

# **Berjaya Food Berhad**

Company No: 876057-U

Date: 13 December 2017

Subject: **UNAUDITED QUARTERLY (Q2) FINANCIAL REPORT FOR  
THE PERIOD ENDED 31 OCTOBER 2017**

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**BERJAYA FOOD BERHAD****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017  
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

	<u>Current Quarter</u>		<u>Financial Year To Date</u>	
	3 months ended		6 months ended	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
	RM'000	RM'000	RM'000	RM'000
REVENUE	160,778	149,112	315,168	290,482
PROFIT FROM OPERATIONS	13,223	10,994	25,584	21,878
Investment related income	47	41	92	90
Finance cost	(3,758)	(3,478)	(7,407)	(6,963)
PROFIT BEFORE TAX	9,512	7,557	18,269	15,005
TAXATION	(4,019)	(3,524)	(8,088)	(6,642)
PROFIT AFTER TAX	5,493	4,033	10,181	8,363
OTHER COMPREHENSIVE ITEMS: <u>To be reclassified to profit or loss in subsequent periods:</u>				
- Foreign currency translation	946	(1,146)	2,469	(2,016)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>6,439</u>	<u>2,887</u>	<u>12,650</u>	<u>6,387</u>
PROFIT ATTRIBUTABLE TO:				
- Equity holders of the parent	5,812	5,034	11,150	10,036
- Non-controlling interests	(319)	(1,001)	(969)	(1,673)
	<u>5,493</u>	<u>4,033</u>	<u>10,181</u>	<u>8,363</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Equity holders of the Company	6,247	4,476	12,748	9,204
- Non-controlling interests	192	(1,589)	(98)	(2,857)
	<u>6,439</u>	<u>2,887</u>	<u>12,650</u>	<u>6,347</u>
EARNINGS PER SHARE (SEN)				
-Basic, for the period	1.55	1.34	2.97	2.66
-Diluted, for the period	1.55	1.33	2.97	2.65

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

**BERJAYA FOOD BERHAD**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/10/2017	As at 30/04/2017 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	221,392	216,955
Deferred tax assets	5,943	6,004
Intangible assets	456,298	454,734
Receivables	23,319	20,547
	<u>706,952</u>	<u>698,240</u>
<b>Current Assets</b>		
Inventories	40,127	37,752
Trade and other receivables	27,844	22,386
Tax recoverable	8,139	4,392
Deposits with financial institutions	830	2,400
Cash and bank balances	21,691	23,865
	<u>98,631</u>	<u>90,795</u>
<b>TOTAL ASSETS</b>	<u>805,583</u>	<u>789,035</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	242,311	240,617
Reserves	166,649	159,634
	<u>408,960</u>	<u>400,251</u>
Treasury shares	(8,334)	(8,334)
	<u>400,626</u>	<u>391,917</u>
Non-controlling interests	(17,685)	(17,587)
<b>Equity funds</b>	<u>382,941</u>	<u>374,330</u>
<b>Non-current liabilities</b>		
Long term borrowings	103,585	124,648
Deferred taxation	1,804	1,863
Other long term liabilities	6	41
Provisions for restoration costs	9,393	10,159
	<u>114,788</u>	<u>136,711</u>
<b>Current Liabilities</b>		
Payables and provisions	97,951	92,305
Bank borrowings	153,201	130,630
Deferred income	56,702	55,059
	<u>307,854</u>	<u>277,994</u>
<b>Total Liabilities</b>	<u>422,642</u>	<u>414,705</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>805,583</u>	<u>789,035</u>
Basic net assets per share (sen)	106.58	104.75
Dilutive net assets per share (sen)	105.48	103.27

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 OCTOBER 2017  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the Company

