

Berjaya Food Berhad

Company No: 876057-U

Date: 11 November 2019

Subject: **UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR
THE PERIOD ENDED 30 SEPTEMBER 2019**

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BERJAYA FOOD BERHAD**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	<u>Current Quarter</u>	
	3 months ended	
	30/09/2019	30/09/2018
	RM'000	RM'000
REVENUE	180,435	N/A
PROFIT FROM OPERATIONS	15,719	N/A
Investment related income	94	N/A
Finance cost	(7,245)	N/A
PROFIT BEFORE TAX	8,568	N/A
TAXATION	(3,990)	N/A
PROFIT AFTER TAX	4,578	N/A
OTHER COMPREHENSIVE ITEM: <u>To be reclassified to profit or loss in subsequent periods:</u>		
- Foreign currency translation	(52)	N/A
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,526	N/A
PROFIT ATTRIBUTABLE TO:		
- Equity holders of the parent	4,608	N/A
- Non-controlling interests	(30)	N/A
	4,578	N/A
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Equity holders of the Company	4,569	N/A
- Non-controlling interests	(43)	N/A
	4,526	N/A
EARNINGS PER SHARE (SEN)		
-Basic, for the period	1.28	N/A
-Diluted, for the period	1.28	N/A

N/A denotes Not Applicable

Note:

As announced on 2 May 2019, the financial year end has been changed from 30 April to 30 June to be coterminous with the new financial year end of the Company's ultimate holding company. As such, no comparative figures are presented due to the change of financial year end.

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

BERJAYA FOOD BERHADUNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	515,675	275,456
Deferred tax assets	7,007	5,902
Intangible assets	459,203	459,631
Receivables	24,510	24,942
	<u>1,006,395</u>	<u>765,931</u>
Current Assets		
Inventories	41,583	37,159
Trade and other receivables	27,458	27,440
Tax recoverable	3,775	2,430
Deposits with financial institutions	7,542	7,488
Cash and bank balances	10,398	14,971
	<u>90,756</u>	<u>89,488</u>
TOTAL ASSETS	<u><u>1,097,151</u></u>	<u><u>855,419</u></u>
EQUITY AND LIABILITIES		
Share capital	243,858	243,742
Reserves	162,142	157,314
	<u>406,000</u>	<u>401,056</u>
Treasury shares	(35,730)	(35,730)
	<u>370,270</u>	<u>365,326</u>
Non-controlling interests	1,175	1,218
Equity funds	<u><u>371,445</u></u>	<u><u>366,544</u></u>
Non-current liabilities		
Long term borrowings	126,952	127,400
Lease liabilities	174,384	-
Deferred taxation	824	261
Provisions	11,308	12,449
	<u>313,468</u>	<u>140,110</u>
Current Liabilities		
Payables and provisions	102,972	118,262
Bank borrowings	170,563	161,121
Lease liabilities	67,049	-
Contract liabilities	71,654	69,382
	<u>412,238</u>	<u>348,765</u>
Total Liabilities	<u><u>725,706</u></u>	<u><u>488,875</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,097,151</u></u>	<u><u>855,419</u></u>
Basic net assets per share (sen)	103.24	101.88
Dilutive net assets per share (sen)	100.43	101.15

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 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 30 SEPTEMBER 2019
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the parent

	Employees' share		Non-distributable			Distributable		Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	plan reserve* RM'000	Consolidation reserve RM'000	Exchange reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Treasury shares RM'000			
At 1 July 2019	243,742	4,586	322	1,850	(55,087)	205,643	(35,730)	365,326	1,218	366,544
Total comprehensive income	-	-	-	(39)	-	4,608	-	4,569	(43)	4,526
<u>Transactions with owners</u>										
ESS options exercised	109	(24)	-	-	-	-	-	85	-	85
ESS options/shares forfeited	7	(7)	-	-	-	-	-	-	-	-
Share-based payment under ESS	-	290	-	-	-	-	-	290	-	290
At 30 September 2019	<u>243,858</u>	<u>4,845</u>	<u>322</u>	<u>1,811</u>	<u>(55,087)</u>	<u>210,251</u>	<u>(35,730)</u>	<u>370,270</u>	<u>1,175</u>	<u>371,445</u>

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

Note:

As announced on 2 May 2019, the financial year end has been changed from 30 April to 30 June to be coterminous with the new financial year end of the Company's ultimate holding company. As such, no comparative figures are presented due to the change of financial year end.

