



SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia under the Companies Act, 1965)

The Board of Directors of Salutica Berhad (“Salutica” or the “Company”) (“Board”) is pleased to announce the following unaudited consolidated results for the first quarter and financial period ended (“FPE”) 30 SEPTEMBER 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2016

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue	A9	73,068	63,687	73,068	63,687
Profit from operations		7,750	10,442	7,750	10,442
Finance costs		(112)	(18)	(112)	(18)
Profit before taxation		7,638	10,424	7,638	10,424
Income tax expense	B5	(2,121)	(2,478)	(2,121)	(2,478)
Profit for the period	B1	5,517	7,946	5,517	7,946
Other comprehensive income, net of taxation		-	-	-	-
Total comprehensive income for the period/year		5,517	7,946	5,517	7,946
Profit and total comprehensive income attributable to:					
Owners of the Company		5,517	7,946	5,517	7,946
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		5,517	7,946	5,517	7,946
Earnings per share					
Basic (Sen)	B15	1.42	2.56	1.42	2.56

Note:

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is unaudited and should be read in conjunction with the audited financial statements of the Company for the financial year ended (“FYE”) 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



SALUTICA BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Note	As at 30.9.2016 RM'000	As at 30.6.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		44,185	40,096
Intangible assets		1,917	2,191
Other investments		119	119
Deferred tax assets		0	172
		46,221	42,578
Current assets			
Inventories		41,823	34,289
Trade and other receivables		39,892	28,402
Derivative financial instruments		0	113
Current tax assets		0	21
Short term investment		46,350	57,733
Deposits, bank and cash balances		39,598	40,163
		167,663	160,721
TOTAL ASSETS		213,884	203,299
EQUITY AND LIABILITIES			
Equity			
Share capital		38,800	38,800
Share premium		53,002	53,002
Reserves		66,368	63,179
Total equity attributable to owners of the Company		158,170	154,981
Non-controlling interests		-	-
TOTAL EQUITY		158,170	154,981
Non-current liabilities			
Borrowings	B10	2,231	3,382
Deferred Tax Liability		1,783	-
		4,014	3,382
Current liabilities			
Payables and accruals		47,132	40,500
Derivative financial instruments		27	46
Borrowings	B10	4,466	4,390
Current tax liabilities		75	0
		51,700	44,936
TOTAL LIABILITIES		55,714	48,318
TOTAL EQUITY AND LIABILITIES		213,884	203,299
Net assets per ordinary share attributable to ordinary equity holders of the Company (Sen)		40.77	39.94

Note:

The Condensed Consolidated Statement of Financial Position is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2016

	<----- Attributable to owners of the Company ----->			<- Distributable ->	
	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 July 2016	38,800	53,002	16	63,163	154,981
Total comprehensive income for the year	-	-	-	5,517	5,517
Issue of share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Dividends	-	-	-	(2,328)	(2,328)
At 30 September 2016	38,800	53,002	16	66,352	158,170
At 1 July 2015	31,000	-	16	45,166	76,182
Total comprehensive income for the year	-	-	-	7,946	7,946
Issue of share capital	-	-	-	-	-
Bonus issue	-	-	-	-	-
Dividends	-	-	-	-	-
At 30 September 2015	31,000	-	16	53,112	84,128

Note:

The Condensed Consolidated Statement of Changes in Equity is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



SALUTICA BERHAD

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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2016

