

7-Eleven Malaysia Holdings Berhad

[Registration No: 201301028701 (1058531-W)]

Date : 25 November 2020

Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2020

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	677,123	594,160	1,946,147	1,766,670
Cost of sales	(480,526)	(404,063)	(1,384,509)	(1,203,212)
Gross profit	196,597	190,097	561,638	563,458
Other operating income	38,160	33,278	114,155	93,682
Selling and distribution expenses	(159,842)	(162,555)	(477,427)	(483,695)
Administrative and other operating expenses	(35,658)	(26,929)	(107,035)	(80,705)
Profit from operations	39,257	33,891	91,331	92,740
Finance costs	(14,573)	(10,786)	(40,047)	(32,191)
Share of results of an associate	(316)	-	(966)	-
Profit before tax	24,368	23,105	50,318	60,549
Income tax expense	(8,578)	(6,130)	(20,489)	(17,832)
Profit after tax	15,790	16,975	29,829	42,717
Profit after tax attributable to:				
Equity holders of the Company	12,919	16,979	25,321	42,711
Non-controlling interest	2,871	(4)	4,508	6
	15,790	16,975	29,829	42,717
Total comprehensive income for the financial year				
Equity holders of the Company	12,919	16,979	25,321	42,711
Non-controlling interest	2,871	(4)	4,508	6
	15,790	16,975	29,829	42,717
Basic/diluted earnings per ordinary share (sen) (Note B11)	1.13	1.48	2.21	3.75

* 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 THIRD QUARTER ENDED 30 SEPTEMBER 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	The Group	
	Unaudited As at 30.9.2020 RM'000	Audited As at 31.12.2019 RM'000
Assets		
Non-current assets		
Property, plant and equipment	360,382	338,129
Right of use assets	626,250	608,530
Intangible assets	328,349	29,390
Other investments	3,821	28,000
Investment in an associate	6,547	-
Sundry receivables	23,622	14,533
Deferred tax assets	2,216	-
	<u>1,351,187</u>	<u>1,018,582</u>
Current assets		
Inventories	302,187	231,330
Sundry receivables	54,867	75,900
Cash and bank balances	175,851	96,207
	<u>532,905</u>	<u>403,437</u>
Total assets	<u>1,884,092</u>	<u>1,422,019</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	1,485,138	1,485,138
Treasury shares	(138,876)	(128,928)
Capital reorganisation deficit	(1,343,248)	(1,343,248)
Assets revaluation reserve	41,969	41,969
Retained profits	39,999	46,985
	<u>84,982</u>	<u>101,916</u>
Non-controlling interest	47,540	195
Total equity	<u>132,522</u>	<u>102,111</u>
Non-current liabilities		
Provisions	8,923	9,804
Borrowings	336,966	25,200
Lease liabilities	537,375	530,520
Contract liabilities	7,905	4,549
Deferred tax liabilities	8,203	9,872
	<u>899,372</u>	<u>579,945</u>
Current liabilities		
Provisions	1,490	529
Borrowings	169,582	124,200
Trade payables	434,232	403,259
Other payables	129,350	129,449
Lease liabilities	98,138	76,592
Contract liabilities	3,476	2,510
Taxation	15,930	3,424
	<u>852,198</u>	<u>739,963</u>
Total liabilities	<u>1,751,570</u>	<u>1,319,908</u>
Total equity and liabilities	<u>1,884,092</u>	<u>1,422,019</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>7.43</u>	<u>8.86</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company							
	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	Total equity RM'000
At 1 January 2020								
As previously stated	1,485,138	(128,928)	(1,343,248)	41,969	46,985	101,916	195	102,111
Acquisition of a subsidiary	-	-	-	-	-	-	48,579	48,579
Acquisition of treasury shares	-	(9,948)	-	-	-	(9,948)	-	(9,948)
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	(5,853)	(5,853)	(2,152)	(8,005)
Dividends paid	-	-	-	-	(26,454)	(26,454)	(3,590)	(30,044)
Total comprehensive income	-	-	-	-	25,321	25,321	4,508	29,829
At 30 September 2020	1,485,138	(138,876)	(1,343,248)	41,969	39,999	84,982	47,540	132,522
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	-	-	-	-	(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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE QUARTER	
	9 months ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	2,125,836	1,897,986
Cash paid to suppliers and employees	(1,928,279)	(1,648,756)
Cash generated from operations	197,557	249,230
Interest paid	(14,876)	(5,772)
Tax paid	(11,866)	(18,378)
Tax refund	631	1,150
Net cash generated from operating activities	<u>171,446</u>	<u>226,230</u>
Cash flows from investing activities		
Acquisition of an associate	(7,512)	-
Acquisition of a subsidiary	(259,405)	-
Changes in subsidiary's ownership interests that do not result in a loss of control	(881)	-
Purchase of quoted shares	(486)	(7,075)
Purchase of property, plant and equipment	(36,440)	(58,229)
Proceeds from disposal of property, plant and equipment	100	138
Dividend received	29	-
Interest received	2,186	655
Net cash used in investing activities	<u>(302,409)</u>	<u>(64,511)</u>
Cash flows from financing activities		
Acquisition of treasury shares	(9,948)	-
Dividends paid to shareholders of the Company	(26,454)	(27,093)
Dividends paid to non-controlling interest	(3,590)	-
Proceeds from bankers' acceptances	216,050	131,500
Proceeds from term loan	377,000	-
Payment of principal portion of lease liabilities	(98,832)	(86,443)
Repayment of bankers' acceptances	(209,800)	(152,500)
Repayment of term loans	(33,960)	(11,700)
Repayment of hire purchase and finance lease liabilities	(71)	(190)
Net cash generated from/(used in) financing activities	<u>210,395</u>	<u>(146,426)</u>
Net increase in cash and cash equivalents	79,432	15,293
Cash and cash equivalents at beginning of the financial period	96,207	72,548
Cash and cash equivalents at end of the financial period	<u>175,639</u>	<u>87,841</u>