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

BERJAYA FOOD BERHADUNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	30/09/2019 RM'000	30/09/2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	183,558	N/A
Payments to suppliers and operating expenses	(156,660)	N/A
Payment of taxes	(6,219)	N/A
Net cash generated from operating activities	<u>20,679</u>	<u>N/A</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,242)	N/A
Acquisition of intangible assets	(310)	N/A
Interest received	94	N/A
Net cash used in investing activities	<u>(6,458)</u>	<u>N/A</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	85	N/A
Dividends paid	(3,586)	N/A
Interest paid	(4,450)	N/A
Payment of lease liabilities	(19,668)	N/A
Drawdown of bank borrowings	10,000	N/A
Payment of hire purchase	(153)	N/A
Net placement in bank as security pledged for borrowing	(53)	N/A
Net cash used in financing activities	<u>(17,825)</u>	<u>N/A</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(3,604)</u>	<u>N/A</u>
OPENING CASH AND CASH EQUIVALENTS	14,023	N/A
Effect of exchange rate changes	(21)	N/A
CLOSING CASH AND CASH EQUIVALENTS	<u>10,398</u>	<u>N/A</u>
Cash and cash equivalents carried forward comprise:	RM'000	RM'000
Deposits with financial institutions	7,542	N/A
Cash and bank balances	10,398	N/A
	<u>17,940</u>	<u>N/A</u>
Less: Cash pledged with bank - restricted	-	N/A
Deposits pledged with bank - restricted	(7,542)	N/A
	<u>10,398</u>	<u>N/A</u>

N/A denotes Not Applicable

Note:

As announced on 2 May 2019, the financial year end has been changed from 30 April to 30 June to be coterminous with the new financial year end of the Company's ultimate holding company. As such, no comparative figures are presented due to the change of financial year end.

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

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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 period ended 30 June 2019. 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 period ended 30 June 2019.

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 period ended 30 June 2019 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 July 2019.

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 except for the following:

MFRS 16: Leases

MFRS 16 has replaced MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single, on-balance sheet model similar to the accounting for finance leases under MFRS 117.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group adopted the MFRS 16 using the modified retrospective method of adoption, under which the cumulative effect of initial recognition is recognised in retained earnings. The Group measured its right-of-use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (i.e. 1 July 2019). The Group does not restate the comparative information, which continues to be reported under MFRS 117.

The effect of adoption of MFRS 16 to the Group as at 1 July 2019 is as follows:

<u>Consolidated Statement of Financial Position</u>	Increase/ (decrease) RM'000
Assets	
Property, plant and equipment - Right-of-use assets	<u>257,902</u>
Liabilities	
Lease Liabilities	<u>257,902</u>

Significant accounting policies

The standard requires the Group to recognise a right-of-use asset and a lease liability on the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurement of the lease liability.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTES TO THE INTERIM FINANCIAL REPORT

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 second quarter, while certain festive celebrations fall during the second and third 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 and third quarters of the financial year.

A3 There was no unusual items during the financial period under review:

A4 As at 30 September 2019, the issued ordinary share capital of the Company was RM243,857,625.

The movements during the financial period were as follows:-

	Number of ordinary shares	RM
<u>Issued share capital</u>		
As at 1 July 2019	382,083,457	243,741,804
ESS options exercised	58,900	108,965 *
ESS options forfeited	-	6,856
As at 30 September 2019	<u>382,142,357</u>	<u>243,857,625</u>

Note:

* Comprised RM84,816 cash subscription of share capital and RM24,149 on transfer of Employees' share plan reserves.

ESS

As at 30 September 2019, the total number of unexercised ESS options was 8,349,440 and the total number of ESS shares that have not been vested was 1,571,570.

A5 There was no share buyback during the financial period ended 30 September 2019.

The number of treasury shares held in hand as at 30 September 2019 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 30 September 2019	1.52	23,500,000	35,730

As at 30 September 2019, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 358,642,000 ordinary shares.

A6 During the financial period ended 30 September 2019, the Company paid the following dividend:

- i) Fourth interim dividend of 1.0 sen per share single-tier dividend amounting to about RM3.59 million in respect of the financial period ended 30 June 2019 on 26 July 2019.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTES TO THE INTERIM FINANCIAL REPORT

A7 Segment information for the financial period ended 30 September 2019:-

	Group RM'000
REVENUE	
Malaysia	172,560
Singapore	6,260
Other South-East Asian countries	1,615
Total revenue	<u>180,435</u>
RESULTS	Group RM'000
Malaysia	16,679
Singapore	(387)
Other South-East Asian countries	(63)
	<u>16,229</u>
Unallocated corporate expenses	(510)
Profit from operations	<u>15,719</u>
Investment related income	
- Interest income	94
Finance cost	(7,245)
Profit before tax	<u>8,568</u>
Taxation	(3,990)
Profit for the period	<u>4,578</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 June 2019.
- A11 There were no material changes in capital commitment since the last audited statement of financial position as at 30 June 2019.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019
 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 %
	30/09/2019 RM'000	30/09/2018 RM'000	
Revenue	<u>180,435</u>	<u>N/A</u>	<u>N/A</u>
Profit from operations	<u>15,719</u>	<u>N/A</u>	<u>N/A</u>
Profit before tax	<u>8,568</u>	<u>N/A</u>	<u>N/A</u>

Review of results for the current quarter

The Group registered a revenue of RM180.44 million and pre-tax profit of RM8.57 million in the current quarter ended 30 September 2019.

