



The Board of Directors of Mynews Holdings Berhad is pleased to present the unaudited interim financial report of Mynews Holdings Berhad and its subsidiaries (“Mynews” or the “Group”) for the fourth quarter ended 31 October 2018. This report should be read in conjunction with its audited financial statements for the financial year ended 31 October 2017 and the accompanying notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018**

i) Current quarter and financial year to date

| | Current Quarter 3 months ended | | | | Cumulative Quarters 12 months ended | | | |
|---|-----------------------------------|--------------------------|----------------------------------|--------|--|--------------------------|----------------------------------|--------|
| | 31 Oct 2018 RM'000 | 31 Oct 2017 RM'000 | Changes Fav/(Unfav) RM'000 | % | 31 Oct 2018 RM'000 | 31 Oct 2017 RM'000 | Changes Fav/(Unfav) RM'000 | % |
| Revenue | 109,341 | 90,399 | 18,942 | 21.0 | 391,528 | 327,598 | 63,930 | 19.5 |
| Cost of sales | (69,312) | (57,734) | (11,578) | (20.1) | (243,900) | (206,948) | (36,952) | (17.9) |
| Gross profit | 40,029 | 32,665 | 7,364 | 22.5 | 147,628 | 120,650 | 26,978 | 22.4 |
| Other income | 1,065 | (792) | 1,857 | 234.5 | 3,520 | 1,285 | 2,235 | 173.9 |
| Operating expenses | (31,440) | (23,585) | (7,855) | (33.3) | (111,745) | (85,773) | (25,972) | (30.3) |
| Other expenses | (2,990) | (1,797) | (1,193) | (66.4) | (9,064) | (6,987) | (2,077) | (29.7) |
| Finance costs | (51) | (86) | 35 | 40.7 | (359) | (420) | 61 | 14.5 |
| Share of profit in jointly controlled entity | 708 | 651 | 57 | 8.8 | 2,242 | 1,941 | 301 | 15.5 |
| Profit before tax | 7,321 | 7,056 | 265 | 3.8 | 32,222 | 30,696 | 1,526 | 5.0 |
| Tax expense | (1,737) | (1,770) | 33 | 1.9 | (6,203) | (6,675) | 472 | 7.1 |
| Profit after tax, representing comprehensive income for the period | 5,584 | 5,286 | 298 | 5.6 | 26,019 | 24,021 | 1,998 | 8.3 |
| Profit attributable to: | | | | | | | | |
| Owners of the Company | 6,069 | 5,286 | 783 | 14.8 | 26,504 | 24,021 | 2,483 | 10.3 |
| Non-controlling interest | (485) | - | (485) | 100.0 | (485) | - | (485) | 100.0 |
| | 5,584 | 5,286 | 298 | 5.6 | 26,019 | 24,021 | 1,998 | 8.3 |
| Basic earnings per ordinary share (sen) (Note B12) | 0.89 | 1.70 | (0.81) | (47.6) | 3.89 | 7.73 | (3.84) | (49.7) |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)**

ii) Current quarter compared with immediate preceding quarter

| | Current Quarter 31 Oct 2018 | Immediate Preceding Quarter 31 Jul 2018 | Changes Fav/(Unfav) | |
|---|--|--|--------------------------------|----------|
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 109,341 | 97,882 | 11,459 | 11.7 |
| Cost of sales | (69,312) | (60,555) | (8,757) | (14.5) |
| Gross profit | 40,029 | 37,327 | 2,702 | 7.2 |
| Other income | 1,065 | 709 | 356 | 50.2 |
| Operating expenses | (31,440) | (27,940) | (3,500) | (12.5) |
| Other expenses | (2,990) | (2,287) | (703) | (30.7) |
| Finance costs | (51) | (99) | 48 | 48.5 |
| Share of profit in jointly controlled entity | 708 | 611 | 97 | 15.9 |
| Profit before tax | 7,321 | 8,321 | (1,000) | (12.0) |
| Tax expense | (1,737) | (1,056) | (681) | (64.5) |
| Profit after tax, representing comprehensive income for the period | 5,584 | 7,265 | (1,681) | (23.1) |
| Profit attributable to: | | | | |
| Owners of the Company | 6,069 | 7,265 | (1,196) | (16.5) |
| Non-controlling interest | (485) | - | (485) | 100.0 |
| | 5,584 | 7,265 | (1,681) | (23.1) |
| Basic earnings per ordinary share (sen) | 0.89 | 1.06 | (0.17) | (16.0) |



