

7-Eleven Malaysia Holdings Berhad

[Registration No: 201301028701 (1058531-W)]

Date : 27 February 2020

Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2019

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.12.2019	Restated * 31.12.2018	31.12.2019	Restated * 31.12.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	592,730	555,213	2,359,399	2,217,049
Cost of sales	(414,073)	(377,474)	(1,620,671)	(1,518,432)
Gross profit	178,657	177,739	738,728	698,617
Other operating income	47,651	32,353	144,718	122,667
Selling and distribution expenses	(162,157)	(164,701)	(645,850)	(642,803)
Administrative and other operating expenses	(36,628)	(21,855)	(117,333)	(94,714)
Profit from operations	27,523	23,536	120,263	83,767
Finance costs	(11,419)	(2,414)	(43,610)	(9,908)
Profit before tax	16,104	21,122	76,653	73,859
Income tax expense	(4,737)	(8,614)	(22,569)	(22,529)
Profit after tax	11,367	12,508	54,084	51,330
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Revaluation of land and buildings	1,010	2,513	1,010	2,513
Deferred taxation	(193)	(2,145)	(193)	(2,145)
Total other comprehensive income (net of taxation):	817	368	817	368
Total comprehensive income for the financial year	12,184	12,876	54,901	51,698
Profit after tax attributable to:				
Equity holders of the Company	11,347	12,485	54,058	51,307
Non-controlling interest	20	23	26	23
	11,367	12,508	54,084	51,330
Total comprehensive income for the financial year				
Equity holders of the Company	12,164	12,853	54,875	51,675
Non-controlling interest	20	23	26	23
	12,184	12,876	54,901	51,698
Basic/diluted earnings per ordinary share (sen) (Note B11)	0.99	1.11	4.74	4.57

* The presentation and classification in the previous financial year have been reclassified to conform with current year's presentation.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	The Group	
	Unaudited	Audited
	As at	As at
	31.12.2019	31.12.2018
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	338,129	323,982
Right of use assets	608,130	-
Investment property	400	400
Intangible assets	29,390	34,289
Other investments	28,000	1
Sundry receivables	14,533	-
	<u>1,018,582</u>	<u>358,672</u>
Current assets		
Inventories	237,358	224,682
Sundry receivables	69,872	93,465
Cash and bank balances	95,780	72,548
	<u>403,010</u>	<u>390,695</u>
Total assets	<u>1,421,592</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	41,969	41,152
Retained profits	46,985	71,208
	<u>101,916</u>	<u>92,309</u>
Non-controlling interest	195	169
Total equity	<u>102,111</u>	<u>92,478</u>
Non-current liabilities		
Provisions	9,654	7,742
Borrowings	25,413	44,611
Lease liabilities	530,307	-
Contract liabilities	4,549	1,520
Deferred tax liabilities	9,872	18,850
	<u>579,795</u>	<u>72,723</u>
Current liabilities		
Provisions	679	249
Borrowings	124,298	127,303
Trade payables	403,259	345,735
Other payables	129,022	107,114
Lease liabilities	76,494	-
Contract liabilities	2,510	1,699
Taxation	3,424	2,066
	<u>739,686</u>	<u>584,166</u>
Total liabilities	<u>1,319,481</u>	<u>656,889</u>
Total equity and liabilities	<u>1,421,592</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>8.93</u>	<u>8.23</u>

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Equity Holders of the Company						Non-controlling interest RM'000	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		
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)	-	-	-	-	(18,175)	(18,175)	-	(18,175)
As restated	1,485,138	(161,941)	(1,343,248)	41,152	53,033	74,134	169	74,303
Total comprehensive income	-	-	-	817	54,058	54,875	26	54,901
Dividends on ordinary shares		33,013			(60,106)	(27,093)	-	(27,093)
At 31 December 2019	1,485,138	(128,928)	(1,343,248)	41,969	46,985	101,916	195	102,111
At 1 January 2018								
As previously stated	1,485,138	(190,625)	(1,343,248)	40,784	81,985	74,034	-	74,034
MFRS 15 adoption	-	-	-	-	(3,420)	(3,420)	-	(3,420)
Total comprehensive income	-	-	-	368	51,307	51,675	23	51,698
Acquisition of a subsidiary	-	-	-	-	-	-	146	146
Dividends on ordinary shares	-	28,684	-	-	(58,664)	(29,980)	-	(29,980)
At 31 December 2018	1,485,138	(161,941)	(1,343,248)	41,152	71,208	92,309	169	92,478

