

PAN MALAYSIA CORPORATION BERHAD

Registration No: 196301000008 (4920-D)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**

(The figures are unaudited)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	QUARTER ENDED		CUMULATIVE 6 MONTHS	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Revenue	20,057	25,358	35,649	45,303
Cost of sales	(13,821)	(17,275)	(25,073)	(30,766)
Gross profit	6,236	8,083	10,576	14,537
Other income	1,008	(1,799)	1,835	2,057
Administration and operating expenses	(3,791)	(3,771)	(7,112)	(7,770)
Selling and distribution expenses	(2,257)	(1,801)	(4,617)	(3,840)
Exceptional item (refer note A4)	34	183	(493)	1,385
Share of losses of an equity accounted joint venture	(9)	-	(15)	-
Profit before tax	1,221	895	174	6,369
Tax expense	(32)	(764)	(56)	(1,113)
Profit for the financial period	1,189	131	118	5,256
Profit for the financial period attributable to:-				
Equity holders of the Company	1,189	131	118	5,256
	Sen	Sen	Sen	Sen
Earnings per share attributable to equity holders of the Company:				
Basic / Diluted	0.17	0.02	0.02	0.74

The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Registration No: 196301000008 (4920-D)

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**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	QUARTER ENDED		CUMULATIVE 6 MONTHS	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Profit for the financial period	1,189	131	118	5,256
Other comprehensive income/(expenses), net of tax				
Net gain/(loss) on fair value changes of equity investments	1,973	(1,741)	(424)	(3,246)
Foreign currency translation differences for foreign operations	(453)	(295)	164	(510)
Total comprehensive income/(expenses) for the financial period	<u>2,709</u>	<u>(1,905)</u>	<u>(142)</u>	<u>1,500</u>
Total comprehensive income/(expenses) for the financial period attributable to:-				
Equity holders of the Company	<u>2,709</u>	<u>(1,905)</u>	<u>(142)</u>	<u>1,500</u>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

PAN MALAYSIA CORPORATION BERHAD

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	31/12/2019	30/06/2019
	RM'000	Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,660	32,198
Investment property	13,100	13,209
Investments	75,836	76,260
Investment in a joint venture	444	459
Goodwill on consolidation	45,406	45,406
Trademarks	4,984	4,984
Deferred tax assets	296	298
	<u>171,726</u>	<u>172,814</u>
Current assets		
Inventories	11,690	14,084
Trade and other receivables	28,435	19,178
Right to recover returned goods	625	615
Current tax assets	1,392	1,198
Other investments	30,157	32,480
Deposits, bank balances and cash	55,386	59,249
	<u>127,685</u>	<u>126,804</u>
TOTAL ASSETS	<u>299,411</u>	<u>299,618</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	221,959	221,959
Treasury shares	(30,484)	(30,484)
Reserves	93,924	94,066
Total Equity	<u>285,399</u>	<u>285,541</u>
Non-current liabilities		
Deferred tax liabilities	1,012	1,022
Current liabilities		
Trade and other payables	11,742	11,831
Refund liabilities	1,042	1,024
Current tax liabilities	216	200
	<u>13,000</u>	<u>13,055</u>
Total Liabilities	<u>14,012</u>	<u>14,077</u>
TOTAL EQUITY AND LIABILITIES	<u>299,411</u>	<u>299,618</u>
	RM	RM
Net Assets per share attributable to equity holders of the Company	0.40 *	0.40 *

* The net assets per share is based on the number of ordinary shares in issue less treasury shares .