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018**

| | Notes | Unaudited 31 October 2018 RM'000 | Audited 31 October 2017 RM'000 |
|---|-------|--|--------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 154,353 | 80,595 |
| Investment in jointly controlled entity | | 6,700 | 4,620 |
| Other investments | 2 | 5 | 5 |
| Fixed deposits with licensed banks | | 800 | 800 |
| Total non-current assets | | 161,858 | 86,020 |
| Current assets | | | |
| Inventories | 1 | 44,163 | 31,726 |
| Trade receivables | | 10,705 | 10,652 |
| Other receivables | | 49,117 | 31,460 |
| Amount due from jointly controlled entity | | 112 | 1,201 |
| Other investments | 2 | 43,300 | 105,735 |
| Deposits with licensed banks | | 1,028 | 1,028 |
| Cash and bank balances | | 23,198 | 22,006 |
| Total current assets | | 171,623 | 203,808 |
| Total assets | | 333,481 | 289,828 |

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018 (Cont'd)

| | Notes | Unaudited 31 October 2018 RM'000 | Audited 31 October 2017 RM'000 |
|--------------------------------------|-------|--|--------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 201,581 | 201,581 |
| Revaluation reserve | | 5,844 | 8,561 |
| Merger deficit | | (45,952) | (45,952) |
| Retained earnings | | 99,840 | 77,441 |
| Equity attributable to owners | | 261,313 | 241,631 |
| Non-controlling interest | | 15,685 | - |
| Total equity | | 276,998 | 241,631 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | 1,920 | 5,500 |
| Finance lease liabilities | | 795 | 751 |
| Deferred tax liabilities | | 2,712 | 2,749 |
| Total non-current liabilities | | 5,427 | 9,000 |
| Current liabilities | | | |
| Trade payables | | 33,392 | 23,022 |
| Other payables | | 14,581 | 13,424 |
| Amount due to related parties | | (8) | 61 |
| Bank borrowings | | 2,364 | 1,414 |
| Finance lease liabilities | | 346 | 290 |
| Tax payable | | 381 | 986 |
| Total current liabilities | | 51,056 | 39,197 |
| Total liabilities | | 56,483 | 48,197 |
| Total equity and liabilities | | 333,481 | 289,828 |
| Net assets per share (RM) | 3 | 0.41 | 0.78 |

Notes:

- 1 Included in inventories are foreign currencies equivalent to RM135,000 held for the money changing business.
- 2 Other investments comprised placement in money market instrument funds (RM43,300,000) and Real Estate Investment Trust (RM5,000).
- 3 Computed based on weighted average number of shares as reported in Note B12. The number of shares was increased following the issuance of:
 - (a) 31,077,000 new ordinary shares pursuant to a private placement on 25 October 2017; and
 - (b) 341,077,000 new ordinary shares pursuant to a bonus issue on 20 December 2017.

Please refer to Notes (1) and (2) on page 5 for more details on the new shares issuance.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018**

