

7-Eleven Malaysia Holdings Berhad

(Company No: 1058531-W)

Date : 25 November 2019

Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
30 September 2019

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
		Restated *		Restated *
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	594,159	568,515	1,766,669	1,661,836
Cost of sales	(373,341)	(358,377)	(1,114,765)	(1,054,324)
Gross profit	220,818	210,138	651,904	607,512
Other operating income	2,557	2,136	5,234	3,680
Selling and distribution expenses	(162,555)	(162,693)	(483,693)	(478,102)
Administrative and other operating expenses	(26,929)	(24,830)	(80,705)	(72,859)
Profit from operations	33,891	24,751	92,740	60,231
Finance costs	(10,786)	(2,554)	(32,191)	(7,494)
Profit before tax	23,105	22,197	60,549	52,737
Income tax expense	(6,130)	(5,440)	(17,832)	(13,915)
Profit after tax	16,975	16,757	42,717	38,822
Profit after tax attributable to:				
Equity holders of the Company	16,979	16,757	42,711	38,822
Non-controlling interest	(4)	-	6	-
	16,975	16,757	42,717	38,822
Total comprehensive income for the financial period				
Equity holders of the Company	16,979	16,757	42,711	38,822
Non-controlling interest	(4)	-	6	-
	16,975	16,757	42,717	38,822
Basic/diluted earnings per ordinary share (sen) (Note B11)	1.48	1.48	3.75	3.46

* The last year corresponding quarter has been restated to effect the changes in regards to the adoption of MFRS 15.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	The Group	
	Unaudited	Audited
	As at	As at
	30.9.2019	31.12.2018
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	321,210	323,982
Right of use assets	579,564	-
Investment property	400	400
Intangible assets	30,520	34,289
Other investments	7,177	1
	<u>938,871</u>	<u>358,672</u>
Current assets		
Inventories	256,556	224,682
Sundry receivables	90,249	93,465
Cash and bank balances	87,841	72,548
	<u>434,646</u>	<u>390,695</u>
Total assets	<u>1,373,517</u>	<u>749,367</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	1,485,138	1,485,138
Treasury shares	(128,928)	(161,941)
Capital reorganisation deficit	(1,343,248)	(1,343,248)
Assets revaluation reserve	41,152	41,152
Retained profits	36,000	71,208
	<u>90,114</u>	<u>92,309</u>
Non-controlling interest	175	169
Total equity	<u>90,289</u>	<u>92,478</u>
Non-current liabilities		
Provisions	7,847	7,742
Borrowings	30,232	44,611
Lease liabilities	516,002	-
Contract liabilities	3,565	1,520
Deferred tax liabilities	10,791	18,850
	<u>568,437</u>	<u>72,723</u>
Current liabilities		
Provisions	473	249
Borrowings	108,794	127,303
Trade payables	405,640	345,735
Other payables	113,506	107,114
Lease liabilities	79,442	-
Contract liabilities	1,843	1,699
Taxation	5,093	2,066
	<u>714,791</u>	<u>584,166</u>
Total liabilities	<u>1,283,228</u>	<u>656,889</u>
Total equity and liabilities	<u>1,373,517</u>	<u>749,367</u>
Net assets per share attributable to ordinary equity holders of the Company, based on number of outstanding shares in issue with voting rights (sen)	<u>7.92</u>	<u>8.23</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company							Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Capital reorganisation deficit RM'000	Assets revaluation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	
At 1 January 2019								
As previously stated	1,485,138	(161,941)	(1,343,248)	41,152	71,208	92,309	169	92,478
MFRS 16 adoption (Note A3)	-	-	-	-	(17,813)	(17,813)	-	(17,813)
As restated	1,485,138	(161,941)	(1,343,248)	41,152	53,395	74,496	169	74,665
Total comprehensive income	-	-	-	-	42,711	42,711	6	42,717
Dividends on ordinary shares		33,013			(60,106)	(27,093)	-	(27,093)
At 30 September 2019	1,485,138	(128,928)	(1,343,248)	41,152	36,000	90,114	175	90,289
At 1 January 2018								
As stated	1,485,138	(190,625)	(1,343,248)	40,784	81,985	74,034	-	74,034
Total comprehensive income	-	-	-	-	38,822	38,822	146	38,968
Dividends on ordinary shares	-	28,684	-	-	(58,664)	(29,980)	-	(29,980)
At 30 September 2018	1,485,138	(161,941)	(1,343,248)	40,784	62,143	82,876	146	83,022