	Non-distributable						Distributable			Non-controlling interests	Total equity
	Employees' share plan reserve*			Warrant reserve	Exchange reserve	Merger deficit	Retained earnings	Treasury shares	Total		
	Share capital	Share premium	RM'000								
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	-	-	-	-	1,598	-	11,150	-	12,748	(98)	12,650
<u>Transactions with owners</u>											
ESS options exercised	4	-	(1)	-	-	-	-	-	3	-	3
ESS options/shares forfeited	117	-	(117)	-	-	-	-	-	-	-	-
Warrants exercised	1,573	-	-	(336)	-	-	-	-	1,237	-	1,237
Warrants expired	-	-	-	(31)	-	-	31	-	-	-	-
Share-based payment under ESS	-	-	2,226	-	-	-	-	-	2,226	-	2,226
Interim dividends #	-	-	-	-	-	-	(7,505)	-	(7,505)	-	(7,505)
At 31 October 2017	<u>242,311</u>	<u>-</u>	<u>3,584</u>	<u>-</u>	<u>1,236</u>	<u>(55,087)</u>	<u>216,916</u>	<u>(8,334)</u>	<u>400,626</u>	<u>(17,685)</u>	<u>382,941</u>
At 1 May 2016	189,144	49,466	-	441	612	(55,087)	214,927	-	399,503	(11,000)	388,503
Total comprehensive income	-	-	-	-	(832)	-	10,036	-	9,204	(2,857)	6,347
<u>Transactions with owners</u>											
Treasury shares acquired	-	-	-	-	-	-	-	(4,644)	(4,644)	-	(4,644)
Warrants exercised	12	9	-	(5)	-	-	-	-	16	-	16
Interim dividends	-	-	-	-	-	-	(5,657)	-	(5,657)	-	(5,657)
At 31 October 2016	<u>189,156</u>	<u>49,475</u>	<u>-</u>	<u>436</u>	<u>(220)</u>	<u>(55,087)</u>	<u>219,306</u>	<u>(4,644)</u>	<u>398,422</u>	<u>(13,857)</u>	<u>384,565</u>

\* Employees' share plan reserves includes reserves relating to Employees' share option scheme ("ESOS") and 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 OCTOBER 2017

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31/10/2017	31/10/2016
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from operations	317,646	296,789
Payments to suppliers and operating expenses	(270,371)	(250,297)
Payment of taxes	(11,738)	(9,923)
Net cash generated from operating activities	<u>35,537</u>	<u>36,569</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	25	656
Acquisition of property, plant and equipment	(24,939)	(41,126)
Acquisition of intangible assets	(2,596)	(1,278)
Interest received	92	90
Net cash used in investing activities	<u>(27,418)</u>	<u>(41,658)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	1,240	16
Treasury shares acquired	-	(4,644)
Dividends paid	(7,505)	(5,657)
Interest paid	(7,235)	(6,514)
Drawdown of bank and other borrowings	17,486	32,000
Repayment of bank and other borrowings	(16,388)	(13,000)
Payment of hire purchase	(34)	(6)
Placement in bank as security pledged for borrowing	(14)	(31)
Net cash (used in)/generated from financing activities	<u>(12,450)</u>	<u>2,164</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,331)</u>	<u>(2,925)</u>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	21,827	33,354
Effect of exchange rate changes	(10)	(15)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>17,486</u>	<u>30,414</u>
Cash and cash equivalents carried forward comprise:	RM'000	RM'000
Deposits with financial institutions	830	70
Cash and bank balances	21,693	34,755
	<u>22,523</u>	<u>34,825</u>
Less: Deposits with maturity more than 3 months	(571)	-
Less: Cash pledged with bank - restricted	(4,466)	(4,411)
	<u>17,486</u>	<u>30,414</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 OCTOBER 2017

## 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 ("CA 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 2017. 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 2017.

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 2017.

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 2017.

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.

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 item during the financial period under review.

A4 As at 31 October 2017, the issued and paid up ordinary share capital of the Company was RM242,310,837. The movements during the financial period were as follows:-

	Number of ordinary shares	RM
<b><u>Issued and paid up share capital</u></b>		
As at 1 May 2017	379,574,180	240,617,331
ESS options exercised	2,160	3,996
ESS options forfeited	-	117,043
Warrants exercised	1,766,817	1,572,467
As at 31 October 2017	<u>381,343,157</u>	<u>242,310,837</u>

**ESS**

As at 31 October 2017, the total number of unexercised ESS options was 10,294,500 and the total number of ESS shares that have not been awarded was 2,793,540.

**5-year Warrants 2012/2017 ("Warrants")**

As at 31 October 2017, there was no more outstanding warrants, all unexercised warrants on the expiry date (8 August 2017) were withdrawn from the respective Depositor's Central Depository System Account on 9 August 2017.

