

Berjaya Food Berhad

Company No: 876057-U

Date: 18 September 2018

Subject: **UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR
THE PERIOD ENDED 31 JULY 2018**

	Page
Table of contents	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Unaudited Interim Financial Report	5 - 8
Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities LR")	9 - 11

BERJAYA FOOD BERHADUNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

	<u>Current Quarter</u>	
	3 months ended	
	31/07/2018	31/07/2017
	RM'000	RM'000
REVENUE	161,376	154,390
PROFIT FROM OPERATIONS	15,118	12,361
Investment related income	53	45
Finance cost	(4,172)	(3,649)
PROFIT BEFORE TAX	10,999	8,757
TAXATION	(4,771)	(4,069)
PROFIT AFTER TAX	6,228	4,688
OTHER COMPREHENSIVE ITEM: <u>To be reclassified to profit or loss in subsequent periods:</u>		
- Foreign currency translation	64	1,523
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,292	6,211
PROFIT ATTRIBUTABLE TO:		
- Equity holders of the parent	6,240	5,338
- Non-controlling interests	(12)	(650)
	6,228	4,688
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Equity holders of the Company	6,294	6,501
- Non-controlling interests	(2)	(290)
	6,292	6,211
EARNINGS PER SHARE (SEN)		
-Basic, for the period	1.66	1.43
-Diluted, for the period	1.65	1.42

The annexed notes form an integral part of this interim financial report.

BERJAYA FOOD BERHAD**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 31/07/2018 RM'000	As at 30/04/2018 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	233,603	234,083
Deferred tax assets	4,911	5,005
Intangible assets	457,464	457,106
Receivables	23,409	23,128
	<u>719,387</u>	<u>719,322</u>
Current Assets		
Inventories	33,127	34,068
Trade and other receivables	27,407	24,281
Tax recoverable	415	3,457
Deposits with financial institutions	891	884
Cash and bank balances	18,875	31,378
	<u>80,715</u>	<u>94,068</u>
TOTAL ASSETS	<u><u>800,102</u></u>	<u><u>813,390</u></u>
EQUITY AND LIABILITIES		
Share capital	243,295	243,232
Reserves	153,291	150,274
	<u>396,586</u>	<u>393,506</u>
Treasury shares	(8,524)	(7,687)
	<u>388,062</u>	<u>385,819</u>
Non-controlling interests	1,368	1,370
Equity funds	<u><u>389,430</u></u>	<u><u>387,189</u></u>
Non-current liabilities		
Long term borrowings	137,394	137,495
Deferred taxation	617	1,271
Provisions	10,377	11,452
	<u>148,388</u>	<u>150,218</u>
Current Liabilities		
Payables and provisions	73,941	70,990
Bank borrowings	125,498	141,758
Deferred income	62,845	63,235
	<u>262,284</u>	<u>275,983</u>
Total Liabilities	<u><u>410,672</u></u>	<u><u>426,201</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>800,102</u></u>	<u><u>813,390</u></u>
Basic net assets per share (sen)	103.12	102.38
Dilutive net assets per share (sen)	102.23	101.34

Note:

The net assets per share is calculated based on the following:

Basic: Equity funds less non-controlling interests divided by the number of outstanding shares in issue with voting rights.

Dilutive: Equity funds less non-controlling interests divided by the number of outstanding shares in issue with voting rights and the potential issue of new shares pursuant to the exercise of the Company's outstanding Warrants and share options under ESS.

The annexed notes form an integral part of this interim financial report.