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	Share Capital	Treasury Shares	Exchange Translation Reserve	Fair Value Reserve	Retained Profits	Total Equity
<u>Cumulative 6 months</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2019	221,959	(30,484)	(1,441)	(1,944)	97,451	285,541
Other comprehensive income:						
Net loss on fair value changes of equity investments	-	-	-	(424)	-	(424)
Foreign currency translation differences for foreign operations	-	-	164	-	-	164
Profit for the financial period	-	-	-	-	118	118
Total comprehensive income/(expenses) for the financial period	-	-	164	(424)	118	(142)
At 31 December 2019	<u>221,959</u>	<u>(30,484)</u>	<u>(1,277)</u>	<u>(2,368)</u>	<u>97,569</u>	<u>285,399</u>
At 1 July 2018	221,959	(30,484)	(580)	2,278	104,070	297,243
Effect of :						
Adjustment on initial application of MFRS 9	-	-	-	-	(758)	(758)
Adjustment on initial application of MFRS 15	-	-	-	-	(346)	(346)
At 1 July 2018 (Restated)	<u>221,959</u>	<u>(30,484)</u>	<u>(580)</u>	<u>2,278</u>	<u>102,966</u>	<u>296,139</u>
Other comprehensive income:						
Net loss on fair value changes of equity investments	-	-	-	(3,246)	-	(3,246)
Foreign currency translation differences for foreign operations	-	-	(510)	-	-	(510)
Profit for the financial period	-	-	-	-	5,256	5,256
Total comprehensive (expenses)/income for the financial period	-	-	(510)	(3,246)	5,256	1,500
At 31 December 2018	<u>221,959</u>	<u>(30,484)</u>	<u>(1,090)</u>	<u>(968)</u>	<u>108,222</u>	<u>297,639</u>

The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	CUMULATIVE 6 MONTHS	
	31/12/2019 RM'000	31/12/2018 RM'000
Cash Flows From Operating Activities		
Profit before tax	174	6,369
Net adjustments:-		
Non-cash items	422	(1,692)
Non-operating items	555	(1,329)
Operating profit before working capital changes	<u>1,151</u>	<u>3,348</u>
Net change in working capital	<u>(7,654)</u>	<u>(5,044)</u>
Cash used in operations	(6,503)	(1,696)
Interest received	1,351	1,650
Net tax paid	(232)	(386)
Net cash used in operating activities	<u>(5,384)</u>	<u>(432)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(408)	(182)
Investment in a joint venture	-	(750)
Proceeds from redemption of debenture	-	1,189
Placement of fixed deposit for more than 3 months	(1,106)	(5,083)
Uplift of fixed deposits pledged with licensed banks	-	1,286
Net cash used in investing activities	<u>(1,514)</u>	<u>(3,540)</u>
Cash Flows From Financing Activities		
Advance to related company	-	(15)
Net cash used in financing activities	<u>-</u>	<u>(15)</u>
Net decrease in cash and cash equivalents	(6,898)	(3,987)
Exchange translation differences	(373)	285
Cash and cash equivalents at 1 July	57,245	61,831
Cash and cash equivalents at 31 December	<u>49,974</u>	<u>58,129</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The condensed consolidated interim financial statements, other than financial instruments, have been prepared under the historical cost convention. Certain financial instruments have been carried at fair value in accordance with Malaysian Financial Reporting Standards ("MFRS") 139 Financial Instruments: Recognition and Measurement.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2019. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to and understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2019.

A2. Significant Accounting Policies

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

During the current financial period, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

- MFRS 16 Leases
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 140 – Transfers of Investment Property
- Annual Improvements to MFRS Standards 2014 – 2016 Cycles
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statements of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

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NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (continued)

A2. Significant Accounting Policies (continued)

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Asset between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

A3. Seasonal or Cyclical Factors

The food business of the Group is affected by seasonal factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the financial period ended 31 December 2019 other than the exceptional item as follows:-

Exceptional item	QUARTER ENDED		CUMULATIVE 6 MONTHS	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Net gain/(loss) on foreign exchange:				
- Realised	14	(4)	50	56
- Unrealised	20	187	(555)	1,329
Reversal of impairment on other receivables	-	-	12	-
	34	183	(493)	1,385

A5. Changes In Estimates of Amounts Reported Previously

There were no changes in estimates of amounts reported in prior financial years which may have a material effect in the financial period ended 31 December 2019.

A6. Issuances or Repayments of Debt and Equity Securities

As at 31 December 2019, the number of treasury shares held is 64,959,800 ordinary shares.