	3 months ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	5,517	7,946
Adjustments:		
Depreciation of property, plant and equipment	1,574	1,552
- Gain on disposal of plant and equipment	(4)	-
- Write off	1	-
Amortised / (Capitalisation) of development costs	274	-
Finance costs	112	18
Finance income	(377)	(285)
Short term investment		
- Gain on disposal	(23)	(2)
- Fair value changes	(417)	-
Inventories		
- Allowance / (reversal) for slow moving	4	(252)
Provision	14	15
Taxation (income)/expenses	2,121	2,478
Fair value (gain)/loss on derivative financial instruments	95	390
Unrealised loss/(gain) on foreign exchange	(106)	(661)
Operating profit before changes in working capital	8,785	11,199
Changes in working capital:		
Inventories	(7,538)	(8,965)
Trade and other receivables	(10,647)	(18,277)
Trade and other payables	5,879	8,550
Cash generated from operations	(3,521)	(7,493)
Income tax paid	(70)	(70)
Net cash generated from operating activities	(3,591)	(7,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	B6 (5,665)	(1,561)
Proceeds from disposal of plant and equipment	4	-
Interest received	377	285
Uplift/(placement) of deposit with bank with maturity period of more than three months	(10,000)	8,800
Purchase of short term investment	(1,200)	(1,200)
Proceeds from sale of short term investment	13,023	1,202
Net investing cash flow	(3,461)	7,526
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire-purchase creditor	(231)	-
Repayment of term loans	(844)	-
Uplift of deposits with bank as security	5,000	-
Interest paid	(112)	(18)
Dividend paid	(2,328)	-
Net cash from/(used in) financing activities	1,485	(18)



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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2016

	3 months ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,567)	(55)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	35,163	25,918
Effect of change in foreign currency exchange rates	2	139
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	29,598	26,002
Cash and cash equivalents comprise:		
Short-term deposits with licensed banks	27,700	21,500
Cash and bank balances	1,898	4,502
	29,598	26,002
Deposits with maturity more than 3 months	10,000	14,161
	39,598	40,163

Note:

The Condensed Consolidated Cash Flows Statement is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING AND THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“LISTING REQUIREMENTS”)

A1 Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes therein. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of Salutica and its subsidiary (“Group”) since the FYE 30 June 2016.

A2 Changes in accounting policies

The significant accounting policies adopted in these quarterly financial statements are consistent with those adopted as disclosed in the audited financial statements of the Group for FYE 30 June 2016.

New standards, amendments to published standards and Issue Committee (“IC”) interpretations to existing standards that are applicable to the group and are effective

There are no new standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group for the current financial period.

New standards early adopted by the Group

There are no standards early adopted by the Group.

New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to published standards and IC interpretations in the following financial period:

Effective for the financial year beginning on/after 1 July 2016

- Amendments to MFRS 116 and MFRS 138 “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to MFRS 127 “Separate Financial Statements – Equity Accounting in Separate Financial Statements”
- Amendments to MFRS 101 “Presentation of Financial Statements – Disclosure Initiative”
- Amendments to MFRS 10, 12 & 128 “Investment entities – Applying the Consolidation Exception”
- Annual Improvements to MFRSs 2012 – 2014 Cycle (Amendments to MFRS 5 “Non-current Assets Held for sale and Discontinued Operations”, MFRS 7 “Financial Instruments: Disclosures” and MFRS 134 “Interim Financial Reporting”)



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

A2 Changes in accounting policies (cont'd)

New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

Effective for the financial year beginning on/after 1 July 2017

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"

Effective for the financial year beginning on/after 1 July 2018

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"

Effective for the financial year beginning on/after 1 July 2019

- MFRS 16 "Leases"

The initial application of the above mentioned standards and amendments are not expected to have any material financial impacts to the current and prior periods' financial statements of the Group except as the mentioned below:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The Group is currently assessing the financial impact that may arise from the adoption of these standards.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the preceding audited financial statements of the Group for the FYE 30 June 2016 was not subject to any qualification.

A4 Seasonal or cyclical factors

The operations of the Group during the current quarter as compared to the preceding quarter are also subject to seasonal factors due to the increase in demand for consumer electronic products during the year-end holiday period in many countries globally.



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A5 Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

A6 Changes in estimates

There were no material changes in estimates of amounts reported in prior interim period or financial year that have a material effect in the current quarter.

A7 Changes in debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter:-

A8 Dividends paid

The following dividend was paid during the current quarter:

	3 months ended 30.9.2016 RM'000
First interim single-tier tax exempt dividend in respect of FYE 30 June 2017 of 0.6 sen per Share declared on 15 August, 2016 and paid on September 30, 2016 (based on 388,000,000 Shares)	2,328
	<hr/> 2,328 <hr/>

There was no dividend paid in the previous corresponding quarter.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

A9 Operating segments

The principal activities of the Group comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before taxation are mainly confined to one operating segment.