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE QUARTER	
	9 months ended	
	30.9.2019	30.9.2018
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	1,897,986	1,812,163
Cash paid to suppliers and employees	(1,735,199)	(1,705,779)
Cash generated from operations	162,787	106,384
Interest paid	(5,772)	(7,494)
Tax paid	(18,378)	(14,257)
Tax refund	1,150	-
Net cash generated from operating activities	<u>139,787</u>	<u>84,633</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(58,229)	(35,191)
Proceeds from disposal of property, plant and equipment	138	185
Purchase of quoted shares	(7,075)	-
Acquisition of a subsidiary	-	(754)
Interest received	655	756
Net cash used in investing activities	<u>(64,511)</u>	<u>(35,004)</u>
Cash flows from financing activities		
Dividends paid on ordinary shares	(27,093)	(29,980)
Proceeds from bankers' acceptances	131,500	220,500
Proceeds from term loan	-	18,000
Repayment of bankers' acceptances	(152,500)	(225,800)
Repayment of term loans	(11,700)	(8,100)
Repayment of hire purchase and finance lease liabilities	(190)	(19)
Net cash used in financing activities	<u>(59,983)</u>	<u>(25,399)</u>
Net increase in cash and cash equivalents	15,293	24,230
Cash and cash equivalents at beginning of the financial period	<u>72,548</u>	<u>69,634</u>
Cash and cash equivalents at end of the financial period	<u>87,841</u>	<u>93,864</u>

Cash and cash equivalents at the end of the financial period comprises the following:-

Cash and bank balances	86,885	92,719
Fixed deposits with licensed banks	956	1,145
	<u>87,841</u>	<u>93,864</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT

A1. CORPORATE INFORMATION

7-Eleven Malaysia Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are in the operating and franchising of convenience stores under the "7-Eleven" brand name and investment holdings.

The Company and its subsidiaries are collectively referred to as the Group.

A2. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2018.

The interim financial report is presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

A3. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2018 except as follows:

On 1 January 2019, the Group adopted the following amended MFRSs mandatory for annual financial period beginning on or after 1 January 2019:

Description	Effective for annual financial periods beginning on or after
MFRS 16 : <i>Leases</i>	1 January 2019
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 9 : <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle:	
(i) Amendments to MFRS 3 : <i>Business Combinations</i>	1 January 2019
(ii) Amendments to MFRS 11 : <i>Joint Arrangements</i>	1 January 2019
(iii) Amendments to MFRS 112 : <i>Income Taxes</i>	1 January 2019
(iv) Amendments to MFRS 123 : <i>Borrowing Costs</i>	1 January 2019
IC Interpretation 23 : <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

Adoption of the above standards and interpretations did not have any significant impact on the financial performance or position of the Group.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT

A3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

The standards, amendments to standards and IC Interpretation that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below:

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 2 : <i>Share-Based Payment</i>	1 January 2020
Amendment to MFRS 3 : <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 6 : <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
Amendments to MFRS 7 : <i>Financial Instruments: Disclosures</i>	1 January 2020
Amendments to MFRS 9 : <i>Financial Instruments</i>	1 January 2020
Amendment to MFRS 14 : <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101 : <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108 : <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134 : <i>Interim Financial Reporting</i>	1 January 2020
Amendment to MFRS 137 : <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendment to MFRS 138 : <i>Intangible Assets</i>	1 January 2020
Amendment to IC Interpretation 12 : <i>Service Concession Arrangements</i>	1 January 2020
Amendment to IC Interpretation 19 : <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendment to IC Interpretation 20 : <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendment to IC Interpretation 22 : <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
Amendments to IC Interpretation 132 : <i>Intangible Assets - Web Site Costs</i>	1 January 2020
MFRS 17 : <i>Insurance Contract</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 : <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group has not early adopted any of the new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning on or after 1 January 2019. The Group intend to adopt these standards, if applicable, when they become effective. The initial application of the new or revised MFRSs and Amendments to MFRSs, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impacts to the financial statements of the Group upon their initial adoption.

MFRS 16 : Leases

MFRS 16 will replace 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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT

A3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRS 16 : Leases (cont'd)

The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset to profit or loss.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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.

