

Panasonic

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

**Condensed Combined Entity Statement of Comprehensive Income
for the 1st Quarter Ended 30 June 2023**

	(Unaudited)		(Unaudited)	
	1st Quarter Ended		3 Months Ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Revenue	228,238	243,679	228,238	243,679
Operating expenses	(220,952)	(244,347)	(220,952)	(244,347)
Other operating income	6,437	6,176	6,437	6,176
Other derivative (loss)/gain	(217)	(268)	(217)	(268)
Result from operating activities	13,506	5,240	13,506	5,240
Finance cost	-	(1)	-	(1)
Finance Income	4,948	2,117	4,948	2,117
Share of results of associated company (net of tax)	4,131	4,855	4,131	4,855
Profit before taxation	22,585	12,211	22,585	12,211
Taxation	(2,161)	(757)	(2,161)	(757)
Profit after taxation for the period	20,424	11,454	20,424	11,454
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>34</u>	<u>19</u>	<u>34</u>	<u>19</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 2023)

**Condensed Combined Entity Statement of Comprehensive Income
for the 1st Quarter Ended 30 June 2023**

	(Unaudited)		(Unaudited)	
	1st Quarter ended		3 Months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Profit after taxation for the period	20,424	11,454	20,424	11,454
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	20,424	11,454	20,424	11,454
Profit after taxation attributable to equity holders of the Company	20,424	11,454	20,424	11,454
Total Comprehensive income attributable to equity holders of the Company	20,424	11,454	20,424	11,454

(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 2023)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 30.06.2023 RM'000	As at Preceding Financial Year End 31.03.2023 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	132,530	134,557
Right-of-use assets	5,547	5,577
Intangible assets	869	1,372
Interest in associated company	125,306	121,175
Deferred tax assets	2,928	2,676
	267,180	265,357
Current assets		
Inventories	63,266	70,053
Trade and other receivables	95,090	96,456
Current tax assets	5,579	7,450
Placement of funds with related company	502,918	482,525
Cash and bank balances	946	372
Derivative financial assets	1	-
	667,800	656,856
Total assets	934,980	922,213
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	754,604	734,180
Total equity	815,350	794,926
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	417	417
Non-current lease payable	-	10
	417	427
Current liabilities		
Trade and other payables	114,724	122,335
Taxation	-	-
Lease liabilities	40	40
Provision for liabilities and charges	4,189	4,443
Derivative financial liabilities	260	42
	119,213	126,860
Total liabilities	119,630	127,287
Total equity and liabilities	934,980	922,213
Net assets per share (RM)	13.42	13.09

(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 2023)

**Condensed Combined Entity Statement of Changes in Equity
for the 1st Quarter Ended 30 June 2023**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 June 2022</u>			
At 1 April 2022	60,746	704,467	765,213
Total comprehensive income for the period	-	11,454	11,454
At 30 June 2022	60,746	715,921	776,667
<u>Quarter Ended 30 June 2023</u>			
At 1 April 2023	60,746	734,180	794,926
Total comprehensive income for the period	-	20,424	20,424
At 30 June 2023	60,746	754,604	815,350

(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 2023)

**Condensed Combined Entity Cash Flow Statement
For the 1st Quarter Ended 30 June 2023**

	(Unaudited)	
	Period ended 30.06.2023 RM'000	Period ended 30.06.2022 RM'000
Profit after taxation	20,424	11,454
Adjustments for:		
Non cash flow items	3,644	7,033
Share of results of associated company	(4,131)	(4,855)
Operating profit before working capital changes	19,937	13,632
Changes in working capital		
Net decrease/(increase) in current assets	11,129	890
Net decrease in current liabilities	(8,573)	(15,737)
Cash generated from operations	22,493	(1,215)
Other operating activities	(2,960)	(4,463)
Net cash flow from operating activities	19,533	(5,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,700)	(1,070)
Purchase of intangible asset	(91)	-
Proceeds from disposal of property, plant and equipment	287	288
Interest received	4,948	2,117
Dividend received (net)	-	-
Net cash flow from investing activities	1,444	1,335
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Repayment of lease liabilities	(10)	(21)
Net cash flow from financing activities	(10)	(21)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,967	(4,364)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	482,897	442,665
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	503,864	438,301
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	502,918	437,566
Cash and bank balances	946	735
	<u>503,864</u>	<u>438,301</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 2023)

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Notes to the Interim Financial Statements for 1st Quarter Ended 30 June 2023

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 2023.