In presenting information on the basis of geographical segments, segment revenue is based on geographical markets where the goods are delivered rather than the origin of the customers as follows:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
North America	57,607	58,073	57,607	58,073
Europe	6,218	1,261	6,218	1,261
Australia (including New Zealand, Oceania)	717	53	717	53
Asia (excluding Malaysia)	7,947	3,784	7,947	3,784
Africa (including Middle East)	2	10	2	10
Malaysia	577	506	577	506
Total	73,068	63,687	73,068	63,687

A10 Valuation of property, plant and equipment

There were no valuations of property, plant and equipment during the current quarter under review.

A11 Material events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter that have not been reflected in these interim financial statements.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

A13 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the date of this interim financial report.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

A14 Capital commitments

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	As at 30.9.2016 RM'000
Contracted	1,169
Authorised but not contracted	21,967

A15 Significant related party transactions

None.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of performance

The Group recorded revenue of approximately RM73.1 million for FPE 30 September 2016, an increase of approximately 14.7% compared to the previous FPE 30 September 2015 of approximately RM63.7 million.

The major contributor to revenue for the current quarter was Bluetooth headsets totalling approximately RM70.6 million compared to the previous corresponding quarter of approximately RM57.9 million, an increase of approximately 21.9%.

Profit before taxation (“**PBT**”) for FPE 30 September 2016 was approximately RM7.6 million, a decrease of approximately RM2.8 million compared to the previous FPE 30 September 2015 of approximately RM10.4 million. This was mainly due to several products that were at the development stage and/or early production cycle which involves substantive technical evaluation and testing during current FPE 30 September 2016. These evaluation processes have resulted in higher usage of material and labour which contributed to a lower PBT.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

B2 Comment on material change in profit before taxation (“PBT”)

	Current Quarter	Preceding Quarter	Variance	
	30.9.2016	30.6.2016	RM’000	%
	RM’000	RM’000		
Revenue	73,068	72,037	1,031	+1.4%
PBT	7,638	10,256	(2,618)	-25.5%

The Group’s revenue for the current quarter was slightly higher at 1.4% as compared to the preceding quarter.

The current quarter FPE 30 September 2016 reflected a lower PBT due to the engineering evaluation run for several new products that were at the initial start of the product lifecycle. This led to a decrease of approximately RM2.6 million from the preceding quarter of approximately RM10.2 million to current PBT of approximately RM7.6 million.

B3 Prospects

As disclosed in the Prospectus of the Company dated 28 April 2016, the Group has put in place a series of future plans, amongst which is the manufacturing of a USB-powered device that adds touchscreen functionality to a non-touch laptop screen. The Group had started the manufacturing of the components for the device and assembly of the final products. Furthermore, expansion and upgrading of facilities had started for new packaging assembly process for retail packaging for one of the existing major customer.

The Board is of the opinion that the prospects of the Group’s financial performance for the financial year ending 30 June 2017 will remain favourable.

B4 Variance between actual profit and forecast profit

The Group has not provided any revenue or profit forecast in any public documents and announcements.

B5 Taxation

	3 months ended		3 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM’000	RM’000	RM’000	RM’000
Income tax				
Current year	166	76	166	76
Prior year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	166	76	166	76
Deferred tax				
Current year	1,955	2,402	1,955	2,402
Prior year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,121	2,478	2,121	2,478



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

B5 Taxation (cont'd)

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the current quarter and current financial year.

The effective tax rate of the Group for the current quarter was slightly higher than the Malaysia statutory tax rate due mainly to certain expenses being non-deductible for tax purpose.

B6 Unquoted investments and properties

There were no purchases or sales of unquoted investment or properties for the current quarter.

B7 Quoted securities

There were no acquisitions or disposals of quoted securities for the current quarter.

B8 Status of corporate proposals

Save as disclosed below, there is no corporate proposal announced but pending completion as at the date of this report:-

On 30 September 2016, Salutica announced that it proposes to undertake the proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of Salutica from the ACE Market to the Main Market of Bursa Securities which is currently pending approval from the authorities.