The effect of adopting MFRS 16 to the Group as at 1 January 2019 was as follows:

Group	Increase/ (decrease)
Statement of financial position	RM'000
Fixed assets	
Right of use assets	577,310
Property, plant and equipment	(16,243)
Liabilities and Equity	
Deferred tax liabilities	(5,625)
Lease liabilities	584,505
Retained profits	(17,813)

A summary of the effect to statement of comprehensive income on 3Q2019 as follow :

	(A)		Impact of MFRS 16	(B)		(A) - (B)	
	3Q2019 (With MFRS16)	3Q2019 (Without MFRS16)		3Q2018 (Without MFRS 16)	Variance without MFRS 16		
	RM'000	RM'000	RM'000	RM'000	RM'000	%	
Revenue	594,159	594,159	-	568,515	25,644	4.5%	
Cost of sales	(373,341)	(373,341)	-	(358,377)	(14,964)	4.2%	
Gross profit	220,818	220,818		210,138			
Other operating income	2,557	2,557	-	2,136	421	19.7%	
Selling and distribution expenses	(162,555)	(169,483)	6,928	(162,693)	(6,790)	4.2%	
Administrative and other operating expenses	(26,929)	(26,977)	48	(24,830)	(2,147)	8.6%	
Profit from operations	33,891	26,915		24,751			
Finance costs	(10,786)	(1,796)	(8,990)	(2,554)	758	-29.7%	
Profit before tax	23,105	25,119	(2,014)	22,197	2,922	13.2%	
Income tax expense	(6,130)	(6,693)	563	(5,440)	(1,253)	23.0%	
Profit after tax	16,975	18,426	(1,451)	16,757	1,669	10.0%	
EBITDA	43,157	43,157	-	40,654	2,503	6.2%	

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Group typically experience higher customer count, transaction value and sales during weekends, public holidays, school holidays and festive periods such as Chinese New Year, Hari Raya, Deepavali and Christmas.

A5. ITEMS OF UNUSUAL NATURE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A6. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial year that have had a material effect in the current financial period.

A7. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the financial period under review.

A8. DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations and resales of treasury shares for the current financial period ended 30 September 2019 and period up to the date of this announcement.

A9. DIVIDEND PAID

During the financial period ended 30 September 2019, the Company paid a single tier cash dividend of 2.4 sen per ordinary share on 1,128,890,823 ordinary shares with voting rights and share dividend equivalent to 2.9 sen per share via distribution of 21,299,101 treasury shares on the basis of 1 treasury share for every 53 existing ordinary shares held. The entitlement date was fixed on 10 May 2019 and the cash dividend was paid on 23 May 2019. The treasury shares was credited into the entitled depositors' securities accounts maintained with Bursa Malaysia Depository Sdn. Bhd. on 23 May 2019.

A10. SEGMENT REPORT

Segmental analysis for the financial period ended 30 September 2019 is as follows:

Revenue	External RM'000	Inter- segment RM'000	Total RM'000
For the nine months ended 30 September 2019			
Convenience stores	1,766,503	-	1,766,503
Others	166	523	689
Inter-segment elimination	-	(523)	(523)
	1,766,669	-	1,766,669
For the nine months ended 30 September 2018			
Convenience stores	1,661,644	-	1,661,644
Others	192	523	715
Inter-segment elimination	-	(523)	(523)
	1,661,836	-	1,661,836

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT

A10. SEGMENT REPORT (CONT'D)

	CUMULATIVE QUARTER	
	9 months ended	
Results	30.9.2019	30.9.2018
	RM'000	RM'000
Convenience stores	93,437	60,399
Others	(1,352)	(924)
	<hr/>	<hr/>
Interest income	92,085	59,475
	655	756
	<hr/>	<hr/>
Profit from operations	92,740	60,231
Finance costs	(32,191)	(7,494)
	<hr/>	<hr/>
Profit before tax	60,549	52,737
Income tax expense	(17,832)	(13,915)
	<hr/>	<hr/>
Net profit for the year	42,717	38,822

A11. PROPERTY, PLANT AND EQUIPMENT

During the 9 months ended 30 September 2019, the Group acquired assets at costs of RM58.2 million (2018 : RM35.2 million). The assets acquired comprise mainly of renovation, furniture, fittings, equipment and computer equipment.

A12. INVESTMENT PROPERTY

The valuation of investment property has been brought forward without amendment from the audited financial statements for the financial year ended 31 December 2018.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
 NOTES TO THE INTERIM FINANCIAL REPORT

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting party	Type of transaction	CUMULATIVE QUARTER	
		30.9.2019 RM'000	30.9.2018 RM'000
With a subsidiary company			
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia")	Advances to/(from) 7-Eleven Malaysia	34,247	(5,382)
	Interest expense on advances from 7-Eleven Malaysia	2,846	3,146
With companies in which TSVT is deemed interested*			
MOL AccessPortal Sdn. Bhd. ("MOL")	Receipts of payment from MOL for commission for sale of mobile phone, Touch'n Go and online game reloads and bill payments [@]	-	21,783
	Payments to MOL for reload transaction values for in-store services for sale of mobile phone, Touch'n Go and online game game reloads and bill payments [@]	-	1,510,494
U Mobile Sdn. Bhd. ("U Mobile")	Receipts of payment from U Mobile for commission for sale of mobile phone reloads	10,918	9,426
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	173,809	151,113
	Receipts of payment from U Mobile for advertisement placement fees	6,145	5,634