The audited financial statements of the Company for the year ended 31 March 2023 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 2023.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2023 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 2023.

Note 8. Segmental Reporting

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

	Revenue for the 3 Months ended		Profit before tax for the 3 Months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Living Appliances and Solutions Company ("LASC") products	47,407	60,439	4,630	1,524
Heating & Ventilation A/C Company ("HVAC") products	178,215	182,931	7,996	978
Total	225,622	243,370	12,626	2,502
Other unallocated revenue and income	2,616	309	5,828	4,854
Share of Results from Associate Companies	-	-	4,131	4,855
Total	228,238	243,679	22,585	12,211

Revenue information based on geographical location is as follows:

	Revenue for the 3 Months ended	
	30.06.2023 RM'000	30.06.2022 RM'000
Malaysia	109,618	88,991
Japan	4,839	5,593
Asia (excluding Malaysia and Japan)	65,102	82,417
Europe	1,555	1,892
Middle East	41,554	58,278
Others	5,570	6,508
Total	228,238	243,679

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 2023 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 2023 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 2023.

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
	30.06.2023 RM'000	30.06.2022 RM'000	%	30.06.2023 RM'000	30.06.2022 RM'000	%
Revenue	228,238	243,679	(6.3%)	228,238	243,679	(6.3%)
Profit before taxation	22,585	12,211	+85.0%	22,585	12,211	+85.0%

The Company's revenue of RM228.2 million for the current quarter ended 30 June 2023 was lower by 6.3% or RM15.5 million as compared with the revenue of RM243.7 million registered in the previous year's corresponding quarter. The lower sales recorded was mainly attributed to the discontinuance of the Kitchen Appliances business since the end of the last financial year. Lower export sales were seen in Fan products mainly to Middle East market and Asean countries particularly the Vietnam and Singapore markets as demand slowed down for fan products in these countries.

The effect of reduction in export sales was cushioned to a certain extent by higher sales in the domestic market, especially in Fan products following the intensified promotional activities held during the Hari Raya festive season and increased demand arising from the prolonged warmer weather in the country. Higher export sales were also recorded for other products such as Vacuum Cleaner products in the Middle East market and Home Shower in Vietnam and the Philippines.

The Company's combined profit before tax achieved of RM22.6 million for the current quarter under review was higher by 85% or RM10.4 million as compared to the profit before tax of RM12.2 million in the previous year corresponding quarter.

The higher profitability was mainly due to the following factors: -

- (a) Lower raw material costs especially for steel and other major raw materials;
- (b) Higher foreign exchange gain of approximately RM4.8 million as a result of a weakening of Ringgit Malaysia against US Dollars as compared to a foreign exchange gain of RM3.0 million previously;
- (c) Increase in interest income by RM2.8 million following the recent interest rate hike.

Review by Segment

Living Appliances and Solutions Company (LASC)

Revenue for the LASC products segment decreased by approximately 22% as compared to previous year's corresponding quarter. The reduction was mainly attributed to discontinuance of the Kitchen Appliances businesses, the full impact of which, was seen in the current quarter.

The loss of sales due to terminated products was cushioned to a certain extent by higher sales of Vacuum Cleaner products to the Middle East region.

Despite the lower revenue achieved, the LASC products segment managed to record a profit before tax of RM4.6 million for the current quarter under review; which was higher by RM3.1 million as compared with the profit before tax of RM1.5 million registered in the previous year's corresponding quarter. The higher profitability was as a result of the lower material costs, favorable currency exchange condition and a more profitable product sales mix composition.

Heating & Ventilation A/C Company (HVAC)

Revenue for the HVAC products segment decreased by approximately 3% as compared to previous year's corresponding quarter, mainly attributed to lower export sales in Fan products especially to the Middle East market and certain Asean countries due to slower market demand in these regions.

However, the effect of reduction in sales was mitigated to a certain extent by higher festive season sales of Fan in the domestic market and increased export sales in Home Shower, particularly to Vietnam and the Philippines market destinations.

Nevertheless, the HVAC products' segment recorded better profit before tax of RM8.0 million, which was higher by RM7.0 million as compared to the profit before tax of RM1.0 million registered in the previous year's corresponding quarter. The higher profitability recorded was mainly attributed to lower material cost and favorable currency exchange condition.

In addition, the increase in selling price of certain Fan products since the second half of the previous financial year also contributed to the higher profitability.