| | ← Attributable to owner of the parent → | | | | | | | Total Equity RM'000 |
|--|---|------------------|------------------------|-------------------|----------------------|---------|---------------------------------|---------------------------|
| | Share Capital | Share Premium | Revaluation Reserve | Merger Deficit | Retained Earnings | Total | Non- Controlling Interest | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| As at 1 November 2016 | 62,014 | 67,320 | 8,561 | (45,952) | 60,482 | 152,425 | - | 152,425 |
| Transfer pursuant to S618(2) of CA 2016 ⁽¹⁾ | 67,320 | (67,320) | - | - | - | - | - | - |
| Issuance of new shares ⁽²⁾ | 72,247 | - | - | - | - | 72,247 | - | 72,247 |
| Share issuance expenses ⁽³⁾ | - | - | - | - | (861) | (861) | - | (861) |
| Dividends | - | - | - | - | (6,201) | (6,201) | - | (6,201) |
| Total comprehensive income for the year | - | - | - | - | 24,021 | 24,021 | - | 24,021 |
| As at 31 October 2017 | 201,581 | - | 8,561 | (45,952) | 77,441 | 241,631 | - | 241,631 |
| Total comprehensive income for the year | - | - | - | - | 26,504 | 26,504 | (485) | 26,019 |
| Realised revaluation reserve due to disposal of properties | - | - | (2,717) | - | 2,717 | - | - | - |
| Issuance of subsidiary companies shares ⁽⁴⁾ | - | - | - | - | - | - | 16,170 | 16,170 |
| Dividends | - | - | - | - | (6,822) | (6,822) | - | (6,822) |
| As at 31 October 2018 | 201,581 | - | 5,844 | (45,952) | 99,840 | 261,313 | 15,685 | 276,998 |

Notes:

- (1) Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016") which came into effect on 31 January 2017, any outstanding share premium and capital redemption reserve accounts shall become part of the share capital account. Under the transitional provision in Section 618 (3) of the CA 2016, the Company utilised the credit of RM67,320,000 that was transferred from the share premium account to the share capital account for the issuance of bonus shares on the basis of one (1) bonus share for each existing Mynews share held on the entitlement date 20 December 2017, at RM0.20 per bonus share being the par value of the Mynews shares immediately before the effective date of the CA 2016.
- (2) On 25 October 2017, the Company issued 31,007,000 new ordinary shares, being 10% of its then existing paid-up number of shares via a private placement at an issue price of RM2.33 per share.
- (3) The share issuance expenses for the private placement as in Note (2) above which amounted to RM861,000 were written off against retained earnings in accordance to MFRS 101 Presentation of Financial Statements.
- (4) This represents the 49% non-controlling interest in Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd which paid-up share capital was RM25.00 million and RM8.00 million respectively as at 31 October 2018.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018**

| | Cumulative Quarters 12 months ended | |
|---|--|--------------------|
| | 31 Oct 2018 | 31 Oct 2017 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 32,222 | 30,696 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 8,158 | 6,000 |
| Bad debts written off | 9 | - |
| Net loss on disposal of property, plant and equipment | 3 | 57 |
| Dividend income from other investments | (2,211) | (838) |
| Fair value gain on other investments | - | (1,070) |
| Share of profit in jointly controlled entity | (2,242) | (1,941) |
| Property, plant and equipment written off | 892 | 925 |
| Interest expense | 359 | 420 |
| Interest income | (352) | (215) |
| Operating profit before working capital changes | 36,838 | 34,034 |
| Changes in working capital | | |
| Increase in inventories | (12,436) | (1,944) |
| Increase in receivables | (17,719) | (16,697) |
| Increase/(Decrease) in payables | 11,526 | (3,972) |
| Decrease in amount due from jointly controlled entity | 1,251 | 29 |
| (Decrease)/Increase in amount due to related parties | (69) | 15 |
| Cash generated from operations | 19,391 | 11,465 |
| Tax refund | - | 189 |
| Tax paid | (6,845) | (5,770) |
| Net cash generated from operating activities | 12,546 | 5,884 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend income from other investments | 2,211 | 838 |
| Proceeds from disposal of property, plant and equipment | 3,456 | 155 |
| Purchase of property, plant and equipment | (86,268) | (21,736) |
| Upliftment of funds in other investments | 88,435 | 87,020 |
| Placement of funds in other investments | (26,000) | (128,355) |
| Placement of fixed deposits | - | (70) |
| Advances to jointly controlled entity | - | (12) |
| Interest income | 352 | 215 |
| Net cash used in investing activities | (17,814) | (61,945) |