	<b>Units</b>
As at 1 May 2017	1,928,980
Exercised	(1,766,817)
Cancellation of unexercised warrants	<u>(162,163)</u>
<b>As at 31 October 2017</b>	<b><u>-</u></b>

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

## NOTES TO THE INTERIM FINANCIAL REPORT

A5 There was no share buyback during the financial period ended 31 October 2017.

The number of treasury shares held in hand as at 31 October 2017 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 October 2017	1.53	5,442,300	8,334

As at 31 October 2017, the number of outstanding shares in issue and fully paid up with voting rights (rounded to nearest thousand) was 375,901,000 (31 October 2016: 375,213,000) ordinary shares.

A6 During the financial period ended 31 October 2017, the Company paid the following dividend:

- i) Fourth interim dividend of 1.0 sen per share single-tier dividend amounting to about RM3.74 million in respect of the financial year ended 30 April 2017 on 28 July 2017.
- ii) First interim dividend of 1.0 sen per share single-tier dividend amounting to about RM3.76 million in respect of the financial year ending 30 April 2018 on 27 October 2017.

A7 Segment information for the financial period ended 31 October 2017:-

<b>REVENUE</b>	Group RM'000
Malaysia	292,172
Indonesia	4,121
Singapore	15,381
Other South-East Asian countries	3,494
Total revenue	<u>315,168</u>

<b>RESULTS</b>	Group RM'000
Malaysia	29,465
Indonesia	(2,002)
Singapore	(402)
Other South-East Asian countries	59
	<u>27,120</u>
Unallocated corporate expenses	<u>(1,536)</u>
Profit from operations	25,584
Investment related income	
- Interest income	92
Finance cost	<u>(7,407)</u>
Profit before tax	18,269
Taxation	<u>(8,088)</u>
Profit for the period	<u>10,181</u>

**BERJAYA FOOD BERHAD**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

NOTES TO THE INTERIM FINANCIAL REPORT

- A8 There were no significant events since the end of this current quarter up to the date of this announcement, except for the following:-
- (a) On 24 November 2017, the Company announced that its wholly-owned subsidiary, Berjaya Food (International) Sdn Bhd ("BFI"), has entered into an agreement ("Agreement") to dispose of its entire stake in PT Boga Lestari Sentosa ("PT Boga") and also to accept a settlement of a portion of the inter-company debt owing by PT Boga to BFI amounting to Indonesian Rupiah ("IDR") 9.6 billion (equivalent to about RM3.1 million). The cash consideration for the disposal is only a nominal sum of IDR1,000 (equivalent to about RM0.32).
- The disposal was completed upon the execution of the Agreement with the receipt of the cash consideration.
- 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 2017.
- A11 There were no material changes in capital commitment since the last audited statement of financial position as at 30 April 2017.



## **BERJAYA FOOD BERHAD**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

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 and Indonesia 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.

### Current quarter vs preceding year same quarter

The Group registered a revenue of RM160.78 million and pre-tax profit of RM9.51 million in the current quarter ended 31 October 2017 as compared to a revenue of RM149.11 million and pre-tax profit of RM7.56 million reported in the previous year corresponding quarter.

The higher revenue was mainly due to additional Starbucks cafes operating in the current quarter. The higher pre-tax profit was mainly due to higher pre-tax profit recorded by Starbucks operation in Malaysia and also lower losses incurred by KRR operation in Indonesia arising from further closure of non-performing outlets.

### For the 6-month period

For the 6-month period ended 31 October 2017, the Group's revenue and pre-tax profit were RM315.17 million and RM18.27 million respectively as compared to a revenue and pre-tax profit of RM290.48 million and RM15.01 million respectively in the previous year corresponding period.

The higher revenue and pre-tax profit were mainly due to the abovementioned reasons.

- B2 Current quarter vs previous quarter

For the current quarter under review, the Group reported an increase in revenue from RM154.39 million (first quarter ended 31 July 2017) to RM160.78 million and pre-tax profit increased from RM8.76 million (first quarter ended 31 July 2017) to RM9.51 million.

The higher revenue in the current quarter was mainly due to additional Starbucks cafes operating in the current quarter. The higher pre-tax profit in the current quarter was mainly due to lower losses incurred by KRR operation in Indonesia arising from further closure of non-performing outlets.

- B3 Future prospects

The results of the Group in the next quarter is expected to be adversely impacted by the one-off losses arising from the disposal of the KRR operations in Indonesia. Other than this one-off exceptional loss, the Group expects Starbucks to maintain its revenue growth momentum to continue contributing positively to the Group. In addition, the management hopes that the operational and menu rationalisation of KRR, being implemented recently, will yield better results for the brand moving forward.