B9 Utilisation of proceeds from the IPO

Based on the IPO price of RM0.80, the gross proceeds arising from the public issue amounting to RM62.4 million is intended to be utilised in the following manner:

Details of utilisation	Intended utilisation (RM'000)	Actual utilisation as at 30.9.2016 (RM'000)	Deviation (RM'000)	Balance (RM'000)	Intended timeframe for utilisation (from date of listing)
Repayment of bank borrowing	8,500	8,500	-	-	Within 6 months
Capital expenditure	25,000	2,295	-	22,705	Within 24 months
R&D expenditure	8,200	1,378	-	6,822	Within 24 months
Working capital	16,700	10,934	-	5,766	Within 24 months
Estimated listing expenses	4,000	4,000	-	-	Within 3 months
Total	62,400	27,107	-	35,293	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 April 2016.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

B10 Borrowings and debt securities

The Group's loans and borrowings as at **30 September 2016** are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
<u>Secured</u>			
Hire Purchase	964	1,062	2,026
Term loans	3,273	428	3,701
<u>Unsecured</u>			
Term loans	229	741	970
	4,466	2,231	6,697

All the borrowings are denominated in Ringgit Malaysia.

B11 Derivative financial instruments

As at the date of the statement of financial position 30 September 2016, the Group has the following outstanding derivative financial instruments:

Derivatives	Contract or Notional Amount (RM'000)	Fair value Net gain / (loss) (RM'000)
Currency forward contracts: Less than 1 year	7,027	(27)

For the current quarter, there is no change to the Group's financial risk management policies and objectives in managing these derivative financial instruments and its related accounting policies. Foreign currency forward contracts are entered into by the Group in currencies other than its functional currency to manage exposure to the fluctuations in foreign currency exchange rates.

B12 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the end of the current quarter to the date of the interim financial report.

B13 Material litigation

As at the date of this report, there is no litigation against the Group which has a material effect on the financial position of the Group and the Board is not aware of any material litigation or any proceedings pending or threatened or of any fact likely to give rise to any proceedings.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

B14 Proposed dividend

The Board has on 24 November 2016 declared a second interim single tier tax-exempt dividend in respect of the financial year ending 30 June 2017 of 0.6 sen per share on 388 million ordinary shares amounting to RM2.328 million. The entitlement date will be 8 December 2016 and payment date on 23 December 2016.

B15 Earnings per Share (“EPS”)

BASIC EPS	3 months ended		3 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Profit attributable to owners of the Company (RM'000)	5,517	7,946	5,517	7,946
Weighted average number of ordinary shares in issue ('000)	388,000	310,000	388,000	310,000
Basic EPS (sen)	1.42	2.56	1.42	2.56

There was no dilution in the EPS as there was no potential diluted ordinary share outstanding as at the end of the current period under review.

B16 Disclosure of realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at	As at
	30.9.2016	30.9.2015
	RM'000	RM'000
Total retained profits of the Group:		
Realised	49,696	26,017
Unrealised	(1,357)	9,082
	<hr/>	<hr/>
	48,339	35,099
Add: Consolidation adjustments	18,013	18,013
Total	<hr/>	<hr/>
	66,352	53,112

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

B17 Notes to the Statement of Comprehensive Income

	3 months ended 30.9.2016 RM'000	3 months ended 30.9.2016 RM'000
Profit from operations for the period/year is arrived at after charging/(crediting):		
Allowance for slow moving inventories	4	4
Depreciation of property, plant and equipment	1,574	1,574
Provision for warranty	14	14
Rental expenses		
- Hostel	9	9
- equipment/machinery	14	14
Interest expenses	112	112
Net foreign exchange (gain)/losses		
- realised	(252)	(252)
- unrealised	(106)	(106)
Fair value (gains)/losses on derivative financial instruments	95	95
Gain on disposal of property, plant & equipment	(4)	(4)
Rental income	(12)	(12)
Interest income	(377)	(377)
Fair value gain on short term investment	(417)	(417)
Gain on disposal of short term investment	(23)	(23)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements are not applicable.

B18 Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 24 November 2016.