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

Cash and bank balances	119,552	86,885
Fixed deposits with licensed banks	444	956
Short term funds	55,855	-
	<u>175,851</u>	<u>87,841</u>
Less: Fixed deposit pledged to licensed bank	(212)	-
	<u>175,639</u>	<u>87,841</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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.

During the financial period, the Company acquired Caring Pharmacy Group Berhad ("Caring Group"), which operates in pharmaceutical chain retail, under the "Caring" brand name.

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 2019.

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 2019 except as follows:

On 1 January 2020, the Group adopted the following amended MFRSs mandatory for annual financial period beginning on or after 1 January 2020:

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 3: <i>Business Combinations</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
Amendments to MFRS 16: <i>Covid-19 Related Rent Concessions</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 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

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

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:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform- Phase 2</i>	1 January 2021
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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
NOTES TO THE INTERIM FINANCIAL REPORT

A3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 101 Presentation of Financial Statements: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment: <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: <i>Onerous Contracts- Cost of Fulfilling a Contract</i>	1 January 2022
Annual improvements to MFRS Standards 2018 - 2020 Cycle	1 January 2022
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	
(ii) Amendments to MFRS 3: Business Combination	
(iii) Amendments to MFRS 9: Financial Instruments	
(iv) Amendments to MFRS 16: Leases	
(v) Amendments to MFRS 141: Agriculture	
MFRS 17: Insurance Contracts	1 January 2023

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 2020. 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.

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

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 is now a 46.45% associated company of SEM.

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.

The SSA became unconditional on 14 February 2020 and as such, RHB Investment Bank Berhad, on behalf of CSSSB, served a notice of unconditional mandatory take-over 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, SEM and the PACs for the Offer Price ("Offer").

On 25 March 2020, CSSSB received valid acceptances in respect of the Caring Shares pursuant to the Offer which allows CSSSB to compulsorily acquire all the remaining Caring Shares for which valid acceptances have not been received on or prior to the closing date of the Offer ("Compulsory Acquisition"). The Compulsory Acquisition has been completed on 9 June 2020. Following this, Caring, through CSSSB, is now a 75%-owned subsidiary of the Company, with a total consideration of RM423,232,892.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
NOTES TO THE INTERIM FINANCIAL REPORT

A8. DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share cancellations and resales of treasury shares for the current financial period ended 30 September 2020 and period up to the date of this announcement other than the following:-

Treasury shares

During the financial period ended 30 September 2020, the Company repurchased 7,304,924 of its issued ordinary shares from the open market at an average price of RM1.36 per share with internally generated funds. The shares repurchased are being held as treasury shares.