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE QUARTER	
	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	2,532,961	2,295,127
Cash paid to suppliers and employees	(2,308,099)	(2,183,343)
Cash generated from operations	<u>224,862</u>	<u>111,784</u>
Interest paid	(7,629)	(9,908)
Tax paid	(25,955)	(19,449)
Tax refund	1,198	-
Net cash generated from operating activities	<u>192,476</u>	<u>82,427</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(93,890)	(35,452)
Proceeds from disposal of property, plant and equipment	135	350
Purchase of quoted shares	(27,177)	-
Acquisition of a subsidiary	-	(754)
Dividend received	124	-
Interest received	861	1,008
Net cash used in investing activities	<u>(119,947)</u>	<u>(34,848)</u>
Cash flows from financing activities		
Dividends paid on ordinary shares	(27,093)	(29,980)
Proceeds from bankers' acceptances	205,000	280,200
Proceeds from term loan	-	18,000
Repayment of bankers' acceptances	(211,145)	(301,000)
Repayment of term loans	(16,000)	(11,800)
Repayment of hire purchase and finance lease liabilities	(59)	(85)
Net cash used in financing activities	<u>(49,297)</u>	<u>(44,665)</u>
Net increase in cash and cash equivalents	23,232	2,914
Cash and cash equivalents at beginning of the financial year	72,548	69,634
Cash and cash equivalents at end of the financial year	95,780	72,548
Cash and cash equivalents at the end of the financial year comprises the following:-		
Cash and bank balances	94,382	71,430
Fixed deposits with licensed banks	1,398	1,118
	<u>95,780</u>	<u>72,548</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 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
Assets	
Right of use assets	603,066
Property, plant and equipment	(16,243)
Sundry receivables	(20,920)
Liabilities and Equity	
Deferred tax liabilities	(5,625)
Provisions	(149)
Lease liabilities	589,852
Retained profits	(18,175)

A summary of the effect to statement of comprehensive income on 4Q2019 as follow :

	(A)		Impact of MFRS 16 RM'000	(B)		(A) - (B)	
	4Q2019 (With MFRS16) RM'000	4Q2019 (Without MFRS16) RM'000		4Q2018 (Without MFRS 16) RM'000	Variance without MFRS 16 RM'000	%	
Revenue	592,730	592,730	-	555,213	37,517	6.8%	
Cost of sales	(414,073)	(414,073)	-	(377,474)	(36,599)	9.7%	
Gross profit	178,657	178,657		177,739			
Other operating income	47,651	47,651	-	32,353	15,298	47.3%	
Selling and distribution expenses	(162,157)	(167,901)	5,744	(164,701)	(3,200)	1.9%	
Administrative and other operating expenses	(36,628)	(36,892)	264	(21,855)	(15,037)	68.8%	
Profit from operations	27,523	21,515		23,536			
Finance costs	(11,419)	(2,054)	(9,365)	(2,414)	360	-14.9%	
Profit before tax	16,104	19,461	(3,357)	21,122	(1,661)	-7.9%	
Income tax expense	(4,737)	(5,677)	940	(8,614)	2,937	-34.1%	
Profit after tax	11,367	13,784	(2,417)	12,508	1,276	10.2%	
EBITDA	39,710	39,710	-	38,969	741	1.9%	

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year 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 year.

A7. CHANGES IN COMPOSITION OF THE GROUP

On 27 December 2019, 7-Eleven Malaysia Sdn Bhd ("SEMSB"), a subsidiary of 7-Eleven Malaysia Holdings Berhad ("SEM") had entered into a subscription agreement for the subscription of 490,030 new ordinary shares ("Subscription Shares") representing about 46.45% equity interest in the enlarged issued share capital of Dego Malaysia Sdn Bhd ("DEGO") (*formerly known as Myinteractivelab Sdn Bhd*) for a cash consideration of RM7,512,160. The Subscription has been completed on 3 January 2020. DEGO will be a 46.45% associated company of SEM.

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 year ended 31 December 2019 and period up to the date of this announcement.

A9. DIVIDEND PAID

During the financial year ended 31 December 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 year ended 31 December 2019 is as follows:

	External RM'000	Inter- segment RM'000	Total RM'000
Revenue			
For the twelve months ended			
31 December 2019			
Convenience stores	2,359,188	-	2,359,188
Others	211	697	908
Inter-segment elimination	-	(697)	(697)
	<u>2,359,399</u>	<u>-</u>	<u>2,359,399</u>
For the twelve months ended			
31 December 2018			
Convenience stores	2,216,804	-	2,216,804
Others	245	61,697	61,942
Inter-segment elimination	-	(61,697)	(61,697)
	<u>2,217,049</u>	<u>-</u>	<u>2,217,049</u>

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT**

A10. SEGMENT REPORT (CONT'D)

	CUMULATIVE QUARTER	
	12 months ended	
	31.12.2019	31.12.2018
Results	RM'000	RM'000
Convenience stores	119,727	83,275
Others	(325)	(517)
	<u>119,402</u>	<u>82,758</u>
Interest income	861	1,009
Profit from operations	120,263	83,767
Finance costs	(43,610)	(9,908)
Profit before tax	76,653	73,859
Income tax expense	(22,569)	(22,529)
Net profit for the year	54,084	51,330