The profit before tax for the current quarter under review was adversely impacted by the adoption of MFRS 16: Leases as disclosed in Note A1. MFRS 16 requires depreciation be charged on the right-of-use assets and interest expenses be incurred on lease liability instead of lease rental expenses, which was required by the previous accounting standard for leases, MFRS 117, to be charged out in profit and loss. In the current quarter under review and on the aggregate, the depreciation of right-of-use assets and the lease liability interest expense are higher than the lease rental expenses. Thus, this resulted in a lower profit before tax upon the adoption of MFRS 16. The profit before tax would have been RM10.78 million, if the lease rentals of all the leased outlets were accounted for under the previous accounting standard for leases.

- B2 Review of results of current quarter vs preceding period

	3-Month	2-Month	Variance %
	1/7/2019 to 30/9/2019 RM'000	1/5/2019 to 30/6/2019 RM'000	
Revenue	<u>180,435</u>	<u>110,760</u>	<u>63</u>
Profit from operations	<u>15,719</u>	<u>4,846</u>	<u>224</u>
Profit before tax	<u>8,568</u>	<u>2,288</u>	<u>274</u>

The Group reported a revenue of RM180.44 million and pre-tax profit of RM8.57 million in the current quarter as compared to a revenue of RM110.76 million and pre-tax profit of RM2.29 million reported in the preceding 2-month period .

The lower revenue and pre-tax profit in the preceding 2-month period was mainly due to shorter reporting period and the impact of Muslim fasting month, which fell in that period.

- B3 Future prospects

The overall results for the remaining quarters of the financial year ending 30 June 2020 will be adversely impacted by the adoption of MFRS 16 as almost all the Group's operating outlets are on lease. Nevertheless, the Group expects to mitigate this adverse impact with BStarbucks maintaining its revenue growth momentum, and the Group expanding both its income streams from new franchise business and its existing business. With these, it is anticipated that the operating results of the Group will remain satisfactory in the remaining quarters.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B4 There is no profit forecast or profit guarantee for the financial period ended 30 September 2019.

B5 The taxation charge for the current quarter ended 30 September 2019 are detailed as follows:

	For the current quarter RM'000
Group:-	
Based on the results for the period:-	
Current period provision	
- Malaysian taxation	4,528
Deferred tax	(539)
Over provision in prior years	<u>1</u>
	<u><u>3,990</u></u>

The disproportionate tax charge of the Group for the current quarter ended 30 September 2019 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 30 September 2019.

	As at 30/09/2019 RM'000
Short term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	170,563
Long term borrowing	
<u>Secured</u>	
Denominated in Ringgit Malaysia	126,952
Total borrowings	<u><u>297,515</u></u>

B8 There were no material litigations for the current quarter.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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 30 September 2018: Not Applicable) in respect of financial year ending 30 June 2020 to be payable on 27 December 2019. The entitlement date has been fixed on 12 December 2019.

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

- Shares transferred to the Depositor's Securities Account before 4.30 p.m. on 12 December 2019 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	(94)
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	76
Depreciation of property, plant and equipment	27,701
Amortisation of intangible assets	735
Impairment loss on receivables	-
Provision for and write off of inventories	-
Foreign exchange loss/(gain), net	(452)
Gain or loss on derivatives	-
	<u>-</u>

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

	Group (3-month period)			
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 Sen	30/09/2018 Sen
Net profit for the quarter (RM'000)	<u>4,608</u>	<u>N/A</u>		
Weighted average number of ordinary shares in issue ('000)	<u>358,631</u>	<u>N/A</u>		
Basic earnings per share (Sen)			<u>1.28</u>	<u>N/A</u>
Net profit for the quarter (RM'000)	<u>4,608</u>	<u>N/A</u>		
Number of shares used in the calculation of basic earnings per share ('000)	358,631	N/A		
Number of shares assuming exercise of ESS shares ('000)	<u>1,572</u>	<u>N/A</u>		
	<u>360,203</u>	<u>N/A</u>		
Diluted earnings per share (Sen)			<u>1.28</u>	<u>N/A</u>

c.c. Securities Commission