The number of treasury shares brought back and held in hand as at 30 September 2020 are as follows:

Month	Price per share (RM)			Number of shares	Amount (RM'000)
	Lowest	Highest	Average		
July 2020	1.30	1.40	1.36	7,304,924	9,948

A9. DIVIDEND PAID

During the financial period ended 30 September 2020, the Company paid a single tier cash dividend of 2.3 sen per ordinary share on 1,150,189,924 ordinary shares with voting rights. The entitlement date was fixed on 13 May 2020 and the cash dividend was paid on 28 May 2020.

A10. SEGMENT REPORT

Segmental analysis for the financial year ended 30 September 2020 is as follows:

Revenue	External RM'000	Inter- segment RM'000	Total RM'000
For the nine months ended 30 September 2020			
Convenience stores	1,634,726	-	1,634,726
Pharmaceutical	311,291	-	311,291
Others	130	520	650
Inter-segment elimination	-	(520)	(520)
	<u>1,946,147</u>	<u>-</u>	<u>1,946,147</u>
For the nine months ended 30 September 2019			
Convenience stores	1,766,513	-	1,766,513
Others	157	523	680
Inter-segment elimination	-	(523)	(523)
	<u>1,766,670</u>	<u>-</u>	<u>1,766,670</u>

Results	CUMULATIVE QUARTER 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Convenience stores	82,257	92,858
Pharmaceutical	16,886	-
Others	(9,998)	(773)
	<u>89,145</u>	<u>92,085</u>
Interest income	2,186	655
Profit from operations	91,331	92,740
Share of results of an associate	(966)	-
Finance costs	(40,047)	(32,191)
Profit before tax	50,318	60,549
Income tax expense	(20,489)	(17,832)
Net profit for the year	29,829	42,717

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
NOTES TO THE INTERIM FINANCIAL REPORT

A11. PROPERTY, PLANT AND EQUIPMENT

During the 9 months ended 30 September, the Group acquired assets at costs of RM36.4 million (2019 : RM58.2 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 2019.

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting party	Type of transaction	CUMULATIVE QUARTER 9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000
With a subsidiary company			
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia")	Advances from/(to) 7-Eleven Malaysia	29,380	(34,247)
	Interest expense on advances from 7-Eleven Malaysia	2,533	2,846
Convenience Shopping (Sabah) Sdn Bhd ("CSSSB")	Advances to CSSSB	377,000	-
	Interest income on advances to CSSSB	(1,580)	-
With companies in which TSVT is deemed interested*			
U Mobile Sdn. Bhd. ("U Mobile")	Receipts of payment from U Mobile for commission for sale of mobile phone reloads	10,659	10,918
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	168,258	173,809
	Receipts of payment from U Mobile for advertisement placement fees	6,696	6,145
Securexpress Services Sdn. Bhd. ("Securexpress")	Payments to Securexpress for fees relating to the delivery of merchandise to stores	6,241	7,881
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	1,641	2,548
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	1,025	1,000

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
NOTES TO THE INTERIM FINANCIAL REPORT

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER 9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000
With companies in which TSVT is deemed interested*			
Razer Pay Holdings Pte. Ltd. and its subsidiary companies ("Razer")	Receipts of commission from Razer for in-store services	24,825	-
	Payments to Razer for transaction values for in-store services	2,020,159	-
	Receipts of transaction values from Razer for e-wallet transactions	112,186	-

A14. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM8,940,096 (31 December 2019: RM8,879,111) 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 30.9.2020 RM'000	Audited As at 31.12.2019 RM'000
Property, plant and equipment		
- approved and contracted for	12,573	13,913
- approved but not contracted for	74,159	115,697
	<u>86,732</u>	<u>129,610</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 2020
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

	Convenience store	Corporate exercise	Pharmaceutical	Total 3Q 2020	Total 3Q 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	504,929	NA	172,194	677,123	594,160
PAT	13,222	(5,505)	8,073	15,790	16,975

The group's performance in the current quarter was affected by the Covid-19 pandemic. Our operations and stores operating hours are restricted during Conditional Movement Control Order ("CMCO") which was in effect from 4 May 2020. Subsequently on 7 June, 2020 the Malaysian Government announced the Recovery Movement Control Order ("RMCO") which eased restrictions and allowed interstate travels.