Ordinary shares issued and fully paid:	No Of Shares In '000	RM'000
At 31 December 2019 (net of 64,959,800 treasury shares)	708,397	221,959

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the financial period ended 31 December 2019.

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A7. Dividend Paid

The final single-tier dividend of RM0.005 per ordinary share amounting to RM3,541,986 in respect of the financial year ended 30 June 2019 was paid on 15 January 2020.

A8. Operating Segments

Segment information is presented in respect of the Group's business segments.

For the 6 months ended 31 December 2019

		Investment	
	Food	Holding	Total
	RM'000	RM'000	RM'000
REVENUE			
- External revenue	35,649	-	35,649
Total	35,649	-	35,649
RESULTS			
Segment results	1,255	(1,081)	174
Profit/(Loss) before tax	1,255	(1,081)	174
Segment assets	160,372	137,647	298,019
Unallocated assets			1,392
			299,411

A9. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. The valuations of land and buildings have been brought forward without amendment from the previous annual report.

A10. Events Subsequent to the End of the Interim Period

There were no material events subsequent to the financial period ended 31 December 2019 that have not been reflected in the financial statements for the said period as at the date of this report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 December 2019.

A12. Contingent Liabilities

There were no material contingent liabilities as at the date of this report.

A13. Capital Commitments

As at 31 December 2019, the Group has commitments in respect of capital expenditure as follows:-

	RM'000
Authorised but not contracted for	115
Contracted but not provided for	5

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B ADDITIONAL INFORMATION REQUIRED PURSUANT TO BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B1. Review of Performance

	QUARTER ENDED		CHANGES	CUMULATIVE		CHANGES
				6 MONTHS		
	31/12/2019	31/12/2018	%	31/12/2019	31/12/2018	%
	RM'000	RM'000		RM'000	RM'000	
Revenue	20,057	25,358	(20.9)	35,649	45,303	(21.3)
Profit before tax ("PBT")	1,221	895	36.4	174	6,369	(97.3)

Current Quarter Ended 31 December 2019

The 20.9% decline in year-on-year quarterly sales reflects the effects of growing market competitiveness in the light of continuing global trade tensions and economic disruptions. While the domestic market held in this quarter, revenue from overseas markets fell by nearly 31%.

Despite the higher revenue recorded in the corresponding quarter of preceding year, the reversal of fair value gain RM2.94 million on overseas investment impacted PBT.

Financial Period Ended 31 December 2019

The highly competitive climate in terms of pricing and product innovation have created more options in the market, making it a challenge to maintain customers' loyalty.

The decrease in profit was mainly caused by lower revenue and gain in foreign exchange translation of intragroup balances in the preceding financial period.

B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

	QUARTER ENDED		CHANGES
	31/12/2019	30/09/2019	
	RM'000	RM'000	%
Revenue	20,057	15,592	28.6
Profit/(Loss) before tax ("PBT"/("LBT"))	1,221	(1,047)	216.6

The increase in revenue was mainly due to the strong demand of the festive seasons. Tango, Tudor Gold and contract manufacturing achieved the strong growth in the current quarter.

The increase in PBT was mainly due to higher revenue and gain in foreign exchange translation of intragroup balances.

B3. Prospects for the Financial Year Ending 30 June 2020

Sales improved in the second quarter over the first quarter, showing a 29% growth due to seasonal factors. The revenue improvement came from encouraging recovery in both the group's overseas and domestic markets. Global trade tensions and the ongoing coronavirus outbreak will challenge business growth globally. The management of Network Foods has taken various marketing measures in response to these challenges.