BERJAYA FOOD BERHAD

 UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the parent

	Employees' share plan						Distributable			Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	reserve* RM'000	Consolidation reserve RM'000	Warrant reserve RM'000	Exchange reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Treasury shares RM'000	Total RM'000		
At 1 May 2018	243,232	3,913	322	-	1,649	(55,087)	199,477	(7,687)	385,819	1,370	387,189
Total comprehensive income	-	-	-	-	54	-	6,240	-	6,294	(2)	6,292
<u>Transactions with owners</u>											
Treasury shares acquired	-	-	-	-	-	-	-	(837)	(837)	-	(837)
ESS options exercised	55	(12)	-	-	-	-	-	-	43	-	43
ESS options/shares forfeited	8	(8)	-	-	-	-	-	-	-	-	-
Share-based payment under ESS	-	512	-	-	-	-	-	-	512	-	512
Interim dividends #	-	-	-	-	-	-	(3,769)	-	(3,769)	-	(3,769)
At 31 July 2018	<u>243,295</u>	<u>4,405</u>	<u>322</u>	<u>-</u>	<u>1,703</u>	<u>(55,087)</u>	<u>201,948</u>	<u>(8,524)</u>	<u>388,062</u>	<u>1,368</u>	<u>389,430</u>
At 1 May 2017	240,617	1,476	-	367	(362)	(55,087)	213,240	(8,334)	391,917	(17,587)	374,330
Total comprehensive income	-	-	-	-	1,163	-	5,338	-	6,501	(290)	6,211
<u>Transactions with owners</u>											
ESS options exercised	4	(1)	-	-	-	-	-	-	3	-	3
ESS options forfeited	3	(3)	-	-	-	-	-	-	-	-	-
Warrants exercised	1,080	-	-	(231)	-	-	-	-	849	-	849
Share-based payment under ESS	-	1,189	-	-	-	-	-	-	1,189	-	1,189
Interim dividends	-	-	-	-	-	-	(3,746)	-	(3,746)	-	(3,746)
At 31 July 2017	<u>241,704</u>	<u>2,661</u>	<u>-</u>	<u>136</u>	<u>801</u>	<u>(55,087)</u>	<u>214,832</u>	<u>(8,334)</u>	<u>396,713</u>	<u>(17,877)</u>	<u>378,836</u>

* Employees' share plan reserves includes reserves relating to Employees' share scheme ("ESS")

Refer to Note A6.

The annexed notes form an integral part of this interim financial report.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/07/2018	31/07/2017
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	162,109	153,558
Payments to suppliers and operating expenses	(135,091)	(141,887)
Payment of taxes	(2,806)	(4,732)
Net cash generated from operating activities	<u>24,212</u>	<u>6,939</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	223	9
Acquisition of property, plant and equipment	(11,001)	(10,537)
Acquisition of intangible assets	(944)	(1,721)
Interest received	53	45
Net cash used in investing activities	<u>(11,669)</u>	<u>(12,204)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	43	852
Treasury shares acquired	(837)	-
Dividends paid	(3,769)	(3,746)
Interest paid	(4,033)	(3,424)
Drawdown of bank borrowings	60,100	7,500
Repayment of bank borrowings	(76,492)	(369)
Payment of hire purchase	(77)	(6)
Net placement in bank as security pledged for borrowing	(2,522)	(14)
Net cash (used in)/generated from financing activities	<u>(27,587)</u>	<u>793</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(15,044)</u>	<u>(4,472)</u>
OPENING CASH AND CASH EQUIVALENTS	28,782	21,827
Effect of exchange rate changes	22	22
CLOSING CASH AND CASH EQUIVALENTS	<u>13,760</u>	<u>17,377</u>
Cash and cash equivalents carried forward comprise:	RM'000	RM'000
Deposits with financial institutions	891	823
Cash and bank balances	18,875	21,577
	<u>19,766</u>	<u>22,400</u>
Less: Cash pledged with bank - restricted	(5,421)	(4,452)
Deposits pledged with bank - restricted	(585)	(571)
	<u>13,760</u>	<u>17,377</u>

The annexed notes form an integral part of this interim financial report.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

NOTES TO THE INTERIM FINANCIAL REPORT

- A1 The condensed consolidated interim financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Financial Reporting Standards in Malaysia and IAS 34, Interim Financial Reporting, requirements of the Companies Act 2016 and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2018. These explanatory notes, attached to the condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2018.

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 April 2018 except the adoption of the new or revised standards, IC Interpretation and amendments to standards.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the accounting period beginning 1 May 2018.

The initial application of the MFRSs, Amendments to MFRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impact to the financial statements of the Group upon their first adoption.

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

i. Classification and measurements

There is no significant impact on the Group's statement of financial position or changes in equity on applying the classification and measurement requirements of MFRS 9.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, cash and bank balances, deposits with financial institutions and trade and other receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost.

ii. Impairment

The Group has applied the simplified approach to calculate expected credit losses which uses a lifetime expected loss allowance on all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics. There is no significant impact to the Group's financial statements.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 May 2018 and has elected not to restate comparatives.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

NOTES TO THE INTERIM FINANCIAL REPORT

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 which came into effect in this financial period superseded the previous revenue recognition guidance including MFRS 118: Revenue, MFRS 111:Construction Contracts and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has adopted the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for modified retrospective approach. The adoption of MFRS 15 did not have any significant effects on the interim financial report upon their initial application.