Convenience Stores Segment

Revenue from convenience stores declined by RM89.2m or 15.0%. Most product categories recorded lower revenue resulting in lower gross profits.

Operating expenses improved for the current quarter by RM28.7m or 15.2% due to lower wages from hiring freeze, lower utilities, maintenance, and rents. Excluding expenses incurred in the corporate exercise, the convenience store segment recorded a core Profit After Tax of RM13.2m.

Corporate exercise expenses which is primarily professional fees, interest to finance the acquisition of Caring Group and share of losses in the associate amounts to RM5.5m for the quarter.

Pharmaceutical segment

Caring Group contributed a Revenue and Profit After Tax of RM172.2m and RM8.1m respectively in the current quarter.

Consolidated Group

The Group's consolidated Profit after tax for the current quarter after taking into consideration the corporate exercise expenses stands at RM15.8m.

Review of 9 Months Period Performance versus Corresponding Period Last Year

	Convenience store	Corporate exercise	Pharmaceutical (6 months)	Total YTD 3Q 2020	Total YTD 3Q 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,634,856	NA	311,291	1,946,147	1,766,670
PAT	37,538	(21,617)	13,908	29,829	42,717

Revenue from the convenience stores declined by RM131.8m or 7.5%, primarily driven by lower sales in Q2 and Q3 as a result of MCO and CMCO. Excluding expenses incurred in the corporate exercise, the convenience store segment recorded a core Profit After Tax of RM37.5m.

Corporate exercise expenses incurred for 9 month ended 30 September 2020 amounts to RM21.6m.

In the pharmaceutical segment, Caring Group contributed a Revenue and Profit After Tax of RM311.3m and RM13.9m respectively for the 6 months ended 30 September 2020.

The Group's consolidated Profit After Tax for the 9 months ended 30 September 2020 after taking into consideration the corporate exercise expenses is reported at RM29.8m.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

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

The Group recorded a higher profit before tax for the third quarter by RM24.4m or 93.9% against the immediate preceding quarter due to higher revenue as sale recovered during the RMCO period in the pharmaceutical segment and better gross profit margin for current quarter.

B3. PROSPECTS

In view of the current trading condition under CMCO in major states, the Group is taking a cautious view over the outlook for the last quarter of 2020 due to the persevering effects of COVID-19 and the measures necessary to control the pandemic. Nevertheless, the Group will continue to explore opportunities for growth in other channels and innovate in our product offerings. We will also 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 and Caring 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.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B5. PROFIT FROM OPERATIONS

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

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,129	1,129	3,388	3,388
Amortisation of right of use	30,659	22,337	81,480	67,998
Depreciation of property, plant and equipment	16,848	15,114	49,776	44,726
Dividend income	-	-	(29)	-
Fair value changes of FVTPL for investments in quoted shares	(145)	(101)	1,287	(101)
(Gain)/Loss on foreign exchange translation differences	(6)	117	(38)	219
Impairment of goodwill	-	-	-	381
Impairment loss of receivables	-	544	-	2,694
Impairment on property, plant and equipment	16	-	102	-
Interest income	(1,360)	(231)	(2,186)	(655)
Loss on disposal of property, plant and equipment	6	178	517	159
Property, plant and equipment written off	1,083	461	2,856	980
Provision for and write off of inventories	3,475	2,336	9,539	6,273

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 2020.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	8,640	9,337	22,469	21,039
Under/(over) provision in prior year	11	(773)	10	(773)
	<u>8,651</u>	<u>8,564</u>	<u>22,479</u>	<u>20,266</u>
Deferred tax:				
Relating to reversal of temporary differences	(73)	(3,769)	(2,010)	(3,769)
Under provision in prior year	-	1,335	20	1,335
	<u>(73)</u>	<u>(2,434)</u>	<u>(1,990)</u>	<u>(2,434)</u>
	<u>8,578</u>	<u>6,130</u>	<u>20,489</u>	<u>17,832</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 2020 were higher than the Malaysian's statutory tax rate mainly due to certain expenses not deductible under tax legislation.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

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**").