- B4 There is no profit forecast or profit guarantee for the financial period ended 31 October 2017.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B5 The taxation charge for the current quarter and period ended 31 October 2017 are detailed as follows:

	For the current quarter RM'000	Financial year to date RM'000
Group:-		
Based on the results for the period:-		
Current period provision		
- Malaysian taxation	3,972	7,960
- Deferred tax	47	128
	<u>4,019</u>	<u>8,088</u>

The disproportionate tax charge of the Group for the current quarter and period ended 31 October 2017 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 October 2017.

	As at 31/10/2017 RM'000
Short term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	153,201
Long term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	103,585
Total borrowings	<u>256,786</u>

B8 There were no material litigations for the current quarter.

B9 The Board has recommended a second interim dividend of 1.0 sen single-tier dividend per share (previous year corresponding quarter ended 31 October 2016: second interim dividend of 1.0 sen single-tier dividend per share) in respect of financial year ending 30 April 2018 to be payable on 26 January 2018. The entitlement date has been fixed on 12 January 2018. The total dividend declared for the financial period ended 31 October 2017 amounted to 2.0 sen single-tier dividend per share (previous corresponding financial period ended 31 October 2016: 1.50 sen single-tier dividend per share).

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 12 January 2018 in respect of ordinary transfers.
- Shares bought on the Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

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

	For the current quarter RM'000	Financial year to date RM'000
Interest income	(47)	(92)
Dividend income	-	-
Other income excluding dividend and interest income	-	-
Gain on disposal of property, plant and equipment	-	(9)
Loss on disposal of property, plant and equipment	-	-
Write down of property, plant and equipment	37	37
Depreciation of property, plant and equipment	9,249	18,702
Amortisation of intangible assets	548	1,030
Impairment loss on receivables	-	-
Impairment in value of AFS quoted investments	-	-
Provision for and write off of inventories	-	-
Foreign exchange loss/(gain), net	(2,343)	(2,352)
Gain or loss on derivatives	-	-

B11 Realised and unrealised earnings of the Group is analysed as follows:

	As at 31/10/2017 RM'000	As at 30/04/2017 RM'000 (Audited)
Total retained earnings of the Company and its subsidiary companies:		
- realised	52,404	48,725
- unrealised	4,138	4,141
	<u>56,542</u>	<u>52,866</u>
Consolidation adjustments	160,374	160,374
Total group retained earnings as per consolidated accounts	<u>216,916</u>	<u>213,240</u>

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B12 The basic and diluted earnings per share are calculated as follows:

	Group (3-month period)			
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
	RM'000		Sen	
Net profit for the quarter (RM'000)	<u>5,812</u>	<u>5,034</u>		
Weighted average number of ordinary shares in issue ('000)	<u>375,870</u>	<u>377,068</u>		
Basic earnings per share (Sen)			<u>1.55</u>	<u>1.34</u>
Net profit for the quarter (RM'000)	<u>5,812</u>	<u>5,034</u>		
Number of shares used in the calculation of basic earnings per share ('000)	375,870	377,068		
Number of shares assuming exercise of ESS options ('000)	278	-		
Number of shares assuming exercise of warrants ('000)	-	1,387		
	<u>376,148</u>	<u>378,455</u>		
Diluted earnings per share (Sen)			<u>1.55</u>	<u>1.33</u>

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

	Group (6-month period)			
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
	RM'000		Sen	
Net profit for the period (RM'000)	<u>11,150</u>	<u>10,036</u>		
Weighted average number of ordinary shares in issue ('000)	<u>375,135</u>	<u>377,068</u>		
Basic earnings per share (Sen)			<u>2.97</u>	<u>2.66</u>
Net profit for the period (RM'000)	<u>11,150</u>	<u>10,036</u>		
Number of shares used in the calculation of basic earnings per share ('000)	375,135	377,068		
Number of shares assuming exercise of ESS options ('000)	278	-		
Number of shares assuming exercise of warrants ('000)	<u>-</u>	<u>1,387</u>		
	<u>375,413</u>	<u>378,455</u>		
Diluted earnings per share (Sen)			<u>2.97</u>	<u>2.65</u>

c.c. Securities Commission