- A2 The Group's operations are affected by major festive seasons and school holidays as well as the Muslim fasting month. In Malaysia, the major school holiday is traditionally scheduled during the third quarter, while certain festive celebrations fall during the third and fourth quarters of the Group's financial year. These holidays and festive celebrations will normally have a positive impact to the Group's operations in the second half of the financial year.
- A3 There was no unusual items during the financial period under review:
- A4 As at 31 July 2018, the issued ordinary share capital of the Company was RM243,294,684.

The movements during the financial period were as follows:-

	Number of ordinary shares	RM
<u>Issued share capital</u>		
As at 1 May 2018	381,858,757	243,232,513
ESS options exercised	29,200	54,020
ESS options forfeited	-	8,151
As at 31 July 2018	<u>381,887,957</u>	<u>243,294,684</u>

ESS

As at 31 July 2018, the total number of unexercised ESS options was 9,399,240 and the total number of ESS shares that have not been awarded was 2,254,880.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

NOTES TO THE INTERIM FINANCIAL REPORT

A5 The details of the share buyback during the financial period ended 31 July 2018 were as follows:

Month	Price per share (RM)			Number of shares	Total consideration RM'000
	Lowest	Highest	Average		
July 2018	1.46	2.05	1.52	550,460	837
			1.52	550,460	837

The number of treasury shares held in hand as at 31 July 2018 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Balance as at 1 May 2018	1.53	5,019,540	7,687
Increase in treasury shares	1.52	550,460	837
Total treasury shares as at 31 July 2018	1.53	5,570,000	8,524

As at 31 July 2018, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 376,318,000 (31 July 2017: 375,347,000) ordinary shares.

A6 During the financial period ended 31 July 2018, the Company paid the following dividend:

- i) Fourth interim dividend of 1.0 sen per share single-tier dividend amounting to about RM3.77 million in respect of the financial year ended 30 April 2018 on 26 July 2018.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

NOTES TO THE INTERIM FINANCIAL REPORT

A7 Segment information for the financial period ended 31 July 2018:-

	Group RM'000
REVENUE	
Malaysia	153,686
Singapore	6,178
Other South-East Asian countries	1,512
Total revenue	<u>161,376</u>
RESULTS	
Malaysia	15,847
Singapore	(262)
Other South-East Asian countries	87
	<u>15,672</u>
Unallocated corporate expenses	(554)
Profit from operations	15,118
Investment related income	
- Interest income	53
Finance cost	(4,172)
Profit before tax	<u>10,999</u>
Taxation	(4,771)
Profit for the period	<u>6,228</u>

- A8 There were no significant events since the end of this current quarter up to the date of this announcement.
- A9 There was no change in the composition of the Group for the current period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.
- A10 There were no material changes in contingent liabilities or contingent assets since the last audited statement of financial position as at 30 April 2018.
- A11 There were no material changes in capital commitment since the last audited statement of financial position as at 30 April 2018.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

- B1 The Group is engaged in developing and operating the "Starbucks Coffee" brand in Malaysia and Brunei, developing and operating the "Kenny Rogers Roasters" ("KRR") chain in Malaysia as well as "Jollibean" and various brands in Singapore. The key factors that affect the performance of all food and beverage businesses include mainly the festive seasons, tourism, eating out culture, raw material costs (coffee bean, chicken, side dishes, soya bean and effect of foreign exchange on raw materials etc), staff costs and consumer perception.

The summary results of the Group are as follows:

	3-Month Ended		Variance %
	31/07/2018 RM'000	31/07/2017 RM'000	
Revenue	<u>161,376</u>	<u>154,390</u>	<u>5</u>
Profit from operations	<u>15,118</u>	<u>12,361</u>	<u>22</u>
Profit before tax	<u>10,999</u>	<u>8,757</u>	<u>26</u>

Review of results for the current quarter

The Group registered a revenue of RM161.38 million and pre-tax profit of RM11.00 million in the current quarter ended 31 July 2018 as compared to a revenue of RM154.39 million and pre-tax profit of RM8.76 million reported in the previous year corresponding quarter.

The higher revenue was mainly due to same-store-sales growth recorded by Starbucks as well as additional Starbucks cafes operating in Malaysia compared to the previous year corresponding quarter .

