

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 first quarter ended 31 January 2019. This report should be read in conjunction with its audited financial statements for the financial year ended 31 October 2018 and the accompanying notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 JANUARY 2019**
i) Current quarter and financial year to date

	Current Quarter 3 months ended				Cumulative Quarters 3 months ended			
	31 Jan 2019 RM'000	31 Jan 2018 RM'000	Changes Fav/(Unfav) RM'000	%	31 Jan 2019 RM'000	31 Jan 2018 RM'000	Changes Fav/(Unfav) RM'000	%
Revenue	123,499	90,124	33,375	37.0	123,499	90,124	33,375	37.0
Cost of sales	(78,036)	(56,267)	(21,769)	(38.7)	(78,036)	(56,267)	(21,769)	(38.7)
Gross profit	45,463	33,857	11,606	34.3	45,463	33,857	11,606	34.3
Other income	737	979	(242)	(24.7)	737	979	(242)	(24.7)
Operating expenses	(33,104)	(25,294)	(7,810)	(30.9)	(33,104)	(25,294)	(7,810)	(30.9)
Other expenses	(2,744)	(1,851)	(893)	(48.2)	(2,744)	(1,851)	(893)	(48.2)
Finance costs	(771)	(104)	(667)	(641.3)	(771)	(104)	(667)	(641.3)
Share of profit in jointly controlled entity	726	367	359	97.8	726	367	359	97.8
Profit before tax	10,307	7,954	2,353	29.6	10,307	7,954	2,373	29.6
Tax expense	(2,134)	(1,613)	(521)	(32.3)	(2,134)	(1,613)	(521)	(32.3)
Profit after tax, representing comprehensive income for the period	<u>8,173</u>	<u>6,341</u>	<u>1,832</u>	28.9	<u>8,173</u>	<u>6,341</u>	<u>1,832</u>	28.9
Profit attributable to:								
Owners of the Company	8,238	6,341	1,897	29.9	8,238	6,341	1,897	29.9
Non-controlling interest	(65)	-	(65)	(100.0)	(65)	-	(65)	(100.0)
	<u>8,173</u>	<u>6,341</u>	<u>1,832</u>	28.9	<u>8,173</u>	<u>6,341</u>	<u>1,832</u>	28.9
Basic earnings per ordinary share (sen) (Note B11)	<u>1.21</u>	<u>0.93</u>	<u>0.28</u>	30.1	<u>1.21</u>	<u>0.93</u>	<u>0.28</u>	30.1

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)**
ii) Current quarter compared with immediate preceding quarter

	Current Quarter 31 Jan 2019	Immediate Preceding Quarter 31 Oct 2018	Changes Fav/(Unfav)	
	RM'000	RM'000	RM'000	%
Revenue	123,499	109,341	14,158	12.9
Cost of sales	(78,036)	(69,312)	(8,724)	(12.6)
Gross profit	45,463	40,029	5,434	13.6
Other income	737	1,065	(328)	(30.8)
Operating expenses	(33,104)	(31,440)	(1,664)	(5.3)
Other expenses	(2,744)	(2,990)	246	8.2
Finance costs	(771)	(51)	(720)	(1,411.8)
Share of profit in jointly controlled entity	726	708	18	2.5
Profit before tax	10,307	7,321	2,986	40.8
Tax expense	(2,134)	(1,737)	(397)	(22.9)
Profit after tax, representing comprehensive income for the period	8,173	5,584	2,589	46.4
Profit attributable to:				
Owners of the Company	8,238	6,069	2,169	35.7
Non-controlling interest	(65)	(485)	420	86.6
	8,173	5,584	2,589	46.4
Basic earnings per ordinary share (sen)	1.21	0.89	0.32	36.0

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2019**

	Unaudited 31 January 2019	Audited 31 October 2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	177,673	155,681
Right-of-use assets	51,307	-
Investment in jointly controlled entity	6,826	6,262
Other investments	5	5
Fixed deposits with licensed banks	800	800
Total non-current assets	236,611	162,748
Current assets		
Inventories	55,497	44,311
Trade receivables	4,181	16,896
Other receivables	41,752	47,769
Amount due from jointly controlled entity	368	112
Other investments	37,078	45,096
Deposits with licensed banks	1,028	1,028
Cash and bank balances	14,365	22,590
Total current assets	154,269	177,802
Total assets	390,880	340,550

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2019 (Cont'd)**

	Unaudited 31 January 2019 RM'000	Audited 31 October 2018 RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	201,581	201,581
Revaluation reserve	5,844	5,844
Merger deficit	(45,952)	(45,952)
Retained earnings	106,764	99,834
Equity attributable to owners	268,237	261,307
Non-controlling interest	21,563	19,394
Total equity	289,800	280,701
LIABILITIES		
Non-current liabilities		
Bank borrowings	1,152	1,914
Lease liabilities	33,400	-
Finance lease liabilities	969	795
Deferred tax liabilities	3,055	3,060
Total non-current liabilities	38,576	5,769
Current liabilities		
Trade payables	29,362	30,507
Other payables	7,933	20,817
Bank borrowings	5,370	2,370
Lease liabilities	19,235	-
Finance lease liabilities	416	347
Tax payable	188	39
Total current liabilities	62,504	54,080
Total liabilities	101,080	59,849
Total equity and liabilities	390,880	340,550
Net assets per share (RM)	0.42	0.41