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)**

| | Cumulative Quarters 12 months ended | |
|---|--|----------------------|
| | 31 Oct 2018 | 31 Oct 2017 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (6,822) | (6,201) |
| Interest paid | (359) | (420) |
| Repayment of term loans | (2,630) | (1,355) |
| Proceeds from issuance of ordinary shares | - | 72,247 |
| Payment of share issuance expenses | - | (861) |
| Proceeds from issue of subsidiary companies shares to non-controlling interest | 16,170 | - |
| Drawdown/(Repayment) of finance lease liabilities | 101 | (282) |
| Repayment to a Director | - | (36) |
| Net cash generated from financing activities | <u>6,460</u> | <u>63,092</u> |
| Net increase in cash and cash equivalents | 1,192 | 7,031 |
| Cash and cash equivalents at 1 November | <u>23,034</u> | <u>16,003</u> |
| Cash and cash equivalents at 31 October | <u><u>24,226</u></u> | <u><u>23,034</u></u> |
| Reconciliation of cash and cash equivalents | | |
| Cash and bank balances | 23,198 | 22,006 |
| Deposits with licensed banks | 1,828 | 1,828 |
| | <u>25,026</u> | <u>23,834</u> |
| Less: Deposits pledged to licensed banks | (800) | (800) |
| | <u><u>24,226</u></u> | <u><u>23,034</u></u> |

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NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018

A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134: INTERIM FINANCIAL REPORTING (“MFRS”)

A1 CORPORATE INFORMATION

The principal activity of the Company is investment holding while its subsidiaries are principally involved in the business of press and convenience retailing, predominantly operating a homegrown retail chain in Malaysia under the trade name of “myNEWS.com”.

A2 BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). It should be read in conjunction with the audited financial statements of Mynews for the financial year ended 31 October 2017.

A3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 October 2017. In the previous years, the financial statements of the Group and the Company were prepared in accordance with Malaysian Financial Reporting Standard (“MFRSs”).

At the date of issuance of this quarterly report, the MFRSs, and amendments to MFRSs that had been issued but yet to be effective are listed below:

MFRSs, Amendments to MFRSs and IC Interpretation effective 1 January 2018:

| | |
|-------------------------|---|
| MFRS 9 | Financial Instruments IFRS 9 Issued by International Accounting Standards Board (“IASB”) in July 2014 |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2* | Share-based Payment: Clarification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 4* | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 7 | Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures |
| Amendments to MFRS 140* | Transfer of Investment Property |
| IC Interpretation 22* | Foreign Currency Transaction and Advance Consideration |

NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134: INTERIM FINANCIAL REPORTING ("MFRS") (Cont'd)

A3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

MFRSs, Amendments to MFRSs and IC Interpretation effective 1 January 2018: (Cont'd)

Annual Improvements to MFRSs 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)*

MFRSs, Amendments to MFRSs and IC Interpretation effective 1 January 2019

| | |
|------------------------|--|
| MFRS 16 | Leases |
| Amendments to MFRS 9* | Prepayment Features with Negative Compensation |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23* | Uncertainty over Income Tax Treatments |

Annual Improvements to MFRS Standards 2015 - 2017 Cycle

MFRS effective 1 January 2021:

| | |
|----------|--------------------|
| MFRS 17* | Insurance Contract |
|----------|--------------------|

Amendments to MFRSs - Effective date deferred indefinitely:

| | |
|----------------------|---|
| MFRS 10 and MFRS 128 | Consolidated Financial Statements and Investment in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
|----------------------|---|

* Not applicable to the Group.

The Group has not earlier adopted any of the new or revised standards and amendments to standards that had been issued but yet to be effective. The Group intends to adopt these standards, if applicable, when they become effective. The initial application of the new or revised MFRSs and Amendments to MFRSs, will be applied prospectively which entails more disclosure and is not expected to have any significant financial impact to the financial statements of the Group upon their initial adoption, other than MFRS 16: Leases which will be effective 1 January 2019. The adoption of MFRS 16: Leases will have an effect on the classification and measurement of the Group's lease assets and liabilities.

A4 AUDITORS' REPORT

There was no qualification on the audited financial statements of the Group for the financial year ended 31 October 2017.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134: INTERIM FINANCIAL REPORTING (“MFRS”) (Cont'd)

A5 SEASONAL OR CYCLICAL FACTORS

The Group does not experience any material seasonality in sales.