@ MOL ceased being a related party after 10 May 2018.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
 NOTES TO THE INTERIM FINANCIAL REPORT

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER 9 months ended	
		30.9.2019 RM'000	30.9.2018 RM'000
With companies in which TSVT is deemed interested* (continued)			
Securexpress Services Sdn. Bhd. ("Securexpress")	Payments to Securexpress for fees relating to the delivery of merchandise to stores	7,881	7,672
Berjaya Sampo Insurance Berhad ("Berjaya Sampo")	Payments to Berjaya Sampo for insurance premium	1,270	1,620
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	2,548	-
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	1,000	996

A14. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM8,670,613 (31 December 2018: RM7,344,318) as security deposits in favour of various government and statutory bodies, and private companies.

The bank guarantee facility is granted to 7-Eleven Malaysia on a clean basis.

A15. CAPITAL COMMITMENTS

	The Group	
	Unaudited As at 30.9.2019 RM'000	Audited As at 31.12.2018 RM'000
Property, plant and equipment		
- approved and contracted for	10,435	7,265
- approved but not contracted for	31,085	99,749
	<u>41,520</u>	<u>107,014</u>

A16. SUBSEQUENT EVENT

There were no significant events since the end of this current quarter up to the date of this announcement.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B1. REVIEW OF THE PERFORMANCE OF THE GROUP

Review of Current Quarter Performance versus Corresponding Quarter Last Year

The Group's revenue for the current quarter of RM594.2 million grew by RM25.6 million or 4.5% against the corresponding quarter's revenue in the previous year of RM568.5 million. The growth in revenue continued to be driven by the growth in new stores, higher customer counts and better consumer promotion activity. Revenue from food service segment is 4.0% of total revenue which grew more than 25.0% against the corresponding quarter in the previous year.

Gross profit of RM220.8 million improved by RM10.7 million or 5.1% compared to the corresponding quarter in the previous year. This was mainly attributed to the increase in revenue, favourable sales mix, higher marketing income and improved logistics expenses recovery.

Selling and distribution expenses for the quarter decreased by RM0.1 million or 0.1% against the corresponding quarter in the previous year. This was mainly due to lower maintenance expenses and effect of adoption of MFRS 16 : Leases resulting in higher depreciation expenses and lower rental expenses, partially offset by new store expansion resulting in higher staff related costs and utilities costs.

Administrative and other operating expenses increased by RM2.1 million or 8.5% against the corresponding quarter in the previous year. This was mainly attributed to higher staff related costs and professional fee incurred in current quarter as compared to the corresponding quarter in the previous year.

Finance cost increased by RM8.2 million or 322.3% against the corresponding quarter in the previous year. This was mainly attributed to the adoption of *MFRS 16 : Leases* which had increased the finance cost by RM9.0 million, partially offset by lower finance cost from borrowings of RM0.8 million.

The increase in revenue and higher marketing income partially offset by higher staff cost (higher store counts and impact of minimum wages) resulted in the Group's profit after tax of RM17.0 million, an increase of RM0.2 million or 1.3% as compared to the corresponding quarter. The adoption of *MFRS 16 : Leases (effective 1 January 2019)* had reduced profit after tax by RM1.5 million. Excluding *MFRS 16 : Leases*, the Group would have achieved profit after tax of RM18.4 million, an increase of RM1.7 million or 10% as compared to the corresponding quarter in the previous year.

Review of 9 Months Period Performance versus Corresponding Period Last Year

For the 9 months ended 30 September 2019, the Group's revenue of RM1.77 billion grew by RM104.8 million or 6.3% against the corresponding period in the previous year of RM1.66 billion. The growth in revenue continued to be driven by the growth in new stores, higher average spend per customer and better consumer promotion activity. Revenue from food service segment is above 3.5% of total revenue which grew more than 30.0% against the corresponding period in the previous year.

Gross profit improved by RM44.4 mil or 7.3% compared to the corresponding period in the previous year. This was mainly attributed to the increase in revenue, favourable sales mix, higher marketing income and improved logistics expenses recovery.