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 JANUARY 2019**

	← Attributable to owners of the parent →							Total Equity RM'000
	Share Capital	Share Premium	Revaluation Reserve	Merger Deficit	Retained Earnings	Total	Non- Controlling Interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 November 2017	201,581	-	8,561	(45,952)	77,441	241,631	-	241,631
Total comprehensive income for the year	-	-	-	-	26,498	26,498	(485)	26,013
Dividend	-	-	-	-	(6,822)	(6,822)	-	(6,822)
Capital contribution from non-controlling interests	-	-	-	-	-	-	19,879	19,879
Transfer to retained earnings for properties disposed	-	-	(2,717)	-	2,717	-	-	-
As at 31 October 2018	201,581	-	5,844	(45,952)	99,834	261,307	19,394	280,701
Adjustments from adoption of MFRS 16	-	-	-	-	(1,308)	(1,308)	-	(1,308)
Restated balance as at 1 November 2018	201,581	-	5,844	(45,952)	98,526	259,999	19,394	279,393
Capital contribution from non-controlling interests	-	-	-	-	-	-	2,234	2,234
Total comprehensive income for the period	-	-	-	-	8,238	8,238	(65)	8,173
As at 31 January 2019	201,581	-	5,844	(45,952)	106,764	268,237	21,563	289,800

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 JANUARY 2019**

	3 months ended	
	31 Jan 2019	31 Jan 2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,307	7,954
Adjustments for:		
Depreciation of property, plant and equipment	11,425	1,748
Bad debts written off	-	9
Net loss on disposal of property, plant and equipment	50	-
Dividend income from other investments	(340)	(711)
Interest expense	771	104
Share of profit in jointly controlled entity	(726)	(367)
Property, plant and equipment written off	211	95
Interest income	(89)	(69)
Operating profit before working capital changes	21,609	8,763
Changes in working capital		
Increase in inventories	(11,186)	(4,179)
Decrease in receivables	18,732	3,045
Decrease in payables	(14,034)	(4,663)
(Increase)/Decrease in amount due from jointly controlled entity	(94)	82
Decrease in amount due to related parties	-	(61)
Cash generated from operations	15,027	2,987
Tax paid	(1,990)	(1,397)
Net cash generated from operating activities	13,042	1,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income from other investments	340	711
Proceeds from disposal of property, plant and equipment	5	48
Purchase of property, plant and equipment	(24,394)	(51,161)
Upliftment of funds in other investments	8,018	39,838
Interest income	89	41
Net cash used in investing activities	(15,942)	(10,523)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)**

	3 months ended	
	31 Jan 2019	31 Jan 2018
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,234	-
Drawdown of bank facility	3,000	-
Interest paid	(771)	(104)
Payment of lease liabilities	(8,921)	-
Repayment of term loans	(762)	(465)
Repayment of finance lease liabilities	(105)	(75)
Net cash generated from/(used in) financing activities	5,325	(644)
Net decrease in cash and cash equivalents	(8,225)	(9,577)
Cash and cash equivalents at 1 November	23,618	23,034
Cash and cash equivalents at 31 January	15,393	13,457
Reconciliation of cash and cash equivalents		
Cash and bank balances	14,365	12,453
Deposits with licensed banks	1,828	1,828
	16,193	14,281
Less: Deposits pledged to licensed banks	(800)	(824)
	15,393	13,457

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NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019
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 2018.

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 2018. In the previous years, the financial statements of the Group and the Company were prepared in accordance with Malaysian Financial Reporting Standard (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia. Mynews has adopted MFRS, amendments and improvements to MFRSs which are mandatory for the financial year. These new standards effective 1 January 2018 do not have material effect on the Group’s financial statements

Mynews has elected to early adopt MFRS 16 Leases prospectively on 1 November 2018. It has not restated the comparative information which continues to be reported under MFRS 117 Leases. The effect of the transition is as follows:

As at 31 Oct 2018	Previously Reported	Effect of MFRS 16	Restated
	RM'000	RM'000	RM'000
Non-current Assets			
Right-of-use assets	-	50,746	50,746
Current Liabilities			
Lease liabilities	-	6,333	6,333
Non-current Liabilities			
Lease liabilities	-	45,721	45,721
Equity			
Retained earnings	99,834	(1,308)	98,526

NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)**A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134: INTERIM FINANCIAL REPORTING ("MFRS") (Cont'd)****A4 AUDITORS' REPORT**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 October 2018.

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

There was no dividend declared or paid during the quarter under review.

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 ("FPC") in Kota Damansara which is about 80% completed as at the date of this report. Barring unforeseen circumstances, the construction of the FPC is on schedule to be completed by the second quarter of 2019.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (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 change 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 January 2019.

