

# **Berjaya Food Berhad**

Company No: 876057-U

Date: 15 September 2017

Subject: **UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR  
THE PERIOD ENDED 31 JULY 2017**

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**BERJAYA FOOD BERHAD**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

	<u>Current Quarter</u>	
	3 months ended	
	31/07/2017	31/07/2016
	RM'000	RM'000
REVENUE	154,390	141,370
PROFIT FROM OPERATIONS	12,361	10,884
Investment related income	45	49
Finance cost	(3,649)	(3,485)
PROFIT BEFORE TAX	8,757	7,448
TAXATION	(4,069)	(3,118)
PROFIT AFTER TAX	4,688	4,330
OTHER COMPREHENSIVE ITEMS:		
<u>To be reclassified to profit or loss in subsequent periods:</u>		
- Foreign currency translation	1,523	(870)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>6,211</u>	<u>3,460</u>
PROFIT ATTRIBUTABLE TO:		
- Equity holders of the Company	5,338	5,002
- Non-controlling interests	(650)	(672)
	<u>4,688</u>	<u>4,330</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Equity holders of the Company	6,501	4,728
- Non-controlling interests	(290)	(1,268)
	<u>6,211</u>	<u>3,460</u>
EARNINGS PER SHARE (SEN)		
-Basic, for the period	1.43	1.32
-Diluted, for the period	<u>1.42</u>	<u>1.32</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 2017  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 31/07/2017	As at 30/04/2017 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	217,087	216,955
Deferred tax assets	5,944	6,004
Intangible assets	455,977	454,734
Receivables	20,061	20,547
	<u>699,069</u>	<u>698,240</u>
<b>Current Assets</b>		
Inventories	41,552	37,752
Trade and other receivables	31,936	22,386
Tax recoverable	5,107	4,392
Deposits with financial institutions	823	2,400
Cash and bank balances	21,577	23,865
	<u>100,995</u>	<u>90,795</u>
<b>TOTAL ASSETS</b>	<u><u>800,064</u></u>	<u><u>789,035</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	241,704	240,617
Reserves	163,343	159,634
	<u>405,047</u>	<u>400,251</u>
Treasury shares	(8,334)	(8,334)
	<u>396,713</u>	<u>391,917</u>
Non-controlling interests	(17,877)	(17,587)
<b>Equity funds</b>	<u><u>378,836</u></u>	<u><u>374,330</u></u>
<b>Non-current liabilities</b>		
Long term borrowings	124,779	124,648
Deferred taxation	1,807	1,863
Other long term liabilities	35	41
Provisions for restoration costs	10,289	10,159
	<u>136,910</u>	<u>136,711</u>
<b>Current Liabilities</b>		
Payables and provisions	91,785	92,305
Bank borrowings	137,827	130,630
Deferred income	54,706	55,059
	<u>284,318</u>	<u>277,994</u>
<b>Total Liabilities</b>	<u><u>421,228</u></u>	<u><u>414,705</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>800,064</u></u>	<u><u>789,035</u></u>
Basic net assets per share (sen)	105.69	104.75
Dilutive net assets per share (sen)	104.55	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 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Attributable to the equity holders of the Company

	Non-distributable						Distributable		Total	Non-controlling interests	Total equity
	Share capital	Share premium	Employees' share plan reserve*	Warrant reserve	Exchange reserve	Merger deficit	Retained earnings	Treasury shares			
	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	-	-	-	-	1,163	-	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	241,704	-	2,661	136	801	(55,087)	214,832	(8,334)	396,713	(17,877)	378,836
At 1 May 2016	189,144	49,466	-	441	612	(55,087)	214,927	-	399,503	(11,000)	388,503
Total comprehensive income	-	-	-	-	(274)	-	5,002	-	4,728	(1,268)	3,460
<u>Transactions with owners</u>											
Treasury shares acquired	-	-	-	-	-	-	-	(397)	(397)	-	(397)
Warrants exercised	10	7	-	(4)	-	-	-	-	13	-	13
Interim dividends	-	-	-	-	-	-	(3,781)	-	(3,781)	-	(3,781)
At 31 July 2016	189,154	49,473	-	437	338	(55,087)	216,148	(397)	400,066	(12,268)	387,798