The profit from operations improved by 22% mainly due to higher profit contributions from Starbucks operations in tandem with the higher revenue achieved. In addition, the Group had ceased consolidation of the losses from its KRR operations in Indonesia following its disposal in the previous financial year. The pre-tax profit accordingly increased in tandem with the increase in profit from operations.

- B2 **Review of results of current quarter vs preceding quarter**

	3-Month Ended		Variance %
	31/07/2018 RM'000	30/04/2018 RM'000	
Revenue	<u>161,376</u>	<u>159,997</u>	<u>1</u>
Profit from operations	<u>15,118</u>	<u>10,834</u>	<u>40</u>
Profit before tax	<u>10,999</u>	<u>5,970</u>	<u>84</u>

The Group reported a revenue of RM161.38 million and pre-tax profit of RM11.00 million in the current quarter as compared to a revenue of RM160.00 million and pre-tax profit of RM5.97 million reported in the preceding quarter .

The marginal increase in revenue was mainly due to additional Starbucks cafes operating compared to the preceding quarter. The higher profit from operations reported in the current quarter was mainly due to higher contributions from Starbucks operations in tandem with the higher revenue achieved as well as lower loss incurred by KRR operations in Malaysia in the current quarter under review.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B3 Future prospects

The Board believes that the renewed consumer confidence level is expected to fuel the Group's business growth. This should augur well for the Group's operations going forward.

B4 There is no profit forecast or profit guarantee for the financial period ended 31 July 2018.

B5 The taxation charge for the current quarter and period ended 31 July 2018 are detailed as follows:

	For the current quarter RM'000
Group:-	
Based on the results for the period:-	
Current period provision	
- Malaysian taxation	4,709
Deferred tax	86
Over provision in prior years	(24)
	<u>4,771</u>

The disproportionate tax charge of the Group for the current quarter and period ended 31 July 2018 was mainly due to certain expenses or losses being disallowed for tax purposes, as well as non-availability of Group tax relief in respect of losses incurred by certain subsidiary companies.

B6 There were no corporate proposals announced but not completed.

B7 The Group's bank borrowings and debt securities as at 31 July 2018.

	As at 31/07/2018 RM'000
Short term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	125,498
Long term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	137,394
Total borrowings	<u>262,892</u>

B8 There were no material litigations for the current quarter.

BERJAYA FOOD BERHAD

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B9 The Board has recommended a first interim dividend of 1.0 sen single-tier dividend per share (previous year corresponding quarter ended 31 July 2017: first interim dividend of 1.0 sen single-tier dividend per share) in respect of financial year ending 30 April 2019 to be payable on 26 October 2018. The entitlement date has been fixed on 10 October 2018.

A Depositor shall qualify for the entitlement only in respect of:

- Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 10 October 2018 in respect of ordinary transfers.
- Shares bought on the Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

B10 Profit before tax is stated after charging/(crediting):

	For the current quarter RM'000
Interest income	(53)
Dividend income	-
Other income excluding dividend and interest income	-
Gain on disposal of property, plant and equipment	-
Loss on disposal of property, plant and equipment	-
Write down of property, plant and equipment	-
Depreciation of property, plant and equipment	7,812
Amortisation of intangible assets	588
Impairment loss on receivables	-
Impairment in value of AFS quoted investments	-
Provision for and write off of inventories	-
Foreign exchange loss/(gain), net	(706)
Gain or loss on derivatives	<u>-</u>

B11 The basic and diluted earnings per share are calculated as follows:

	Group (3-month period)			
	31/07/2018 RM'000	31/07/2017	31/07/2018 Sen	31/07/2017
Net profit for the quarter (RM'000)	<u>6,240</u>	<u>5,338</u>		
Weighted average number of ordinary shares in issue ('000)	<u>376,815</u>	<u>374,401</u>		
Basic earnings per share (Sen)			<u>1.66</u>	<u>1.43</u>
Net profit for the quarter (RM'000)	<u>6,240</u>	<u>5,338</u>		
Number of shares used in the calculation of basic earnings per share ('000)	376,815	374,401		
Number of shares assuming exercise of ESS options ('000)	254	-		
Number of shares assuming exercise of warrants ('000)	<u>-</u>	<u>356</u>		
	<u>377,069</u>	<u>374,757</u>		
Diluted earnings per share (Sen)			<u>1.65</u>	<u>1.42</u>

c.c. Securities Commission