A6 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOW

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the quarter under review.

A7 CHANGES IN ESTIMATES

There were no changes in estimates that had a material effect in the quarter under review.

A8 DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the quarter under review.

A9 DIVIDEND PAID

During the current quarter, the Company paid interim dividend of 1 sen per share amounting to RM6.82 million.

A10 SEGMENTAL INFORMATION

The Group operates principally in the press and retail convenience segment in Malaysia. It has a licensing arrangement in Myanmar and recently embarked on the production of ready-to-eat (“RTE”) food to cater solely for sale at its outlets. The contribution from Myanmar is insignificant and the RTE food production has yet to be significant. Hence, the Group does not present its results by geographical or industry segment.

A11 SUBSEQUENT MATERIAL EVENTS

There was no material subsequent event except for the on-going construction of the food processing centre in Kota Damansara which is about 40% completed as at the date of this report. Barring unforeseen circumstances, the food processing centre is still expected to be completed by the end of the first quarter 2019.



NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134: INTERIM FINANCIAL REPORTING ("MFRS") (Cont'd)

A12 CHANGES IN COMPOSITION OF THE GROUP

There was no changes in composition of the Group during the financial quarter under review.

A13 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent assets as at 31 October 2018.

The contingent liabilities of the Group as at 31 October 2018 comprised bank guarantees totalling RM754,000 issued as security deposits in respect of tenancy of outlets of the jointly controlled entity and subsidiary companies and security deposit for the money remittance business.

A14 CAPITAL COMMITMENTS

The capital commitments of the Group as at 31 October 2018 were as follows:

| | RM'000 |
|--|----------------------|
| Authorised and contracted for: | |
| - Construction of food processing centre and purchase of equipment | 41,464 |
| - Investment in joint venture company | <u>6,120</u> |
| | <u><u>47,584</u></u> |

A15 PROPERTY, PLANT AND EQUIPMENT

For the twelve (12) months ended 31 October 2018, the Group acquired assets at the cost of RM80.67 million, which comprised RM51.70 million for the new premises at Kota Damansara; with the balance of RM28.97 million for renovations, furniture and fittings, equipment and computers that were principally for the setting up of new outlets and the Johor Bahru Distribution Centre.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134: INTERIM FINANCIAL REPORTING ("MFRS") (Cont'd)

A16 SIGNIFICANT RELATED PARTY TRANSACTIONS

| | Current Quarter 3 months ended | | Cumulative Quarters 12 months ended | |
|--|-----------------------------------|----------------|--|----------------|
| | 31 Oct 2018 | 31 Oct 2017 | 31 Oct 2018 | 31 Oct 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Transactions with jointly controlled entity | | | | |
| Management fees income | (190) | (143) | (696) | (421) |
| Transactions with related parties | | | | |
| Purchases of stocks | 179 | 119 | 659 | 411 |
| Office rental expense | 6 | 18 | 42 | 54 |
| Hostel rental expense | 11 | 17 | 70 | 70 |
| Advertising and promotion income | - | (58) | (115) | (58) |

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

Review of current quarter performance

Mynews continues to report higher revenue. For the quarter ended 31 October 2018 it achieved a revenue of RM109.34 million which is RM18.94 million or 21.0% better than the preceding year's corresponding quarter of RM90.40 million. The gross profit margin is also higher at RM40.03 million or 36.6% for the current quarter, an increase of RM7.36 million or 22.5% compared with the margin of RM32.67 million or 36.1% in the same quarter of the preceding year. The improved revenue was principally contributed by the increase in the number of outlets, continuous efforts to improve the product offerings and aggressive marketing promotions.

In tandem with the increased number of outlets and business volume, operating expenses increased by RM7.86 million or 33.3%, to RM31.44 million compared with RM23.59 million in the preceding year's corresponding quarter. Included in the operating expenses is a RM0.77 million incurred for the temporary Ready-to-Eat ("RTE") food production facility and its food development and research initiatives. The number of outlets increased from 356 a year ago to 436 as at 31 October 2018.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B1 REVIEW OF PERFORMANCE (Cont'd)

Review of current quarter performance (Cont'd)

For the fourth quarter ended 31 October 2018, Mynews reports a profit before taxation of RM7.32 million, marginally better than the preceding year's corresponding quarter of RM7.06 million consequence of the numerous initiatives that are being undertaken in preparation for its transition to the next phase of exciting growth.