\* 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 JULY 2017

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/07/2017	31/07/2016
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from operations	153,558	146,992
Payments to suppliers and operating expenses	(141,887)	(140,181)
Payment of taxes	(4,732)	(5,535)
Net cash generated from operating activities	<u>6,939</u>	<u>1,276</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	9	2
Acquisition of property, plant and equipment	(10,537)	(7,906)
Acquisition of intangible assets	(1,721)	(206)
Interest received	45	30
Net cash used in investing activities	<u>(12,204)</u>	<u>(8,080)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	852	13
Treasury shares acquired	-	(397)
Dividends paid	(3,746)	(3,781)
Interest paid	(3,424)	(3,085)
Drawdown of bank and other borrowings	7,500	-
Repayment of bank and other borrowings	(369)	(3,000)
Payment of hire purchase	(6)	-
Placement in bank as security pledged for borrowing	(14)	(16)
Net cash generated from/(used in) financing activities	<u>793</u>	<u>(10,266)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,472)</u>	<u>(17,070)</u>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	21,827	33,354
Effect of exchange rate changes	22	31
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>17,377</u>	<u>16,315</u>
Cash and cash equivalents carried forward comprise:	RM'000	RM'000
Deposits with financial institutions	823	159
Cash and bank balances	<u>21,577</u>	<u>20,552</u>
	22,400	20,711
Less: Deposits with maturity more than 3 months	(571)	-
Less: Cash pledged with bank - restricted	(4,452)	(4,396)
	<u>17,377</u>	<u>16,315</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 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 July 2017, the issued and paid up ordinary share capital of the Company was RM241,704,121. 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	-	3,100
Warrants exercised	1,213,140	1,079,694
As at 31 July 2017	<u>380,789,480</u>	<u>241,704,121</u>

**ESS**

As at 31 July 2017, the total number of unexercised ESS options was 11,127,240 and the total number of ESS shares that have not been awarded was 3,005,000.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017

## NOTES TO THE INTERIM FINANCIAL REPORT

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

As at 31 July 2017, there was a total of 715,840 Warrants outstanding. The movements during the financial period were as follows:-

	<b>Units</b>
As at 1 May 2017	1,928,980
Exercised	(1,213,140)
<b>As at 31 July 2017</b>	<b>715,840</b>
Exercised subsequent to 31 July 2017	(553,677)
Expired on 8 August 2017 *	(162,163)
As at 9 August 2017	-

\* All unexercised warrants on the expiry date were withdrawn from the respective Depositor's CDS Account on 9 August 2017.

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

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

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

As at 31 July 2017, the number of outstanding shares in issue and fully paid up with voting rights (rounded to nearest thousand) was 375,347,000 (31 July 2016: 387,068,000) ordinary shares.

A6 During the financial period ended 31 July 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.

**BERJAYA FOOD BERHAD**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017

## NOTES TO THE INTERIM FINANCIAL REPORT

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

	Group RM'000
<b>REVENUE</b>	
Malaysia	142,599
Indonesia	2,381
Singapore	7,698
Other South-East Asian countries	1,712
Total revenue	<u>154,390</u>
	Group RM'000
<b>RESULTS</b>	
Malaysia	14,851
Indonesia	(1,333)
Singapore	(399)
Other South-East Asian countries	13
	<u>13,132</u>
Unallocated corporate expenses	(771)
Profit from operations	<u>12,361</u>
Investment related income	
- Interest income	45
Finance cost	(3,649)
Profit before tax	<u>8,757</u>
Taxation	(4,069)
Profit for the period	<u>4,688</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 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 JULY 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 RM154.39 million and pre-tax profit of RM8.76 million in the current quarter ended 31 July 2017 as compared to a revenue of RM141.37 million and pre-tax profit of RM7.45 million reported in the previous year corresponding quarter.