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B ADDITIONAL INFORMATION REQUIRED PURSUANT TO BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B4. Profit Before Tax

Included in the profit before tax are the following items :

	QUARTER ENDED		CHANGES	CUMULATIVE 6 MONTHS		CHANGES
	31/12/2019 RM'000	31/12/2018 RM'000	%	31/12/2019 RM'000	31/12/2018 RM'000	%
Depreciation / amortisation	(439)	(447)	1.8	(908)	(911)	0.3
Interest income	721	852	(15.4)	1,350	1,650	(18.2)
Interest income from related party	59	59	-	118	118	-
Write down of inventories	(316)	(67)	(371.6)	(919)	(130)	(606.9)

B5. Tax Expense

Taxation comprises:-

	QUARTER ENDED		CHANGES	CUMULATIVE 6 MONTHS		CHANGES
	31/12/2019 RM'000	31/12/2018 RM'000	%	31/12/2019 RM'000	31/12/2018 RM'000	%
Current tax expense	(35)	(764)	(95.4)	(59)	(1,113)	(94.7)
(Under)/Over provision in respect of prior year	3	-	100.0	3	-	100.0
	(32)	(764)	(95.8)	(56)	(1,113)	(95.0)

The effective tax rate for the financial period ended 31 December 2019 is lower than the statutory tax rate applicable mainly due to utilisation of unabsorbed tax credit against the taxable profit of certain subsidiary.

B6. Status of Corporate Proposals

The Group has not announced any corporate proposals as at the date of this report.

B7. Trade Receivables

(a) The credit term of trade receivables range from 30 to 120 days.

(b) The ageing of trade receivables as at the end of the reporting period was:-

	31/12/2019	30/06/2019	CHANGES
	RM'000	RM'000	%
Not past due	8,299	4,886	69.9
Past due 1-30 days	4,427	2,775	59.5
Past due 31-60 days	2,190	1,551	41.2
Past due 61-120 days	1,556	891	74.6
Past due more than 120 days	1,073	1,165	(7.9)
	17,545	11,268	55.7

B8. Group Borrowings

There were no Group borrowings as at 31 December 2019 (31 December 2018: Nil).

B9. Derivative Financial Instruments

There were no derivative financial instruments at the date of this report

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B ADDITIONAL INFORMATION REQUIRED PURSUANT TO BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B10. Fair Value Changes of Financial Liabilities

As at 31 December 2019, the Group did not have any financial liabilities measured at fair value through profit or loss.

B11. Material Litigations

There were no material litigations as at the date of this report.

B12. Dividend

No dividend was declared by the Board for the financial period ended 31 December 2019 (31 December 2018: Nil).

B13. Earnings Per Share

(i) Earnings per share

The basic earnings per ordinary share is calculated by dividing the profit for the financial period attributable to equity holders of the Company with the weighted average number of shares in issue during the period as follows:-

	QUARTER ENDED		CHANGES %	CUMULATIVE 6 MONTHS		CHANGES %
	31/12/2019	31/12/2018		31/12/2019	31/12/2018	
Profit attributable to equity holders of the Company (RM'000)	1,189	131	807.6	118	5,256	(97.8)
Weighted average number of ordinary shares in issue ('000)	708,397	708,397	-	708,397	708,397	-
Earnings per share (sen)	0.17	0.02	750.0	0.02	0.74	(97.3)

(ii) The diluted earnings per share is not disclosed as there is no dilutive potential ordinary shares.

B14. Other Matters

The utilisation of the balance of the proceeds from the disposal of the cement-based associates is as follows:-

	Balance as at 01/07/2019 RM'000	Amount utilised RM'000	Balance as at 31/12/2019 RM'000
Proposed utilisation as approved by the Securities Commission ("SC")			
To finance the development of the adjoining factory property acquired and existing properties for the expansion of Network Foods Industries Sdn Bhd's manufacturing operations and consolidation with the marketing and distribution operations of Network Foods (Malaysia) Sdn Bhd.	26,693	-	26,693
Total	26,693	-	26,693

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B ADDITIONAL INFORMATION REQUIRED PURSUANT TO BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

B15. Auditors' Report

The auditors' report on the audited financial statements for the financial year ended 30 June 2019 was unmodified.

By order of the Board
PAN MALAYSIA CORPORATION BERHAD

LEE CHIK SIONG
NORLYN BINTI KAMAL BASHA
Joint Company Secretaries

Date: 27 February 2020