Review of twelve-months period performance

For the year ended 31 October 2018, Mynews reports a revenue of RM391.53 million, an increase of RM63.93 million or 19.5% over 2017 of RM327.60 million. Its gross profit margin of 37.7% was better than the previous year's margin of 36.8% and a profit before tax of RM32.22 million was a 5.0% or RM1.53 million improvement as compared to 2017 of RM30.69 million.

Operating expenses were at RM111.74 million, an increase of RM25.97 million or 30.3% compared to 2017 of RM85.77 million. The increase comprised principally the higher outlet costs due to more outlets and increased business volume, head office operating costs comprising staff costs and expenditure in preparation for the upcoming new range of products offering as well as the launching of new in-house brand "Maru Kafe" and the expenses incurred for the temporary Ready-to-Eat ("RTE") food production facility and its food development and research initiatives.

B2 MATERIAL CHANGE IN THE PROFIT BEFORE TAXATION FOR THE CURRENT QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

Revenue for the current quarter of RM109.34 million was higher by RM11.46 million or 11.7% relative to the immediate preceding quarter of RM97.88 million. Gross profit increased by RM2.70 million or 7.2%, with average gross profit margin of 36.6% compared to 38.1%. The average gross profit margin ratio was lower as a result of the discounted price sales and promotions carried out aggressively in the process of launching the new line of products.

Despite the higher gross profit recorded for the current quarter, profit before taxation was RM7.32 million which was RM1.00 million or 12.0% lower than the immediate preceding quarter of RM8.32 million. This was mainly due to the higher operating costs attributed principally by the increased number of outlets from 404 to 436, the RTE food processing centre and the assets written off.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B3 PROSPECTS

Mynews is optimistic of its growth and the sustainability of its business underpinned by the vast potentials that could be reaped from its RTE food processing centre which is expected to be completed by the first half of 2019. As a prelude, Mynews has launched its Maru Kafe brand concept and at the same time is introducing more food offerings. It is also enhancing its operational infra-structure to support its growth and transformation programs.

B4 VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public document or announcement.

B5 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Current Quarter | | Cumulative Quarters | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 3 months ended | | 12 months ended | |
| | 31 Oct 2018 RM'000 | 31 Oct 2017 RM'000 | 31 Oct 2018 RM'000 | 31 Oct 2017 RM'000 |
| Profit before tax is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment | 2,450 | 1,695 | 8,158 | 6,000 |
| Property, plant and equipment written off | 525 | 77 | 892 | 925 |
| Interest expense | 52 | 86 | 359 | 420 |
| Bad debts written off | - | - | 9 | - |
| Unrealised foreign exchange loss | - | 22 | - | 56 |
| Net loss on disposal of property, plant and equipment | 14 | 5 | 3 | 57 |
| And after crediting: | | | | |
| Interest Income | (174) | (98) | (352) | (215) |
| Dividend income from other investments | (487) | (396) | (2,211) | (838) |

Other disclosure items pursuant to Appendix 9B Note 16 of the Main Market Listing Requirements are not applicable.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B6 TAX EXPENSE

| | Current Quarter 3 months ended | | Cumulative Quarters 12 months ended | |
|--|-----------------------------------|----------------|--|----------------|
| | 31 Oct 2018 | 31 Oct 2017 | 31 Oct 2018 | 31 Oct 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax expense: | | | | |
| Provision for current period | 1,312 | 1,467 | 6,406 | 6,201 |
| (Over)/Under provision in prior year | 425 | 491 | (166) | 312 |
| Deferred tax : | | | | |
| Provision/(overprovision) for current period | - | (188) | (37) | 162 |
| Total tax expense | 1,737 | 1,770 | 6,203 | 6,675 |

Tax expense is recognised based on management's best estimates. The Group's effective tax rate is lower than the statutory tax rate because one of its wholly-owned subsidiaries is a MSC status company which enjoys certain tax incentives.