The higher revenue and pre-tax profit was mainly due to additional cafes operating in the current quarter.

- B2 First quarter vs fourth quarter of the preceding financial year

For the current quarter under review, the Group reported an increase in revenue from RM151.4 million (fourth quarter ended 30 April 2017) to RM154.39 million and pre-tax profit increased from RM1.00 million (fourth quarter ended 30 April 2017) to RM8.76 million.

The higher revenue in the current quarter was mainly due to additional cafes operating in the current quarter. The lower pre-tax profit in the previous quarter was mainly due to impairment of fixed assets and intangible assets as measures were taken to curtail future losses.

- B3 Future prospects

With the weak consumer demand, the Group will be operating in a challenging environment in the remaining quarters. Nevertheless, the Group expects Starbucks to maintain its revenue growth momentum, and the price adjustment in the previous financial year is expected to mitigate the negative impact from the fluctuating Ringgit Malaysia. In addition, the operational and menu rationalisation of KRR will also have a potential to yield positive results for the brand moving forward.

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

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

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

	For the current quarter RM'000
Group:-	
Based on the results for the period:-	
Current period provision	
- Malaysian taxation	3,988
- Deferred tax	81
	<u>4,069</u>

The disproportionate tax charge of the Group for the current quarter and period ended 31 July 2017 was mainly due to certain expenses or losses being disallowed for tax purposes, different foreign tax rate 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 2017.

	As at 31/07/2017 RM'000
Short term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	137,827
Long term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	124,779
Total borrowings	<u>262,606</u>

B8 There were no material litigations for the current quarter.

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 2016: first interim dividend of 0.5 sen single-tier dividend per share) in respect of financial year ending 30 April 2018 to be payable on 27 October 2017. The entitlement date has been fixed on 13 October 2017.

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

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 13 October 2017 in respect of ordinary transfers.
- (b) Shares bought on the Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

**BERJAYA FOOD BERHAD**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

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

	For the current quarter RM'000
Interest income	(45)
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	-
Depreciation of property, plant and equipment	9,453
Amortisation of intangible assets	482
Impairment loss on receivables	-
Impairment in value of AFS quoted investments	-
Provision for and write off of inventories	-
Foreign exchange loss/(gain), net	(9)
Gain or loss on derivatives	-

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

	As at 31/07/2017 RM'000	As at 30/04/2017 RM'000
Total retained earnings of the Company and its subsidiary companies:		
- realised	50,322	48,725
- unrealised	4,136	4,141
	<u>54,458</u>	<u>52,866</u>
Consolidation adjustments	160,374	160,374
Total group retained earnings as per consolidated accounts	<u><u>214,832</u></u>	<u><u>213,240</u></u>

**BERJAYA FOOD BERHAD**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 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)			
	31/07/2017	31/07/2016	31/07/2017	31/07/2016
	RM'000		Sen	
Net profit for the quarter (RM'000)	<u>5,338</u>	<u>5,002</u>		
Weighted average number of ordinary shares in issue ('000)	<u>374,401</u>	<u>378,194</u>		
Basic earnings per share (Sen)			<u>1.43</u>	<u>1.32</u>
Net profit for the quarter (RM'000)	<u>5,338</u>	<u>5,002</u>		
Number of shares used in the calculation of basic earnings per share ('000)	374,401	378,194		
Number of shares assuming exercise of ESS options ('000)	-	-		
Number of shares assuming exercise of warrants ('000)	<u>356</u>	<u>1,342</u>		
	<u>374,757</u>	<u>379,536</u>		
Diluted earnings per share (Sen)			<u>1.42</u>	<u>1.32</u>

c.c. Securities Commission