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

	Current	Preceding	Difference	
	1st Quarter	4th Quarter		
	30.06.2023	31.03.2023		
	RM'000	RM'000	RM'000	%
Revenue	228,238	195,533	+32,705	+16.7%
Operating expenses	(220,952)	(199,236)	(21,716)	(10.9%)
Other operating income	6,437	3,966	+2,471	+62.3%
Others:				
- Fair value (loss)/gain on derivative financial instruments	(217)	(88)	(129)	+146.6%
Results from operating activities	13,506	175	+13,331	+7,617.7%
Finance income	4,948	4,863	+85	+1.7%
Share of results of associated company (net of tax)	4,131	824	+3,307	+401.3%
Profit before taxation	22,585	5,862	+16,723	+285.3%

The Company's revenue of RM228.2 million in the current quarter was higher by 16.7% or RM32.7 million as compared to a revenue of RM195.5 million recorded in the preceding quarter. The higher revenue was mainly contributed by higher sales in the Domestic market for both LASC and HVAC products.

The prolonged warmer weather during the current quarter had boosted sales of the Fan products by approximately 62% or RM33.7 million higher from the preceding quarter's sales. Additionally, increased market demand and promotional activities held for the festive season campaigns further improved the domestic sales conditions during the quarter under review.

In line with the higher revenue, the Company recorded a combined profit before taxation of RM22.6 million for the current quarter ended 30 June 2023, representing an increase of RM16.7 million or 285.3% as compared to the preceding quarter's profit before taxation of RM5.9 million. The higher profitability was mainly due to higher sales achieved and higher share of results of the associate company.

Note 14. Prospects and Outlook

The Malaysian economy registered a slightly slower growth of 2.9% in the second quarter of 2023 as reported in the Bank Negara Malaysia (BNM) Quarterly Report (1Q 2023: 5.6%). The growth was mainly supported by continued improvement in labor market conditions, increase in household spending and higher tourism activities amidst the weaker external demand and slower production in commodities sector.

Global economy is expected to grow at a slower pace in 2023 amid elevated inflation, escalation of geopolitical tensions and slower-than-expected economic recovery from China. However, the Malaysian economy is expected to expand at a moderate pace in the second half of 2023 supported by resilient domestic demand amid external headwinds.

Being an export-oriented company, the current financial year will continue to be challenging. The Company is currently intensifying its efforts to venture into new products to maintain its business competitiveness and to counter the loss of sales of recently terminated businesses.

Concurrently, the Company has made further progress in the utilization of technology in its manufacturing facilities to improve productivity and increase efficiency whilst continuing to implement cost reduction measures to reduce overall costs of production and to improve profitability.

With these measures in place, the Company will strive to meet these challenges ahead with agility and resilience to achieve positive results for the financial year ending 31 March 2024.

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 30.06.2023 RM'000	Preceding Year's Quarter Ended 30.06.2022 RM'000	3 Months ended 30.06.2023 RM'000	3 Months ended 30.06.2022 RM'000
Taxation over provision /(charge):				
- current financial year	(2.413)	(508)	(2.413)	(508)
- prior financial year	-	-	-	-
Deferred Tax expense:				
- origination and reversal of temporary differences	252	(249)	252	(249)
- over/(under) provision of deferred tax benefit in prior year	-	-	-	-
	(2,161)	(757)	(2,161)	(757)
Effective income tax rate	9.6%	6.2%	9.6%	6.2%

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).

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 2023, 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	9,341	-	(247)
<u>Less than 1 year</u> - Buy JPY	649	-	(13)
<u>Less than 1 year</u> - Buy SGD	35	1	-
<u>Less than 1 year</u> - Sell Euro	-	-	-
		1	(260)

Note 19. Material Litigation

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

Note 20. Dividends

No interim dividend has been declared or recommended for the current quarter ended 30 June 2023 (2022: 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 2023 of 60,745,780 shares.

(a) Basic earnings per share

	3 Months ended 30.06.2023	3 Months ended 30.06.2022
Profit after taxation for the period (RM'000)	20,424	11,454
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	34	19

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	34	Not Applicable
Year-to-date	34	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
Contracted	8,038	5,859
Not contracted	380	-
Total	8,418	5,859

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	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Interest Income	4,948	2,117	4,948	2,117
Interest Expenses	-	-	-	-
Depreciation & Amortization	6,328	7,044	6,328	7,044
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
Gain/(Loss) on Foreign Exchange	4,778	2,967	4,778	2,967
(Loss)/Gain on Derivatives	(217)	(268)	(217)	(268)

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
21 August 2023