A11. PROPERTY, PLANT AND EQUIPMENT

During the 12 months ended 31 December 2019, the Group acquired assets at costs of RM93.8 million (2018 : RM35.4 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 FOURTH QUARTER ENDED 31 DECEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting party	Type of transaction	CUMULATIVE QUARTER	
		31.12.2019 RM'000	31.12.2018 RM'000
With a subsidiary company			
	Dividends receivable from 7-Eleven Malaysia	-	61,000
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia")	Advances to 7-Eleven Malaysia	33,914	3,021
	Interest expense on advances from 7-Eleven Malaysia	3,642	4,436
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 [@]	-	9,981
	Payments to MOL for reload transaction values for in-store services for sale of mobile phone, Touch'n Go and online game reloads and bill payments [@]	-	667,748
U Mobile Sdn. Bhd. ("U Mobile")	Receipts of payment from U Mobile for commission for sale of mobile phone reloads	12,793	12,707
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	235,742	202,214
	Receipts of payment from U Mobile for advertisement placement fees	10,194	7,512

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
NOTES TO THE INTERIM FINANCIAL REPORT**

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER 12 months ended	
		31.12.2019 RM'000	31.12.2018 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	10,166	9,832
Berjaya Sampo Insurance Berhad ("Berjaya Sampo")	Payments to Berjaya Sampo for insurance premium	1,275	1,743
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	3,526	-
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	1,297	1,327

A14. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM8,879,111 (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 Sdn. Bhd. on a clean basis.

A15. CAPITAL COMMITMENTS

	The Group	
	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Property, plant and equipment		
- approved and contracted for	13,913	7,265
- approved but not contracted for	115,697	99,749
	<u>129,610</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 FOURTH QUARTER ENDED 31 DECEMBER 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 RM592.7 million grew by RM37.5 million or 6.8% against the corresponding quarter's revenue in the previous year of RM555.2 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 fresh food segment is 3.7% of total revenue which grew more than 10% against the corresponding quarter in the previous year.

Gross profit of RM178.7 million improved by RM0.9 million or 0.5% compared to the corresponding quarter in the previous year. This was mainly attributed to the increase in revenue, favourable sales mix and improved logistics expenses recovery.

Other operating income increased by RM15.3 million or 47.3% against the corresponding quarter in the previous year mainly due to increase in marketing income.

Selling and distribution expenses for the quarter decreased by RM2.5 million or 1.5% against the corresponding quarter in the previous year. This was mainly due to higher utilities, lower inventory shrinkages and effect of adoption of MFRS 16 : Leases resulting in higher depreciation expenses and lower rental expenses.

Administrative and other operating expenses increased by RM14.8 million or 67.6% against the corresponding quarter in the previous year. This was mainly attributed to impairment loss of receivables, higher staff related costs and maintenance cost incurred in current quarter as compared to the corresponding quarter in the previous year.

Finance cost increased by RM9.0 million or 373.0% 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 RM9.4 million, partially offset by lower finance cost from borrowings of RM0.4 million.

The increase in revenue and higher marketing income partially offset by the increase in staff related cost in HQ and impairment loss of receivables resulted in the Group's profit after tax of RM11.4 million, a decrease of RM1.1 million or 9.1% as compared to the corresponding quarter. The adoption of *MFRS 16 : Leases (effective 1 January 2019)* had reduced profit after tax by RM2.4 million. Excluding *MFRS 16 : Leases*, the Group would have achieved profit after tax of RM13.8 million, an increase of RM1.3 million or 10.2% as compared to the corresponding quarter in the previous year.

Review of 12 Months Period Performance versus Corresponding Period Last Year

For the 12 months ended 31 December 2019, the Group's revenue of RM2.36 billion grew by RM142.4 million or 6.4% against the corresponding period in the previous year of RM2.22 billion. The growth in revenue continued to be driven by the growth in new stores, higher customer count, higher average spend per customer and better consumer promotion activity. Revenue from fresh food segment is above 3.5% of total revenue which grew more than 28.0% against the previous year.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

Review of 12 Months Period Performance versus Corresponding Period Last Year (cont'd)

Gross profit improved by RM40.1 mil or 5.7% compared to the corresponding period in the previous year. This was mainly attributed to the increase in revenue, favourable sales mix and improved logistics expenses recovery.

Finance cost increased by RM33.7 million or 340.1% 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 RM35.8 million, partially offset by lower finance cost from borrowings of RM2.1 million.

