2022 to the shareholders registered in the Record of Depositors on the entitlement date of 22 December 2021.

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 September 2021 of 60,745,780 shares.

(a) Basic earnings per share

	6 Months ended 30.09.2021	6 Months ended 30.09.2020
Profit / (Loss) after taxation for the period (RM'000)	20,522	37,479
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	33	62

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	29	Not Applicable
Quarter 2	4	Not Applicable
Year-to-date	33	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 30.09.2021 RM'000	As at 30.09.2020 RM'000
Contracted	5,022	25,929
Not contracted	-	4
Total	5,022	25,933

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

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

	2nd Quarter ended		6 Months ended	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Interest Income	2,211	2,734	4,372	6,084
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,797	8,103	15,057	16,048
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 on Foreign Exchange	(261)	(3,529)	(604)	(5,754)
Gain/(Loss) on Derivatives	450	(264)	939	1,119

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
24 November 2021