B7 STATUS OF CORPORATE PROPOSAL

There was no corporate proposal during the period under review.

B8 UTILISATION OF PROCEEDS

The status of utilisation of the proceeds from the corporate exercises as at 31 October 2018 was as follows:

(a) Initial public offering of 80,620,000 new ordinary shares at RM1.10 per share in March 2016

| | Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Deviation RM'000 | Balance RM'000 | Estimated Timeframe for Utilisation |
|----|---------------------|--------------------------------|------------------------------|---------------------|-------------------|--|
| a) | Capital expenditure | 50,000 | 57,581 | (7,581) | - | Within 36 months (until 28 March 2019) |
| b) | Working capital | 32,230 | 24,712 | 7,518 | - | |
| c) | Listing expenses | 6,450 | 6,387 | 63 | - | |
| | Total | 88,680 | 88,680 | - | - | |

NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B8 UTILISATION OF PROCEEDS (Cont'd)

(b) Private placement of 31,007,000 new ordinary shares at RM2.33 per share in October 2017

| | Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Deviation RM'000 | Balance RM'000 | Estimated Timeframe for Utilisation |
|----|--|------------------------------------|----------------------------------|-------------------------|-----------------------|--|
| a) | Acquisition of property | 50,000 | 50,000 | - | - | |
| b) | Investment in food preparation and packaging facilities* | 19,116 | 19,085 | (31) | - | |
| c) | Private placement and other proposal expenses | 3,130 | 3,161 | 31 | - | |
| | Total | 72,246 | 72,246 | - | - | |

* The proceeds are for the capital injection into the 51% owned subsidiary companies, namely, Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd. The share capital of the companies was increased to RM25.00 million and RM8.00 million respectively in the month of June 2018. Mynews' contribution of RM16.83 million comprised RM12.75 million for Mynews Kineya Sdn Bhd and RM4.08 million for Mynews Ryoyupan Sdn Bhd.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B9 BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 31 October 2018 are as follows:

| | Unaudited As at 31 Oct 2018 RM'000 | Audited As at 31 Oct 2017 RM'000 |
|--|---|---|
| Short term borrowings – Secured | | |
| Term loans | 2,364 | 1,414 |
| Finance lease liabilities | 346 | 290 |
| | 2,710 | 1,704 |
| Long term borrowings – Secured | | |
| Term loans | 1,920 | 5,500 |
| Finance lease liabilities | 795 | 751 |
| | 2,715 | 6,251 |
| Total borrowings – Secured | | |
| Term loans | 4,284 | 6,914 |
| Finance lease liabilities | 1,141 | 1,041 |
| | 5,425 | 7,955 |

Note: All the loans in the Group are denominated in Ringgit Malaysia.

B10 MATERIAL LITIGATION

There is no material litigation against or by the Group as at the date of this report.

B11 DIVIDEND

The Board of Directors had on 20 June 2018 approved an interim single tier dividend of 1.00 sen per ordinary share amounting to RM6.82 million for the financial year ended 31 October 2018 which was paid on 15 August 2018.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 OCTOBER 2018 (Cont'd)

B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B12 EARNINGS PER SHARE

| | Current Quarter 3 months ended | | Cumulative Quarters 12 months ended | |
|--|---|------------------------|--|------------------------|
| | 31 Oct 2018 | 31 Oct 2017 | 31 Oct 2018 | 31 Oct 2017 |
| Profit attributable to owners of the Company (RM'000) | 6,069 | 5,286 | 26,504 | 24,021 |
| Weighted average number of ordinary shares in issue ('000) | <u>682,154</u> | <u>310,665</u> | <u>682,154</u> | <u>310,665</u> |
| Basic earnings per share (sen) | <u>0.89</u> | <u>1.70</u> | <u>3.89</u> | <u>7.73</u> |

The basic earnings per share is computed based on the profit attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue for the period under review. The Company does not have any dilutive potential ordinary shares in issue for the period under review.

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