Pursuant to 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, upon the SSA becoming unconditional, 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 ("**PACs**") 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 ("**CMSA**") and Paragraph 4.01(a) of the Rules and Take-overs, Mergers and Compulsory Acquisitions ("**Rules**").

The SSA became unconditional on 14 February 2020 and as such, RHB Investment Bank Berhad, on behalf of CSSSB, served a notice of unconditional mandatory take-over 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, SEM and the PACs for the Offer Price ("**Offer**").

The SSA was completed on 27 February 2020.

On 25 March 2020, CSSSB received valid acceptances in respect of the Caring Shares pursuant to the Offer which allows CSSSB to compulsorily acquire all the remaining Caring Shares for which valid acceptances have not been received on or prior to the closing date of the Offer ("**Compulsory Acquisition**").

The Offer closed on 10 April 2020. Subsequently, on 27 April 2020, CSSSB invoked the provisions of Section 222(1) of the CMSA, subject to Section 224 of the CMSA, for the Compulsory Acquisition, and the notice for the Compulsory Acquisition was despatched to the dissenting shareholders of Caring on the same date ("**Compulsory Acquisition Notice**").

Caring was delisted from the Official List of Bursa Malaysia Securities Berhad on 8 May 2020. The Compulsory Acquisition has been completed on 9 June 2020. Following this, Caring, through CSSSB, is now a 75%-owned subsidiary of the Company.

B8. GROUP BORROWINGS

The Group borrowings which are denominated in Ringgit Malaysia ("RM") as at 30 September 2020 are as follows: -

	Unaudited	Audited
	As at	As at
	30.9.2020	31.12.2019
	RM'000	RM'000
Short term borrowings		
Secured:		
Term loan	39,132	-
Unsecured:		
Bankers' acceptances	51,250	45,000
Term loan	19,200	19,200
Revolving credit	60,000	60,000
	<u>169,582</u>	<u>124,200</u>

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B8. GROUP BORROWINGS (CONT'D)

	Unaudited As at 30.9.2020 RM'000	Audited As at 31.12.2019 RM'000
Long term borrowings		
Secured:		
Term loan	326,166	-
Unsecured:		
Term loan	10,800	25,200
	<u>336,966</u>	<u>25,200</u>
Total borrowings		
Bankers' acceptances	51,250	45,000
Term loan	395,298	44,400
Revolving credit	60,000	60,000
	<u>506,548</u>	<u>149,400</u>

B9. MATERIAL LITIGATION

On 9 November 2020, 7-Eleven Malaysian Sdn Bhd ("7-Eleven"), a wholly-owned subsidiary of the Company and another company, Qinetics Solutions Sdn Bhd ("Qinetics") had filed a Writ of Summons together with the Statement of Claim (collectively, "HC Suit") to Encik Nabil Bin Feisal Bamadhaj ("Encik Nabil") and Dego Malaysia Sdn Bhd (previously known as Myinteractivelab Sdn Bhd)("Dego") for respective claims arising from a Subscription Agreement dated 27 December 2019 made between 7-Eleven, Encik Nabil and Dego ("SA") and a Share Sales Agreement dated 11 September 2019 made between Qinetics and Encik Nabil.

The filing of the HC Suit arises from 7-Eleven's claim for recession of the SA for various misrepresentations made by Encik Nabil and Dego to induce 7-Eleven to invest in Dego. The HC Suit is fixed for case management on 20 November 2020 via E-Review.

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 9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Net profit attributable to equity holders of the company (RM'000)	12,919	16,979	25,321	42,711
Weighted average number of ordinary shares in issue ('000)	1,143,647	1,150,191	1,147,993	1,137,690
Basic/diluted earnings per ordinary share (sen)	<u>1.13</u>	<u>1.48</u>	<u>2.21</u>	<u>3.75</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 2019 was not qualified.