The contingent liabilities of the Group as at 31 January 2019 comprised bank guarantees totalling RM965,000 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 January 2019 were as follows:

	RM'000
Authorised and contracted for:	
- Construction of FPC and purchase of equipment	33,095

A15 PROPERTY, PLANT AND EQUIPMENT

For the three (3) months ended 31 January 2019, the Group acquired assets at the cost of RM24.39 million, which comprised RM11.28 million for the progress payment of the FPC; with the balance of RM13.11 million for renovations, furniture and fittings, equipment and computers that were principally for the setting up of new outlets.

A16 SIGNIFICANT RELATED PARTY TRANSACTIONS

	3 months ended	
	31 Jan 2019 RM'000	31 Jan 2018 RM'000
Transactions with jointly controlled entity		
Management fees income	(194)	(160)
Transactions with related parties		
Inventories	252	173
Office rental expense	-	18
Hostel rental expense	8	17

NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)**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 enjoy growth with a higher revenue for the quarter ended 31 January 2019. It achieved a revenue of RM123.50 million which is RM33.38 million or 37.0% better than the preceding year's corresponding quarter of RM90.12 million. The gross profit is also higher at RM45.46 million (gross profit margin of 36.8%) for the current quarter, an increase of RM11.60 million or 34.3% compared with RM33.86 million (gross profit margin of 37.6%) in the same quarter of the preceding year. The improved revenue was principally contributed by the increase in the number of outlets and higher sales by the existing outlets consequent to the continuous efforts of improving the product offerings and store concept.

In tandem with the increased number of outlets and business volume, operating expenses increased by RM7.81 million or 30.9%, to RM33.10 million compared with RM25.29 million in the preceding year's corresponding quarter. The number of outlets was 366 in the quarter ended 31 January 2018 compared to 439 as at 31 January 2019.

Mynews ended its first quarter of 2019 with a profit before taxation of RM10.31 million, an increase of RM2.35 million or 29.6% higher compared with the profit before taxation of RM7.95 million in the same quarter of the preceding year.

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

Revenue for the current quarter of RM123.50 million was higher by RM14.16 million or 12.9% relative to the immediately preceding quarter of RM109.34 million. Gross profit increased by RM5.43 million or 13.6%, with average gross profit margin of 36.8% compared to 36.6% in the preceding quarter.

With the higher gross profit recorded for the current quarter, profit before taxation was RM10.31 million, RM2.99 million or 40.8% higher than the immediately preceding quarter of RM7.32 million. This was due to the higher revenue attributed to better product mix, improvement in sales trend and better management of operating expenses.

B3 PROSPECTS

Mynews remains optimistic of its growth and the sustainability of its business which is underpinned by the vast potentials that could be reaped from its upcoming FPC and overall business transformation initiatives. The Maru Kafe brand concept and the introduction of more attractive product offerings as a prelude to the launching of the FPC have garnered positive response from the customers and it should augur well for the Group.

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.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)
B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)
B5 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended	
	31 Jan 2019 RM'000	31 Jan 2018 RM'000
Profit before tax is arrived at after charging:		
Depreciation of property, plant and equipment	2,484	1,748
Depreciation of right-of-use assets	8,941	-
Property, plant and equipment written off	211	95
Interest expense	771	104
Bad debts written off	-	9
Net loss on disposal of property, plant and equipment	50	-
And after crediting:		
Interest Income	(89)	(69)
Dividend income from other investments	(340)	(711)

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

B6 TAX EXPENSE

	3 months ended	
	31 Jan 2019 RM'000	31 Jan 2018 RM'000
Income tax expense:		
Provision for current period	2,139	1,650
Deferred tax:		
Overprovision for current period	(5)	(37)
Total tax expense	2,134	1,613

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.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)
B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)
B7 STATUS OF CORPORATE PROPOSAL

There was no corporate proposal during the period under review.

B8 BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 31 January 2019 are as follows:

	Unaudited As at 31 Jan 2019 RM'000	Audited As at 31 Oct 2018 RM'000
Short term borrowings – Secured		
Term loans	2,370	2,370
Revolving credit	3,000	-
Lease liabilities	19,235	-
Finance lease liabilities	416	347
	25,021	2,717
Long term borrowings – Secured		
Term loans	1,152	1,914
Lease liabilities	33,400	-
Finance lease liabilities	969	795
	35,521	2,709
Total borrowings – Secured		
Term loans	3,522	4,284
Revolving credit	3,000	-
Lease liabilities	52,635	-
Finance lease liabilities	1,385	1,142
	60,542	5,426

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

B9 MATERIAL LITIGATION

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

B10 DIVIDEND

There was no dividend declared or paid during the quarter under review.

NOTES TO INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JANUARY 2019 (Cont'd)
B. COMPLIANCE WITH APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)
B11 EARNINGS PER SHARE

	3 months ended	
	31 Jan 2019	31 Jan 2018
Profit attributable to owners of the Company (RM'000)	8,238	6,341
Number of ordinary shares in issue ('000)	<u>682,154</u>	<u>682,154</u>
Basic earnings per share (sen)	<u>1.21</u>	<u>0.93</u>

The basic earnings per share is computed based on the profit attributable to the owners of the Company divided by the 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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