Finance cost increased by RM24.7 million or 329.6% against the corresponding quarter in the previous year. This was mainly attributed to the adoption of *MFRS 16 : Leases* which had increased the finance cost by RM26.4 million, partially offset by lower finance cost from borrowings of RM1.7 million.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

Review of 9 Months Period Performance versus Corresponding Period Last Year (cont'd)

The increase in gross profit partially offset by higher operating expense from new stores expansion, minimum wages and utilities expenses resulted in the Group's profit after tax of RM42.7million, an increase of RM3.9 million or 10% as compared to the corresponding period in the previous year. The adoption of *MFRS 16 : Leases (effective 1 January 2019)* had reduced profit after tax by RM6.0 million. Excluding MFRS 16 : Leases, the Group would have achieved a profit after tax of RM48.7 million which is an increase of RM9.9 million or 25.6% as compared to the corresponding period in the previous year.

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

The Group's recorded a higher profit before tax for the third quarter by RM1.7 million or 8.19% against the immediate preceding quarter mainly due to higher sales achieved, and gross profit offset by lower HQ staff related cost.

B3. PROSPECTS

The Board of Directors is of the view that the trading conditions for the next quarter are expected to be stable. We will continue to focus on our customer's needs, pursuing our core strategy pillars of Operational Excellence, Cost Management and Commercial Innovation, at the same time refreshing the 7-Eleven brand in the mind of customers through refreshed stores, innovations in our pricing, promotions, and developing exciting products.

B4. VARIANCE OF ACTUAL RESULTS FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group did not issue any profit forecast or profit estimate previously in any public document.

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B5. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,129	1,788	3,388	3,898
Amortisation of right of use	22,337	-	67,998	-
Depreciation of property, plant and equipment	15,114	14,115	44,726	44,558
Loss/(Gain) on disposal of property, plant and equipment	178	(16)	159	64
Impairment of goodwill	-	-	381	-
Interest income	(231)	(208)	(655)	(756)
Loss on foreign exchange translation differences	117	-	219	6
Fair value changes of FVTPL investments	(101)	-	(101)	-
Property, plant and equipment written off	461	807	980	2,331
Provision for and write off of inventories	2,336	1,226	6,273	3,685
Impairment loss of receivables	544	-	2,694	-

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no gain or loss on disposal of quoted or unquoted investments or properties, impairment of other assets, gain or loss on derivatives and exceptional items included in the results of the current quarter and financial period ended 30 September 2019.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period provision	9,337	6,892	21,039	18,793
Over provision in prior year	(773)	(775)	(773)	(775)
	<u>8,564</u>	<u>6,117</u>	<u>20,266</u>	<u>18,018</u>
Deferred tax:				
Relating to reversal of temporary differences	(3,769)	(677)	(3,769)	(4,103)
Under provision in prior year	1,335	-	1,335	-
	<u>(2,434)</u>	<u>(677)</u>	<u>(2,434)</u>	<u>(4,103)</u>
	<u>6,130</u>	<u>5,440</u>	<u>17,832</u>	<u>13,915</u>

Income tax expense is recognised based on management's best estimation. The Group's consolidated effective tax rates for the current quarter and financial period ended 30 September 2019 were higher than the Malaysian's statutory tax rate mainly due to certain expenses not deductible under tax legislation.

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B7. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed at the date of this report.

B8. GROUP BORROWINGS

The Group borrowings which are denominated in Ringgit Malaysia ("RM") as at 30 September 2019 are as follows: -

	Unaudited As at 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
Short term borrowings		
Secured:		
Hire purchase liabilities	94	87
Unsecured:		
Bankers' acceptances	30,000	51,145
Term loan	18,700	16,071
Revolving credit	60,000	60,000
	<u>108,794</u>	<u>127,303</u>
Long term borrowings		
Secured:		
Hire purchase liabilities	232	211
Unsecured:		
Term loan	30,000	44,400
	<u>30,232</u>	<u>44,611</u>
Total borrowings		
Bankers' acceptances	30,000	51,145
Term loan	48,700	60,471
Revolving credit	60,000	60,000
Hire purchase liabilities	326	298
	<u>139,026</u>	<u>171,914</u>

B9. MATERIAL LITIGATION

There was no material litigation for the current financial period to date.

B10. DIVIDEND

No dividend was declared or recommended for payment by the Company for the current quarter (previous corresponding quarter : Nil)

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B11. EARNINGS PER SHARE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Net profit attributable to equity holders of the company (RM'000)	16,979	16,757	42,711	38,822
Weighted average number of ordinary shares in issue ('000)	1,150,191	1,128,891	1,137,690	1,120,999
Basic/diluted earnings per ordinary share (sen)	<u>1.48</u>	<u>1.48</u>	<u>3.75</u>	<u>3.46</u>

The Company does not have any dilutive potential ordinary shares in issue for the current quarter to date.

B12. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not qualified.