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 RM54.1million, an increase of RM2.8 million or 5.4% 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 RM8.4 million. Excluding *MFRS 16 : Leases*, the Group would have achieved a profit after tax of RM62.5 million which is an increase of RM11.2 million or 21.8% 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 lower profit before tax for the fourth quarter by RM7.0 million or 30% against the immediate preceding quarter mainly due to higher administrative and other operating expenses (staff related cost, maintenance cost and impairment loss of receivables) incurred in current quarter.

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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,129	1,146	4,518	4,679
Amortisation of right of use	24,581	-	92,579	-
Depreciation of property, plant and equipment	15,702	14,287	60,426	59,164
Dividend income	(124)	-	(124)	-
Fair value changes of FVTPL for investments in quoted shares	(822)	-	(822)	-
(Gain)/Loss on foreign exchange translation differences	(38)	-	181	6
Impairment of goodwill	-	-	381	-
Impairment loss of receivables	2,284	621	4,978	621
Interest income	(206)	(252)	(861)	(1,008)
Loss on disposal of property, plant and equipment	222	19	382	168
Property, plant and equipment written off	1,516	721	2,496	2,467
Provision for and write off of inventories	5,160	797	11,433	4,482
Unwinding of discount and charge out	197	-	-	-

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 year ended 31 December 2019.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period provision	5,849	6,193	26,888	26,031
Under/(Over) provision in prior year	-	4	(773)	(771)
	<u>5,849</u>	<u>6,197</u>	<u>26,115</u>	<u>25,260</u>
Deferred tax:				
Relating to reversal of temporary differences	(768)	3,600	(4,537)	(1,548)
(Over)/Under provision in prior year	(344)	(1,183)	991	(1,183)
	<u>(1,112)</u>	<u>2,417</u>	<u>(3,546)</u>	<u>(2,731)</u>
	<u>4,737</u>	<u>8,614</u>	<u>22,569</u>	<u>22,529</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 year ended 31 December 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

On 28 November 2019, Convenience Shopping (Sabah) Sdn Bhd ("**CSSSB**"), a wholly-owned subsidiary of 7-Eleven Malaysia Holdings Berhad had entered into a conditional share sale agreement ("**SSA**") with Motivasi Optima Sdn Bhd for the acquisition of 55,198,000 ordinary shares in Caring Pharmacy Group Berhad ("**Caring**") ("**Caring Shares**"), representing approximately 25.35% equity interest in Caring for a total cash consideration of RM143,514,800 or RM2.60 per Caring Share ("**Acquisition**").

The SSA has become unconditional on 14 February 2020 and the Acquisition was completed on 27 February 2020. Upon completion of the Acquisition, the collective shareholdings of CSSSB and identified persons acting in concert with it in Caring increased from 13.41% to 38.77%.

Accordingly, CSSSB is obliged to extend a mandatory take-over offer to acquire all the remaining Caring Shares not already owned by CSSSB and persons acting in concert with it at a cash offer price of RM2.60 per Caring Share ("**Offer Price**") pursuant to Section 218(2) of the Capital Markets and Services Act 2007 and Paragraph 4.01(a) of the Rules and Take-overs, Mergers and Compulsory Acquisitions ("**Rules**"). On 14 February 2020, RHB Investment Bank Berhad had, on behalf of CSSSB, served a notice of unconditional mandatory offer on the board of directors of Caring in accordance with Paragraph 9.01(1) of the Rules, to acquire all the remaining Caring Shares not already held by CSSSB at the Offer Price.

B8. GROUP BORROWINGS

The Group borrowings which are denominated in Ringgit Malaysia ("RM") as at 31 December 2019 are as follows: -

	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Short term borrowings		
Secured:		
Hire purchase liabilities	98	87
Unsecured:		
Bankers' acceptances	45,000	51,145
Term loan	19,200	16,071
Revolving credit	60,000	60,000
	<u>124,298</u>	<u>127,303</u>
Long term borrowings		
Secured:		
Hire purchase liabilities	213	211
Unsecured:		
Term loan	25,200	44,400
	<u>25,413</u>	<u>44,611</u>

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B8. GROUP BORROWINGS (CONT'D)

	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Total borrowings		
Bankers' acceptances	45,000	51,145
Term loan	44,400	60,471
Revolving credit	60,000	60,000
Hire purchase liabilities	311	298
	<u>149,711</u>	<u>171,914</u>

B9. MATERIAL LITIGATION

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

B10. DIVIDEND

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

B11. EARNINGS PER SHARE

	CURRENT QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net profit attributable to equity holders of the company (RM'000)	11,347	12,485	54,058	51,307
Weighted average number of ordinary shares in issue ('000)	1,150,191	1,128,891	1,140,875	1,121,641
Basic/diluted earnings per ordinary share (sen)	<u>0.99</u>	<u>1.11</u>	<u>4.74</u>	<u>4.57</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.